

Minutes of the Audit Committee meeting held on Friday 26th June 2020 (via Microsoft Teams) at 3pm

Present:	David Rogers, Chair Julie Obada Stephen Sawbridge Amanda Anthony, External Co-optee		
In Attendance:	Maxine Bagshaw, Clerk to the Corporation Denise Brown, Principal/CEO Antoinette Lythgoe, CFO Anna Spencer-Gray, External Auditor, RSM Jonathan Creed, Internal Auditor, ICCA		
Min. No.		Action By Whom	Action By When
1	AUDITORS MEETING WITH THE COMMITTEE WITHOUT MANAGEMENT PRESENT		
	It was confirmed that auditors had not requested a meeting with Governors in the absence of management.		
2	APOLOGIES FOR ABSENCE		
	Apologies for absence were received from Patrick Clark from ICCA; Jonathan Creed was welcomed to the meeting in his place.		
3	DECLARATIONS OF INTEREST		
	The Chair reminded everyone present to declare any interests that they may have on matters to be discussed. No specific declarations were made and standing declarations were noted.		
4	MINUTES OF THE MEETING HELD ON 24TH APRIL 2020		
	The minutes were reviewed and it was agreed that they were an accurate record of discussions. AGREED: to approve the minutes of the meeting held on 24 th April 2020. There were no matters arising.		

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<p>5</p>	<p>ACTION PROGRESS TABLE</p> <p>The Committee were happy to note the content of the update provided. In relation to line 5, it was explained that the Executive Board is now reviewing the staff survey prior to it being reported to Governors and there is the anticipation of a need to respond further in order improve communication within the College. The suggested 'freedom to speak guardians' will be a strand of the communication actions agreed.</p> <p>AGREED: to note the content of the update provided.</p>		
<p>6</p>	<p>INTERNAL AUDIT REPORTS</p> <p>Jonathan Creed from ICCA presented this item and a number of matters were considered:</p> <p>1) <u>Learning Support and High Needs Funding</u></p> <p>Key matters noted were:</p> <ul style="list-style-type: none"> • Overall assurance conclusion is: adequate design, adequate application/compliance and reasonable assurance opinion. • He described this as a positive opinion. • Governors' attention was drawn to the Executive Summary at section 2.1. It was explained that ALS, as a subject in FE, is an area of high expenditure for the ESFA and that historically there have been no significant audits in relation to this. ESFA had started to pilot some audits prior to lockdown and, in particular, earning adjustment statements are starting to come to the forefront of the ESFAs mind. Given this context, it is highly likely that this area will get a greater degree of focus nationally, than has been the case in prior years. • Section 2.3 identifies the areas for improvement. Action plan reference 3.1 is all about the evidence available and, in particular, inconsistencies. Action plan reference 3.2 specifically refers to the availability of evidence at audit. • There have been positive and timely management responses to both recommendations, with the actions agreed already being implemented. <p>The Principal confirmed that this report has been discussed at the Executive Board and it has been agreed that there is a little more work to do, which will be completed over the summer, so that the College is ready for the start of year in September 2020.</p> <p>AGREED: to note the content of the audit report presented.</p> <p>2) <u>Follow up on previous internal audit recommendations</u></p> <p>The content of the report was noted and ICCA confirmed</p>		

