Minutes of the Audit Committee Meeting
held on Friday 25 June 2021 at 8.00 am
By Microsoft Teams

Birmingham Metropolitan College

Present	Apologies
Pat Carvalho (PC)	
Helen Miles (HM)	
Alaric Rae (AR)	
Michele Larmour (ML)	
Iqbal Mohammed (IM) from 9.22 am	
In attendance	
Stephen Belling (SB)	
Louise Jones (LJ)	
Simon Eaton (SE)	
Fiona Yardley (FY)	
Mark Dawson (MD) KPMG from 8.54 am	
Jonathan Lanes (JL) BDO from 8.54 am	
Hilary Barber (Clerk)	

Reference	Agenda item
	Apologies
	Apologies were received from Sir Dexter Hutt.
	Declarations of Interest
	No other declarations were received in addition to those contained in the College's Register of Interests.
1 (i)	**Minutes of meetings held on 26 February 2021**
	The minutes of the meeting held on 26 February 2021 were accepted as a true and accurate record. **IT WAS RESOLVED THAT:** **AUC 21:08** **The minutes of the meeting detailed above be approved.**
1 (ii)	**Matters Arising and Action Log**
	FY noted that it had not been possible to make a claim under the Business Interruption Insurance held by the college.
2	**Internal Audit Approach**
	SE introduced the discussion advising that it had been prompted by a recognition that the number of internal audits undertaken during the last year and being considered for 2021- 2022 was significantly higher than the sector average.

HM advised that she had spoken with BDO regarding the historic rationale for a higher number of audits to give a level of assurance when it was felt that the college was at greater risk. It was considered appropriate for Governors to review.

The following key points and questions were raised during the discussion:

1. A higher level of assurance, particularly in relation to financial management, was deemed necessary. Times have changed, and it is important to ensure value for money." (ML)

2. *How much higher than other colleges is BMet's level of assurance? (AR)*

    SB advised that 14 clerks in other colleges referred to an average of between 18 and 50 days. One large, complex college group referred to 100 days.

3. The number of days was surprising as a sense of repetition in some areas (PC)

4. It would be helpful to consider other ways to scrutinise course content rather processes around Teaching and Learning where concerns can be identified by the college's internal quality checks. (PC)

5. High numbers of audits consume a great deal of college staff time." (HM)

6. Would any reduction in internal audits raise concern during formal inspections? What would be the process of managing stakeholders' expectations?" (ML)

7. ESFA / AOC benchmarking would confirm that a 90-day plan is above average. (SE)

8. Is there a sense that the high number of proposed audit days represents a depth or a breadth of detail? (AR)

    SE advised the number represented length and breadth.

9. The Board need to be confident that it is receiving an appropriate degree of assurance (ML)

IT WAS RESOLVED THAT:

AUC21: 09
Further discussions take place with BDO to review the focus areas for an internal audit and consideration be given to whether any focus areas would be reviewed better in other ways.

3	**Internal Audit Actions Tracker**

SE advised that the Audit Tracker had been reviewed and updated in June.

Completed actions had been removed.

There were now 24 live recommendations which included those arising from the most recent audit reports including those relating to Key Financial Controls and Governance Risk Management.

Governors' Questions and Observations

1. *Are items removed from the tracker archived?" (HM)*

    SE advised that they were and could be seen on the second tab of the spreadsheet.

2. *A couple of items are rated as red but all else is progressing well. (HM)*

3. *Reassured by the review, removal of completed actions and confidence that items are being dealt with. (ML)*

4. *A number of items are rated as "medium". Are there any particular issues that should be 'higher/medium'? (AR)*

	SE advised that the item of most priority is that around risk management which requires a renewed strategy to be developed across the whole organisation at both a high and more localised level. This work is being done and further training will be provided to ensure compliance and efficiency. **IT WAS RESOLVED THAT:** **AUC21:10** **The report and tracker be noted.**
4	**Risk Management and Assurance Mapping Update**

	SE advised that in respect of the Risk Register:
	
	▪ All risks and relevant risk holders have been updated.
	
	▪ A summary sheet has been added which captures all risks on one page with a brief description and the mitigating actions.
	
