

AUDIT AND RISK MANAGEMENT COMMITTEE

Minutes of the hybrid meeting held on 23 November 2021 at 4.00pm

Present virtually: H Nydam, co-opted J Wakelam, Vice Chair
J Gazzard, Chair N Roberts, co-opted

In attendance: C Sutherland, RSM
J Raffel, CFO
N Savvas, CEO
P Ewan, WSC Finance Manager
P Goddard, Scrutton Bland
S Gales, Governance Professional
S Graham, Group Director of HR

Apologies: L Cox, Scrutton Bland

Governor attendees for agenda items 1, 2 and 3 only C Higgins
E D'Souza
S Daley

The meeting started slightly late at 4.08pm

1 Declaration of Interests and Apologies for absence

JWakelam declared her role as a Trustee of Suffolk Academies Trust. No conflicts of interest in relation to the items of the agenda were declared.

Apologies were accepted from LCox.

2 External Auditors Audit Findings Report

In accordance with clause 66 of the Post-16 Audit Code of Practice, all members of the Corporation were invited to attend the first part of the Audit and Risk Management Committee meeting to receive the external auditors' annual findings report.

HNydam joined the meeting at 4.10pm

NRoberts joined the meeting at 4.15pm

The Committee received and considered the draft report provided and CSutherland summarised the key findings:

- Potential audit misstatements of £223k; primarily relating to the accounting of some AEB bursary income and FE Capital Grant Allocation from the DfE
- All recommendations on controls related to Apprenticeship income

The Committee queried whether it is normal to return recommendations on Apprenticeship income. CSutherland confirmed that Apprenticeship income regulations are very complex, so it is quite usual for this area to have recommendations.

CSutherland noted that the audit provides assurance that the funding income has not been materially misapportioned within accounting; whereas a funding audit is more detailed, so this may be worth considering if the Committee needs additional assurance.

The Committee discussed the FE Capital Grant Allocation audit misstatements and asked the auditors if this was a cause for concern. CSutherland noted that for this type of allocation there is a degree of judgement on how this should be accounted for and so the recommended adjustments seek to clarify the accounting of this. CSutherland also noted that whilst to RSM the misstatement is financially material (i.e. over the nominal financial limit), due to it being a standalone item (rather than a

Action

standard revenue stream) the misstatement is less impactful and so CSutherland supported the Executive's proposal not to adjust the financial statements on materiality grounds. CSutherland suggested that fixed asset registers are used to help accounting in the future.

The Committee noted the deficit for 2020/21 and queried whether if there was a similar deficit in 2021/22 whether this would affect the College's banking covenants. JRaffel noted there would be no effect on the College's banking covenants. JRaffel noted that the deficit is a result of the changes to pension schemes, which is affecting all colleges nationally.

The Committee **approved** the draft External Audit Findings Report and agreed to recommend it to Corporation for approval.

3 **Audited Accounts for the year ended 31 July 2021**

The Committee received and considered the report provided and JRaffel summarised the key items:

- The College's income has grown nearly 7% since 2019/20 to £32,251k in 2020/21
- The College's cash position has improved significantly to £5,314k in 2020/21
- Though the College's Income and Expenditure for 2020/21 shows the 'total comprehensive income' position as a £3,189k deficit; the adjusted operating position is a £559k surplus

The Committee discussed the impact of pensions on the overall accounts and whether there was any way the College could further strengthen the narrative in the disclosures to explain that the significant impact of pensions on the accounting position. JRaffel to consider.

JRaffel

Governors queried whether we ought to have a Reserves Policy. JRaffel advised that we have internal planning policies, however as it's not a requirement for FE Colleges the College does not have a formal published reserved policy.

JWakelam asked JRaffel to amend page 18 of the accounts to read "Ms J Wakelam".

JRaffel

The Committee **approved** the draft Audited Accounts and agreed to recommend it to Corporation for approval.

C Higgins, E D'Souza and S Daley left the meeting at 4.35pm

4 **Minutes of the meeting held on 5 October 2021**

The minutes of the meeting held on 5 October 2021 were **agreed** as an accurate record.

5 **Matters Arising from meeting on 5 October 2021**

The matters arising from the meeting were summarised in the report and all actions reported had either been completed or, where appropriate an update had been provided on progress.

6 **Audit Committee's 2020/21 Annual Report**

The Committee received, considered and **approved** the Committee's Annual Report provided.

JNicholson joined the meeting at 4.45pm

7 **Regularity Self-Assessment Report**

The Committee received, considered and **approved** the regularity self-assessment questionnaire and annex B; and agreed for it to be signed by the Accounting Officer.

8 **Internal Auditor's 2020/21 Annual Report**

The Committee received, considered and **approved** the Internal Auditor's Annual report.

9 **Internal Audit Recommendations Tracking Report**

The Committee received and considered the tracking report which shows that of the 13 recommendations; 1 is now complete, 10 are ongoing and 1 is partially complete, with 1 recommendation with no status.

The Committee noted it would be helpful to include the recommendations from the external auditors as well as the internal auditors in the tracking report.

JRaffel

10 **Internal Auditor's Findings Report**

PGoddard summarised the outcome of the internal audit of Anti-Fraud and Whistleblowing Framework which received **significant assurance**, with two low risk recommendations.

PGoddard noted that there are 3 audit finding reports due to be considered at the next meeting (February), with 6 audit finding reports due to be considered in the June meeting.

PGoddard summarised the outcome of the internal audit of Risk Management which received **strong assurance**, with no recommendations. The internal auditors and Committee commended the strength of the College's risk assurance and management controls.

11 **Risk Management Update**

There are currently **2 red, 6 amber, 19 yellow** and **13 green** risks on the register, of which 30 risks have no change in post mitigation score, 3 risks have reduced in score and 6 risks have increased in score, with 1 new risk (R113 relating to increasing severity and occurrence of welfare and behavioural issues impacting on student outcomes) and 2 risks (R061 relating to failure to comply with funding regulations and R073 relating to the failure of SAT impacting on reputation of WSC) have been removed.

The Committee commended the new format of the risk register splitting risks into risk type: Compliance, Financial, Operational and Reputational.

SGraham joined the meeting at 5.12pm

The Committee discussed the reasons for why multiple risks are increasing and agreed to discuss this again further at the next meeting.

A&RMC

12 **GDPR update**

Governors received and noted the update report provided.

SGraham informed that since September 2021, there has been 3 breaches of which 2 were 'Disclosed in Error' and 1 was 'Lost in Transit' and none have been reported to the ICO. There was 1 Freedom of Information request from FE Week requesting data and statistics on T Levels.

13 **Membership update**

SGales provided an update on the work of the Nominations and Governance Committee to recruit additional Governors to the Corporation and to this Committee.

14 **Any Other Business**

- **Start time of future meeting**

The Committee agreed to delay future meetings to start at 4.15pm.

SGales

The meeting closed at 5.20pm