	<p>substantial assurance, with 100% of the recommendations being fully implemented. They drew the Committees attention to section 1.4, which summarises the reports followed up on. These were</p> <ul style="list-style-type: none"> • Financial Planning and Budgetary Control, and • Corporate Governance <p>He confirmed that the audit shows that there was full reporting in place to the Audit Committee.</p> <p>AGREED: to note the content of the update provided.</p> <p>3) <u>Apprenticeship Delivery</u></p> <p>Key matters noted were:</p> <ul style="list-style-type: none"> • Overall assurance conclusion shows a good design, adequate application/compliance and reasonable assurance opinion. • Section 2 summarises the three recommendations made. One recommendation relates to Apprenticeship processes and two recommendations relate to the evidence of Apprentice progress. • Section 3 is the action plan: <ul style="list-style-type: none"> - 3.1 relates to the negotiated price required within Apprenticeship paperwork. He explained that details of price negotiation needed to be included within the paperwork and that this is a funding and audit requirement. Guidance has changed multiple times since May 2019 and often retrospectively applied. There is a low recommendation made in relation to evidencing price negotiation, a medium recommendation regarding periodic reviews and it was noted that a data purge exercise is ongoing on this, and a medium recommendation regarding out of funded learners. <p>The Committee questioned whether there had been any specific review regarding the relationships between business development, team delivery and coaches, as issues like these can often be symptoms of a less than effective set of relationships. The Principal explained that the role of the Business Development team stops at the point of sign up and then it is down to delivery i.e. Assessors and the Quality team thereafter. There have been some issues between the technical certification part of Apprenticeship provision and other areas e.g. Functional Skills and, as a consequence, the structure has been reviewed to try and bridge the gap. Skills Coaches will now be line managed by the curriculum, which is a change. It was also explained that the position has been exacerbated by Covid.</p> <p>A challenge from the Committee was the requirement to have organisational coherence in relation to the Apprenticeship processes.</p>		
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	<p>A challenge from the Committee was in relation to the percentage of learners where there is a lack of evidence and, on the basis of 20%, they questioned whether the RAG rating/recommendations should be 'high' rather than 'medium'. The Principal confirmed that, internally, there is an exercise underway to try and unpick what specifically relates to Covid in terms of a decline, versus what could be a 'return to old ways'. The Committee were advised that the decline and then increase seen is impacted by a misunderstanding by staff on the guidance issued. Having picked this up, assurance was given that this is now being monitored after CPD. It was confirmed that the Apprenticeship Improvement Board oversees the position and the aim is to complete as many Apprentices as possible this year and then approach 2020/21 as a fresh start. Given the trend seen, the Committee asked that the Curriculum, Quality & Standards Committee receive regular reports on out of funded learners.</p> <p>When considering the content of the report, the Committee questioned whether there had been issues in relation to the move to digital records. It was explained that learner data had been uploaded to Smart Assessor but, because the ProSuite information had not been cleansed prior to uploading, there were some learners uploaded who had been withdrawn. She confirmed that the College was now going through a process to cleanse.</p> <p>AGREED: to note the content of the update provided.</p> <p>4) <u>GDPR</u></p> <p>ICCA presented this report and were pleased to provide substantial assurance. The Committees attention was drawn to page 8 section 4.3 and it was explained that the missing part is the audit walks and that these are needed to ensure that processes have been embedded.</p> <p>AGREED: to note the content of the report provided.</p> <p>5) <u>IT Data Security Follow Up Audit</u></p> <p>ICCA confirmed an overall substantial assurance opinion and that their review confirmed that actions agreed had been 100% fully implemented. It was confirmed that the review had been undertaken by the senior IT consultant, who completed the original audit.</p> <p>In relation to the GDPR and IT Data Security follow up audits, the Committee felt that it was worth acknowledging the great work done, as these are two areas that have been an issue and a concern for a few years. Thanks and appreciation were noted for the Director of IT Services and his team.</p>	CFO	2020/21
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	<p>AGREED: to note the content of the update provided.</p> <p>6) <u>Management Information and KPIs</u></p> <p>Key matters noted were:</p> <ul style="list-style-type: none"> • Overall assurance conclusion is good design, good application/compliance and substantial assurance • There is just one advisory recommendation, which has been actioned already in reports to the Board <p>It was confirmed that improvements in this area are as a result of joint efforts between MIS and Quality and that this now completes one of the FE Commissioner recommendations.</p> <p>AGREED: to note the content of the report provided.</p> <p>7) <u>Progress Report 2019/20</u></p> <p>Internal Auditors confirmed that this summarises the current position. There have been eight reports presented, one is at the fieldwork stage and one is at the planning stage. Section 1.3 provides a summary table of the audit outcomes.</p> <ul style="list-style-type: none"> • It was noted that report 4, in relation to 'Key Financial Controls: Capital Expenditure, has been deferred to the next academic year because of the practicalities of completing and the need for on-site access. • Report 9, which is the External Assurance regarding Sub-contracting Controls, is required where the level of sub-contracted audit activity is £100k+. There had been some debate regarding the likely Stoke on Trent College value in 2019/20; however, it has now been confirmed that it will be just over £100k and therefore the mandatory audit will take place. <p>AGREED: to note the content of the update provided.</p> <p>8) <u>Internal Audit Plan 2020/21 and Strategy to 2021/22</u></p> <p>The Committees' attention was drawn to section 4 and it was confirmed that the proposed areas of audit have now been reviewed by the Executive. It was confirmed that the plan is flexible and can be changed in response to risks and/or environmental changes.</p> <p>Proposed areas to cover include:</p> <ul style="list-style-type: none"> • Student journey – recruitment and retention, • HR and payroll, • Key financial controls – procurement, purchasing and capital expenditure, • Staff utilisation, • ESFA funding audit, • Safeguarding, 		
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	<ul style="list-style-type: none"> • External assurance (Sub-contracting Controls), • Partnerships, • Follow up of previous Internal Audit recommendations <p>The Committee discussed the proposal to complete the student journey audit in term one and felt that completing it at this point in time may just highlight Covid specifics and therefore, it was agreed to move this to term two, as was the ESFA funding audit work.</p> <p>AGREED: with the change in date for student journey and ESFA funding audit, to agree the draft plan for 2020/21 as presented.</p>		
7	COMPOSITE COLLEGE RECOMMENDATIONS REPORT		
	<p>The CFO presented this item and was pleased to advise that virtually all actions outstanding have been completed or are nearing completion.</p> <p>AGREED: to note the content of the update provided.</p>		
8	RSM 2019/20 EXTERNAL AUDIT PLANNING MEMORANDUM		
	<p>RSM presented this item and key matters noted were:</p> <ul style="list-style-type: none"> • Page 5 sets out the timetable and the plan is for execution of fieldwork in the week commencing 12th October 2020. This may or may not involve staff being physically on site. All RSM staff are currently remote working online and this is going well. • Page 6 provides a summary of risks and there are no significant changes from the prior year risk profile; however, the grading of risk impact is new. <p>A question from the Committee was that 'management override' is described as a high risk and they asked whether this was particular to Stoke on Trent College. Auditors confirmed that this was something that they look at every year and that they are guided by international standards of auditing. Within FE there are higher perceived risks than in many sectors, which is why it is a focus, but it is not specific to the College.</p> <p>AGREED: to approve the RSM 2019/20 External Audit Planning Memorandum as presented.</p>		
9	COVID-19 UPDATE		
	<p>The CFO provided a verbal update and key matters noted were:</p> <ul style="list-style-type: none"> • The CFO and Principal meet with the five Committee Chairs fortnightly to provide assurance during the pandemic circumstances (Keeping In Touch meetings (KIT)), • Covid-19 Working Group is in place, which meets weekly; 		