	▪ As an interim measure, two additional fields have been added. The first is a judgement of risk appetite as medium, low or high which in time will become a more sophisticated measure. The current judgements are draft pending agreement by the Audit Committee. The second is a visual arrow to indicate progress of addressing the risk, appropriate controls or a change to the underlying issue.
	
	Governors' Questions and Observations
	
	1. *Update very useful: Who will provide risk management training? (HM)*
	
	   SE advised that the plan is to identify an organisation to provide training for SLT and the Board. A programme will then be developed on skills gate for use throughout the organisation.
	
	2. *Will the risk appetite training involve consideration of the potential impact of a particular risk? (AR)*
	
	   SE advised that suitable training has not yet been identified. The plan is to develop an approach that will be completely relevant and provide useful and meaningful information that works at a strategic level and can be used as simply as possible at an operational level.
	
	3. *The Board need to determine how it wants to manage risk and what it expects the Audit Committee to do on its behalf. (ML)*
	
	4. *The one -page summary and arrows indicating direction of travel are helpful addition to the risk register. (ML)*
	
	5. *It is important that the new team advise Corporation and Audit committee of the pressures and concerns associated with corporation risk strategy so that the Board can develop a strong approach for the Corporation. (ML)*
	
	IT WAS RESOLVED THAT:
	
	AUC21:11
	That the Risk Management Report be noted.

5	**Health and Safety Report**
	LJ presented the report for the Spring term advising that a strong focus had been on responding to Covid. The college continues to be vigilant to protect staff and students. Testing for staff and students is ongoing and the NHS has been offered the Jennens Suite for use as a vaccination centre

which will open on 2nd July with a focus on protecting young adults. The college is participating in the NHS Quality Assurance programme and staff and students are being encouraged to take home as many LF/PCR testing kits as possible for use by family and friends. Staff and students are still being strongly encouraged to wear masks within college.

Governors' Questions and Observations

1. *Are there any issues arising for vulnerable staff or students?" (HM)*

   LJ advised that any staff or students identified as extremely clinically vulnerable have been given individual support plans for working arrangements. This involves 40 staff. No concerns have been raised about the college's approach.

2. *Have any fire evacuation drills taken place? (HM)*

   LJ advised that an unplanned evacuation took place at Sutton. A programme of evacuations will be planned for the start of term in September when it is hoped that normal use of buildings will be resumed.

3. *Has any consideration been given to insurance policies that may cover the risk of legal action being brought in relation to Covid?" (AR)*

   LJ and FY advised that it had not been raised by the AOC. PC advised that it would be useful to raise the question with the AOC.

IT WAS RESOLVED THAT:

AUC21:12
That the Health and Safety Report be noted.

6	**Contracts Action Plan**

LJ presented the Contracts Action Plan report and advised that:

- The report was produced monthly and submitted to the SLT and additionally the WMCA and ESFA, thus undergoing a high degree of scrutiny.
- Recommendations arising from Project Carthage are largely complete.
- Contracts with Oxford Brookes and the University of Birmingham await sign off.
- Compliance testing takes place monthly.
- Overall compliance is good.
- Feedback from the WMCA is favourable.
- A BDO annual review of subcontracting is being undertaken which will allow PC to issue a Certificate of Compliance.

Governors' Questions and Observations

1. *The significant amount of work involved in producing the Action Plan is noted and it gives Governors a high level of assurance. Have there been any concerns raised by Contracts Managers at the level of scrutiny?" (ML)*

   LJ advised that a significant amount of training has been undertaken to support Contract Managers and they welcome the support given. The Contracts Compliance Officer is very persistent but also very supportive.

IT WAS RESOLVED THAT:

AUC21:13
The Contracts Action Plan be noted.

7	**Annual Review of the operation of the Annual Fraud controls**

SE introduced the Annual Fraud Controls report and referred to one relatively minor incident where a legitimate pay claim had been made but the budget heading altered to facilitate the

payment. This triggered an internal review which resulted in a disciplinary process and additional training being provided.

SE noted that attempted Cyber fraud has been an increasing problem during lockdown. Additional IT training has been provided to staff which has proved very effective in avoiding phishing and email scams. The need to remain alert to risks was stressed.

IT WAS RESOLVED THAT:

AUC21:14

The Annual Review of the operation of the Annual Fraud controls be approved.

8	Annual Review of the Terms of Reference

SB referred to the Annual review report and advised no changes have been recommended by the SLT.

