

Minutes of a meeting of the B&FC Audit Committee ('the Committee')

Held on 29 June 2023 at 5.00pm

By videoconference

Members' attendance record:

		23 Nov 2022	1 Mar 2023	29 Jun 2023	2022/23 attendance
Jane Cole	Independent Member	✓	✓	✓	100%
Peter Hewetson	Co-opted Subject Specialist	✓	✓	✓	100%
Chris Holt	Independent Member	✓	A	✓	67%
Martin Long	Independent Member	✓	✓	A	67%

In attendance:

Emma Carroll	Beever and Struthers
Graham Gillespie	Wylie and Bisset
Paul Howard	Governance Professional, PDH Advisory (minutes)
Annalee Hurley	Beever and Struthers
Sue Hutchinson	Beever and Struthers
Alistair Mulvey	Vice Principal Finance and Planning
Steve Yeoman	Financial Controller

1. Chair and quorum

- (i) Jane Cole took the chair and noted that due notice of the meeting had been given to all members and that a quorum was present. She therefore declared the meeting duly convened and constituted.
- (ii) Confirmation was also provided that the Committee had taken the opportunity to meet with the auditors in private before the meeting, in line with established best practice.

2. Apologies for absence

Apologies for absence were received from Martin Long (Independent Member).

3. Declarations of interest

No Committee members declared an interest in any of the agenda items.

4. Minutes of previous meeting

- (i) The minutes of the previous meeting held on 1 March 2023 were **AGREED** as a true and accurate record of proceedings.
- (ii) The Committee considered the action log and noted that there were no actions due or outstanding at the meeting.

5. External audit plan for the year ending 31 July 2023

- (i) Sue Hutchinson presented the draft external audit plan for the year ending 31 July 2023 which had been circulated with the agenda and introduced the Committee to new members of the team – Annalee Hurley, who would be leading the onsite work and Emma Carroll who would be providing cover for Katrina Catlow whilst on maternity leave.
- (ii) In response to a question from Peter Hewetson, Sue Hutchinson advised that the 2% materiality threshold was a fairly neutral approach to the audit, with the range normally being between 1% and 3%, and that the selection of 2% as a threshold did not indicate any undue concern.
- (iii) In response to a further question from Peter Hewetson around revenue recognition and liaison with the internal auditors given their work in this area, Sue Hutchinson advised that internal audit reports are used as part of the risk assessment but that International Standards of Accounting dictate that testing of the controls has to be done first-hand.
- (iv) The Vice-Principal for Finance and Planning noted that the fee for the audit had increased from £38k to £42k and, in response to a question from Chris Holt, Sue Hutchinson commented that the increase was due to the additional work required to be undertaken as a result of changes in auditing requirements.
- (v) The Committee **ENDORSED** the external audit plan and **RECOMMENDED** it to the Corporation Board for approval.
- (vi) Emma Carroll, Annalee Hurley and Sue Hutchinson left the meeting.

6. Internal audit reports

- (i) Graham Gillespie presented a suite of internal audit reports which had been circulated with the agenda.
- (ii) With regard to the internal audit of learner numbers, Graham Gillespie noted the strong assurance provided and confirmed compliance with ESFA guidance based on the sampling undertaken. Peter Hewetson commented on the use of manual systems of control and noted the potential for misreporting. In response, Graham Gillespie confirmed that the auditors had been comfortable with the controls in place. Alistair Mulvey noted the intention to move onboarding Apprenticeships onto a digital platform in order to facilitate exception reporting, which would highlight any missing documentation.

- (iii) With regard to the internal audit of overall financial controls, the Committee noted the strong assurance level provided. In response to a question from Peter Hewetson around the process and authorisation structure for purchases, the Financial Controller advised that authorisation limits are not yet built into the system to prevent authorisations above their delegated limit, but described how this was prevented in practice. The Committee was comfortable that the approach described was reasonable. In response to a further question from Peter Hewetson around credit card usage, the Financial Controller described the systems that are in place and agreed to consider whether an aggregated limit for all credit cards would be beneficial. In response to follow-up questions, the Financial Controller confirmed that management accounts are held in the eFin system, extracted using PowerBI and presented in MS Excel. In response to a question from Chris Holt, the Vice-Principal for Finance and Planning described the business continuity arrangements for a move to a digital solution.
- (iv) With regard to the internal audit of value for money, the Committee noted the strong assurance level provided and had no questions on the content.
- (v) With regard to the internal audit of business continuity and disaster recovery, the Committee noted the strong assurance level provided. In response to a question from Chris Holt, Graham Gillespie provided an overview of how hard the plan had been tested. Jane Cole suggested that it may be beneficial to have a future session on IT disaster recovery and the Committee noted its previous suggestion to hold deep dives into risks on the risks register. It was therefore agreed that a deep dive into a related risk on the risk register would be held at the next meeting.