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	<p>this is in 2019/20 and will continue in to 2020/21,</p> <ul style="list-style-type: none"> • The College continues to respond to a moving and fluid situation, • The Executive will join the Working Group from next week to avoid duplication, • Risks have been clearly highlighted, with actions agreed to mitigate, • Detail of tests undertaken have been shared with the Chairs/KIT group, • Strong plan in place from now until 31st August 2020 and the College is still planning for September 2020, • A challenge from the KIT group was tracking and tracing and how the College will respond. The Executive are now reviewing options with the IT department. <p>A challenge from the Committee was that there is a strategic risk in terms of not identifying and capturing the opportunities and solely focusing on the challenges. This is in relation to government funding and retraining requirements. The Principal and CFO confirmed that they were determined to capture all opportunities and an example was the Sandwell College bid as part of College Collaboration Fund and three LEP bids submitted. It was confirmed that the College remains on high alert for emerging funding opportunities.</p> <p>The Committee were advised that a challenge from the Transformation, Finance & Resources Committee this morning was to have a more effective business model in place regarding online learning and remote learning; this will be part of the Digital Transformation journey. All acknowledged that relationships with the Local Authority and LEP would be important in terms of responding to the economic impact; this is for 16-18 and adults.</p> <p>A question and challenge from the Committee was in terms of Apprenticeship provision and the fact that the College has seen decline and that this is likely to continue. One member of the Committee confirmed that she sits on the Local Authority 'Covid Economic Recovery Group' and that part of discussions include both the opportunities and the challenges. She confirmed that she would keep the College fully advised of emerging developments. It was acknowledged that digital skills, access, resources and IT infrastructure are a significant issue for both the City and the College. In addition, the care sector needs a career structure, as none is currently in place. The Principal reminded that Stoke on Trent College is offering a number of free courses to adults and is therefore contributing to the community and is taking a lead in this.</p> <p>The Committee asked how the College will respond to the current Year 11 position in September, particularly in relation to progress, engagement, catch up and apathy. One member of the Committee advised that, through the Opportunity Area, there is a</p>		
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	<p>post 16 English and maths project in place and that this will carry on for a fourth year. In addition, there is some underspend and these funds are being used to analyse and support transition.</p> <p>AGREED: to note the content of the update provided.</p>		
10	RISK MANAGEMENT		
	<p>The CFO introduced this item and confirmed that the focus is the Risk Register and also risks associated with re-opening.</p> <p>1) Risk Register</p> <p>Key matters noted were:</p> <ul style="list-style-type: none"> • The intention is to roll forward the 2019/20 Risk Register and Board Assurance Framework in to 2020/21, with changes highlighted in yellow. • There are three residual red risks, with risk 10 being a 'deep amber', • Risk 11 relates to IT - risks in this area are well known and discussed frequently, • Potential PMO cash sweep if the College invests more than £400k in relation to capital investment, • Risk 15 relates to HE - it is believed that this risk can now be downgraded, given that Staffordshire University undertook a partnership review last week and the College passed and therefore arrangements will continue for the next five years. <p>2) <u>Re-opening Risks</u></p> <p>It was agreed that the CFO would circulate a copy of her report recently presented at the Keep in Touch meeting.</p> <p>Particular risks relate to:</p> <ul style="list-style-type: none"> • Funding, particularly Apprenticeship provision. This includes uncertainty regarding Apprenticeship numbers, withdrawals, new starts and breaks in learning. • AEB and the impact on student numbers. • Student achievements – the College currently does not know the exact numbers impacted by delayed assessments. • Government cap on the number of students who are able to be on site at any one time. • Assessors resuming work place visits – processes have been updated • Ensuring that Stoke on Trent College is a safe place to study and work, with all practical measures implemented. • Resuming a larger presence on site during the week, which is currently 20 per site. • Track and trace and the role of ID cards and CCTV. • Supporting staff who are anxious about returning; 1:1s 	CFO	June 2020

