

Minute of a meeting of the Audit Committee held on Monday, 11th September 2023 at 1700h by Microsoft Teams

Present: Denise Rollo (in the Chair); Elaine Clinton; Lee Todd; Norma Boyes

Apologies: Robert Milburn (Chair)

Also present: Karen Wilson (Deputy Principal); Karen Rae (External Auditor);
Tom Winter (Internal Auditor); Jane Murray (Clerk)

19/23 Chair

The Chair having submitted apologies (owing to flight changes), it was agreed that Denise Rollo take the Chair.

20/23 Minutes

Agreed – that the minutes of 19 June 2023 be approved and signed as a correct record.

21/23 Declarations of Interest

None received.

22/23 Internal Auditor's Annual Report

The internal auditor presented the report which gave the Board reasonable assurance that governance, risk management and systems of internal control were operating adequately and effectively. This was the highest opinion level that could be given.

In 2022-23 there had been six audits, with no high recommendations, 3 medium, 9 low and one advisory.

The Committee was familiar with the audits throughout the year and offered their congratulations to staff on a good overall performance. The external auditor noted the potential for external and internal audit to work more closely together in order that they could place more reliance on the internal audit work.

It was noted that the internal auditor's report would go forward to the Board with the Audit Committee's annual report.

23/23 External Audit Strategy

The external auditor presented the audit approach for the 2022-23 audit, noting that there were no 'interests' which would present a conflict. She also noted that there were no issues over long association as the audit manager had been in post for two years and she had acted as responsible individual for six years. A second

Responsible Individual would also be likely to look over the audit given that a deficit position was likely.

She noted that changes to the FRC standard of auditing for 'going concern' required a more robust challenge to management's assessment. She also outlined revised auditing standards and general controls, requiring greater mapping of risks, identification of key controls, including IT. (It was noted that the College has successfully been reaccredited with Cyber Essentials Plus certification, with some good feedback).

The external auditor then listed a series of points arising from a meeting with the Deputy Principal, which noted vacancies in key staff, clawback of circa £200/£250k in the adult education budget, with the cash position still good, but overall reserves could be negative. There were no frauds in-year.

She also noted that they would be testing the potential for management to override controls.

It was noted that the related party transactions listed as part of the strategy would require to be updated.

The Committee had no other issues of concern to add, having given their own priorities for audit in the internal audit plan for this year.

24/23 Regularity Audit

The Clerk presented the regularity audit questionnaire for consideration by the Audit Committee for recommendation to the Board. The main changes were connected to public sector status and she felt that it was demonstrated by the papers to be presented to the committee at this meeting – amendments to financial regulations; updates to procedures and refreshed policies – that the College was taking account of its obligations under Managing Public Money.

Agreed – that the Regularity Audit should be recommended to the Board for signature, subject to any further comments from the Chair and a few minor updates.

25/23 Financial Regulations

Changes to the financial regulations centred on two main areas; the change to public sector status and an attempt to navigate more easily through complex procurement issues.

On the former, changes meant that it was reinforced that managers did not have the authority to sign up to legal documents including indemnities, nor did they have any authority to write off debt. The disposal of assets section has also been updated (noting that the proceeds of any land and buildings should be used for capital purposes). Allowances was amended to be considered in line with debt management procedures.

The procurement thresholds had been changed (having not been changed for some considerable time). This reflected the increasing time constraints involved in spending grant funding. At the bottom end, the proposal was to move the limit for three formal

quotes from £5,000 to £10,000 (including VAT) and at the top end to move the limit for formal tenders from £50,000 to £75,000, with the latter acting as the threshold to waive tenders in specific circumstances by the Principal and above that amount requiring the authority of the Chair (and/or the Board).

It was asked how these limits compared with other colleges; with the finance director noting a wide variety of thresholds in the sector, with the internal auditor concurring. The external auditor felt that the most important element was to make sure that not just the quotations but the value for money evaluation should be held for audit purposes and it was agreed to reinforce that point in the regulations. The challenges of IT procurement were complex and this had been included in the list of potential waivers.

Agreed – that the financial regulations be presented to the Corporation for approval, subject to the change identified in the meeting and any further comments from the Chair of Audit.

Appended to the regulations had been the amended procedure for the disposal of fixed assets which was received and noted, and a first draft of debt management policy, which was noted including the ‘timely’ intervention therein.

26/23 Mini Financial Controls Audit

The Committee had requested a mini audit following an audit in 2022-23. This showed an improving picture although still some concern over delays to credit (procurement) card reconciliation. The committee expressed some disappointment and requested continue to monitor through the tracking report this year. It was also suggested that refresher training be carried out on the appropriate use of procurement cards

27/23 Risk 12: Fraud Risk Register

As part of discussion of key individual risks by the committee, fraud was considered. Although having just been re-accredited with Cyber Essentials Plus, cyber attack and online fraud remained high given the operating environment. It was asked whether procurement cards had ever been hacked and it was noted that while there had been one or two instances over the year, the college had not lost any money.

The meeting closed at 1825h.