Governors' Questions and Observations

1. *2.4 states that at least one member should have a background in finance, accounting or auditing. (HM)*

   SB advised that following the resignation of Simon Thompson, the Governance and Search Committee will be discussing succession planning to ensure a bank of individuals is available to fill any skills gaps when vacancies occur.

IT WAS RESOLVED THAT:

AUC21:15
That the Terms of Reference be approved with no amendments.

9	Internal Audit Reports

HM noted that all reports have been circulated to governors prior to the meeting and invited JL to present.

JL reported the following summary outcomes:

Audit Focus		Recommendations			Overall report conclusions	
		H	M	L	Design	Effectiveness
1	Information Learning Technology Strategy	-	1	1	Moderate	Moderate
2	Budget Setting and Budgetary Control	-	-	3	Substantial	Substantial
3	Learner Records	-	-	1	Substantial	Substantial
4	Corporate Governance and Risk Management	-	6	-	Moderate	Moderate
5	Key Financial Systems	-	3	1	Moderate	Moderate
6	Contract Management Follow Up	-	-	-	Substantial	Substantial

JL noted that all assurances are positive and reported the good progress that has been made in all areas audited. All recommendations are classed as medium or low priority.

JL highlighted the following from each audit:

1. **Information Learning Technology Strategy**
   - *The digital strategy for 2020-23 and gaps around (a) how this will be delivered and (b) how ideas are generated to be more inventive.*

2. **Budget Setting and Budgetary Control**
   - *Significant improvements are noted, and the audit raises only three housekeeping points.*

3. **Learner records**
   - *The audit evidences a positive direction of travel.*

	▪ *A minor issue raised relates to the sign off of a learner record within the context of Covid.*

4. Corporate Governance and Risk Management Recommendations
   ▪ *The terms of Reference for the Governance and Search Committee be reviewed.*
   ▪ *The need for a regular cycle of review of Committee Terms of Reference.*
   ▪ *Further tenure and succession planning is undertaken.*
   ▪ *The Board strengthen its reporting of self-assessment and appraisals.*
   ▪ *A programme of governor training including Equality, Diversity and Inclusions is established alongside a and a formal induction process for new governors.*
   ▪ *A more robust broad skills matrix be adopted including reference to Equality and Diversity.*

JL advised of the Corporations' need to identify and acknowledge that the issue of risk appetite is being addressed. The Board and Audit Committee must also decide how "mature" they aim to be within the target maturity level and what is proportionate for the organisation.

JL also advised that the regulations around mandated internal audits and prescribed scopes of audits were removed a number of years ago. The onus is now on the Corporation to determine where assurance is needed linked to the risk profile and the college's strategy. To do this effectively it is necessary to understand the principal risks, the achievement strategies, what the mitigations are and what assurances are already in place. Overall the college is assessed to be in the middle ground. Putting these processes in place would increase the maturity level.

5. Key Financial Systems
   ▪ *Recommendations about the control of super user accounts have been implemented.*

6. Contract Management Follow Up
   ▪ *Substantial progress has been made and all recommendations are complete.*

In conclusion JL advised that the college has been awarded an Annual Assurance Opinion of "fully clean" based on the design and effectiveness of the college's control systems, governance arrangements and risk management.

Governors' Questions and Observations

1. *The significant amount of work involved in these internal audits is recognised. It is reassuring to note the progress made in all areas. Given the breadth of the Board's work, the focus on governor appraisals is surprising. Appraisals were undertaken and it would seem that concerns relate to an administrative shortfall on the write up. Governors' experience is that governance has improved in its effectiveness with more meetings, more skills brought to the Board and greater attendance." (ML)*

   JL advised committee members that where evidence is not available to support a "substantial" judgement of control arrangements, a moderate assurance will be noted.