	<p>will be provided.</p> <ul style="list-style-type: none"> • Website communications. • Behaviour expectations. • Enrolment briefings. • Staff webinar conference. • Free school meals to be offered to vulnerable learners over the summer at an estimated cost of £15k. <p>When considering the information provided, a challenge from the Committee was that there were some residual scores missing or miscalculated.</p> <p>AGREED: to note the content of the update provided.</p>		
11	FINANCIAL REGULATIONS UPDATE		
	<p>The CFO introduced this item and drew the Committees attention to the small number of proposed changes for 2020/21. She confirmed that she would undertake an annual review in June each year and that any recommendations for change would be presented to this Committee. When considering the document, an inconsistency was noted at appendix A, where the figure should be £75k.</p> <p>AGREED: to recommend that the Board approve the update to the Financial Regulations as presented.</p>		
12	DATA RETENTION POLICY		
	<p>The CFO introduced this item and confirmed that the introduction of the Data Retention Policy is part of parcel of the GDPR improvements and that this is a more comprehensive policy than has historically existed. She confirmed that this has been reviewed by the Data Protection Working Group.</p> <p>AGREED: to recommend that the Board approve the Data Retention Policy as presented.</p>		
13	EXCEPTIONS REPORT		
	<p>The CFO confirmed that there was nothing to report to this Committee in terms of regularity.</p> <p>She made reference to the review undertaken by David White, following the identified need to make sure that all partnership arrangements are on the right footing. The review was undertaken this week and, as a result, the College will be changing at least one partner in terms of status, with a move to them being a sub-contractor rather than a partner. It was agreed that a full report on this would be provided to the next meeting. It was confirmed that there are funding, as well as assurance risks and issues that need to be considered in this area.</p>	CFO	Sept. 2020

	AGREED: to note the content of the update provided.		
14	AUDIT SERVICE SECTOR UPDATE		
	<p>Auditors were invited to provide a briefing on any matters that they felt ought to be brought to the Committees attention. A number of matters were noted:</p> <ul style="list-style-type: none"> • The accounts direction published by the ESFA has not yet been issued, neither has the audit code of practice. The sector is not expecting significant changes but there may be some disclosure points. • SARQ content may be changed and therefore it may be worthwhile the College holding off on completing this for a week or two. • There will be a College planning financial handbook and a new IFMC. It is expected that the deadline for completion will be 31st December 2020. <p>The CFO advised that, because the College is in intervention, it has to produce/complete an IFMC three times a year. The next one is due for the period to 31st July 2020 and will be submitted in September 2020.</p> <p>Auditors confirmed that 'IFMC light' has been issued with a submission deadline of 31st July 2020 to the ESFA. The CFO confirmed that she was comfortable that the College can hit the deadline and that information requested includes cashflow and financial commentary, with specifics requested in relation to Covid impact.</p> <p>AGREED: to note the content of the update provided.</p>		
15	COMMITTEE REVIEW		
	<p>The Clerk introduced this item and confirmed that this was an opportunity to reflect back on the year and to also indicate whether any changes were to be recommended to the Board in terms of Committee membership and/or Terms of Reference. The Committee were happy that they had satisfied the remit set out in the Terms of Reference and that they remain fit for purpose and therefore were happy to continue.</p> <p>AGREED:</p> <ol style="list-style-type: none"> To recommend to the Board that Terms of Reference and Committee membership roll in to 2020/21 unchanged Approve the draft work plan as presented. 		
16	FRAUD, IRREGULARITY AND WHISTLEBLOWING		
	The CFO confirmed that there were no matters that had been identified.		

	AGREED: to note the content of the update provided.		
17	AOB		
	There were no matters of additional business.		
18	DATE AND TIME OF NEXT MEETING		
	The Clerk confirmed that proposals for the full schedule of meetings was going to the July Board meeting and, once agreed, would be circulated to all Committee members. (Auditors left the meeting at 4.45pm)		
19	CONFIDENTIAL MINUTES OF THE MEETING HELD ON 24TH APRIL 2020		
	The minutes were reviewed and it was agreed that they were an accurate record of discussions. AGREED: to approve the confidential minutes of the meeting held on 24 th April 2020. Meeting closed at 4.50pm.		

Signed : _____ Chair
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