ACTION: Alistair Mulvey to coordinate

- (vi) With regard to the internal audit of network and cybersecurity, the Committee noted the strong assurance level provided. In response to a question from Peter Hewetson around USB access, Graham Gillespie commented that some colleges within their client base had pushed back on suggestions to prevent USB access because they believed it created unnecessary challenges for students. In response to a follow-up question, the Vice-Principal for Finance and Planning agreed to see confirmation of whether the systems in place would prevent malware from being uploaded to the network via USB access and to confirm this to the Committee outside the meeting.

ACTION: Alistair Mulvey

- (vii) With regard to the internal audit follow-up report, the Committee noted that all recommendations had been reviewed and had been fully implemented. The Committee had no questions.
- (viii) The Committee received the suite of internal audit reports and noted the content.

7. Internal audit tracking log

- (i) The Vice-Principal for Finance and Planning presented the internal audit tracking log which had been circulated with the agenda. He noted that there were no audit actions for which an extension to the deadline is requested.
- (ii) The Committee received the report and noted the content.

8. Internal audit plan 2023/24

- (i) Graham Gillespie presented the proposed internal audit plan for 2023/24 for the Committee's consideration. The Committee noted the inclusion of an audit of learner numbers in the plan when one had been undertaken in the current year. Given the level of materiality of ESFA income, it was agreed that the full audit should continue as planned.
- (ii) The Committee **ENDORSED** the draft internal audit plan for 2023/24 and **RECOMMENDED** it to the Corporation Board for approval.

9. 2022/23 risk management update

- (i) The Vice-Principal for Finance and Planning presented a report which had been circulated with the agenda to share the updated risk register for 2022/23.
- (ii) In response to a question from Peter Hewetson around the number of risks with a likelihood score of 5, the Vice-Principal for Finance and Planning described the way in which the consequence of risks materialising is determined. Jane Cole commented that the risk register reflected the economic, cultural and political challenges facing the organisation.
- (iii) The Committee **ENDORSED** the risk register as presented.

10. Proposed strategic risks for 2023/24

- (i) The Vice-Principal for Finance and Planning presented a report which had been circulated with the agenda to set out the proposed strategic risks for 2023/24. Following discussion, the Committee agreed to increase the score associated with one of the proposed strategic risks.
- (ii) The Committee **ENDORSED** the proposed strategic risks for 2023/24 and **RECOMMENDED** them to the Corporation Board for approval.

11. Compliance with Financial Regulations

- (i) The Financial Controller presented a report which had been circulated with the agenda to summarise the breaches of Financial Regulations and noted that the overall number of breaches continued to reduce. The Committee noted the focused work of the finance team in raising awareness of Financial Regulations, as shown on the covering report.
- (ii) The Committee received the report and noted the content.

12. Review of Financial Regulations

- (i) The Financial Controller presented a report which had been circulated with the agenda to set out a number of proposed changes to B&FC's Financial Regulations, noting that this year's review had also taken account of the requirements of *Managing Public Money* which was now applicable to further education corporations.
- (ii) The Committee **ENDORSED** the proposed changes to the Financial Regulations and **RECOMMENDED** them to the Corporation Board for approval.

13. Other matters to report

The Vice-Principal for Finance and Planning confirmed that there were no other matters to report to the Committee.

14. Cycle of business 2023/24

- (i) Paul Howard presented a report which had been circulated with the agenda to share the Committee's proposed cycle of business for the coming year.
- (ii) The Committee **APPROVED** the cycle of business as presented.

15. Training session: external risk environment

- (i) It was noted that this would now take place at the November meeting of the Committee.

16. Date, time and venue of next meeting

The next meeting of the Audit Committee will be held on 22 November 2023, 5.00pm by videoconference.