2. *With regard to the IT strategy – organisations can find themselves in "technical debt". A technology estates strategy is becoming as important as a physical estates strategy. This will need to be a focus going forward." (AR)*

3. *Encouraged to see the progress recognised and recommendations being addressed. It is important to keep these issues fresh. JL and the team to be thanked for their work (HM)*

IT WAS RESOLVED THAT:

AUC21:16
That the Internal Audit Report be noted. |
| **10** | **Internal Audit Plan for 2021-2022** |
| | JL advised that a draft plan has been developed with reference to:

   ▪ Previous reports. |

	- The college's principal risk register. - Past work and levels of assurance. - Pre-planned audits. The initial plan was shared with SE and FY and the Audit Committee chair. Discussions then took place around the number of audit days planned. When BDO first worked with the college a 75-day plan was in place; this was increased as the college needed further reassurance on a number of matters. Given the positive improvements and stronger controls now in place, the committee needs to decide whether it still requires the high number of days or could now reduce them. ***Governors Questions and Observations*** 1. ***The committee has requested that a further review of current need is undertaken (HM)*** 2. ***The 2021-2022 internal plan should be benchmarked against frameworks used by others to identify the levels of risk and where the Board need assurance, recognising the progress that the college has made." (ML)*** 3. ***What impact would a revised plan have on the requirements for external audit? (HM)*** MD advised that consideration of changes to the Post 16 Audit of Practice would be necessary. This refers to the level of assurance gained by the college and auditors in relation to ESFA funding which is relevant to BDO's audit of Learner Records. **IT WAS RESOLVED THAT:** **AUC21:17** **The Executive team review what is an appropriate level of internal audits for 2021-2022 and whether an Annual Opinion is still required.**
11	**KPMG Audit for the year ending 31 July 2021**
	MD referred to the external audit report and noted the following key points: - The approach to the audit is consistent with previous years. - There are no new accounting standards. - There are minor changes to the accounts' direction. - There are two new audit standards regarding going concern and the audit of estimates (see notes in appendices of the report). The summary assessment is detailed on page 4 and outcomes are consistent with previous years. Two areas of focus are: a) **Going concern.** The college continues to make progress, but this is set within a context of the historic financial position, government changes and funding, and Covid and therefore a significant risk is reflected. b) **Revenue recognition.** Typically, this risk was rebutted in terms of funding from the ESFA because of assurances they gave. However, because the ESFA have now removed these assurances, the audit notes an increased risk level and does not rebut it. Discussions are taking place internally at KPMG and with the FE sector to ascertain the most efficient means of obtaining the evidence around the ESFA funding. Accordingly, more testing is likely to be carried out on funding than previously but not a full funding audit. Further detail will be shared with SE and FY during June and July. **Governors' Questions and Observations** 1. ***Regarding Appendix 11 – 'Restoring Trust in Audit and Corporate Governance'. Are there implications of which the committee should be aware?" (ML)*** MD advised that this relates to the Government White Paper which is currently out for consultation. It contains. A series of recommendations, the focus of the work being around Public Interest Entities, e.g. listed companies and some very large private entities. Most of the proposals would not apply to the college; however there is a proposal in the

longer term to extend the definition of Public Interest Entities (PIEs) but, the threshold is not detailed, and these are not likely to affect the college.

The college should be aware that it is possible that over the next two to five years amendments may be made to the AOC Code of Practice and ESFA regulations to adopt some of the types of measures included in the White Paper as Best Practice.

JL noted that he is receiving a number of enquiries from the educational sector, charities, health bodies etc to check if they are likely to be included as Public Interest Entities and would become subject to the requirements of the regime. It is possible that the two most difficult aspects that could become part of new regulations are:

- Detection of, and protection from fraud and how this is included in internal control programmes.

- The ESG agenda which could produce additional requirements with which the college would need to comply. Full details will not be available until the end of the consultation process on 08 July.

IT WAS RESOLVED THAT:

AUC21:18

That the KPMG Audit for the year ending 31 July 2021 be noted.

12	**Any Other Business**
	SB reported the requirement for an annual review of Whistle Blowing and advised that no issues had been raised during the last year. JL advised that terminology around Whistle Blowing can have a negative connotation. Some companies are attempting to combat this by adopting phrases like "Open Doors" and "Speak Up". JL also suggested the college should analyse how frequently and by what means the Whistle Blowing process is promoted. HM acknowledged that this will be the last Audit Committee meeting attended by LJ and thanked her very warmly for all her valuable help and support. Committee members wish LJ the very best in her new post.
13	**Governors and Auditors**
	The meeting concluded at 9.42 am and independent governors and auditors remained for a further confidential discussion.

Helen Miles

Signed: Helen Miles (May 4, 2022 08:05 GMT+1)

Chair: Helen Miles