

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE

HELD: TUESDAY 10 DECEMBER 2020 AT 1600 VIA MICROSOFT TEAMS

Present	In Attendance
Richard Woods (Chair)	Graham Gillespie (WB – internal auditors)
Steve Roberts	Richard Lewis (RSM – external auditors)
Andy Naylor	Chris Malish (DCEO)
	Zohayb Mohammed (Director of Finance & Procurement)
Apologies	Sarah Cooper (DPS)
Ann Kendal	Craig Tupling (VPQSE)
Andrew Warren	Sarah McKenzie (Clerk)
	Allison McEvoy (Assistant Clerk)

The quorum was two committee members

L/J Denotes the time any individual left/ re-joined the meeting.

Item		Action/ Report Item
1	<u>Members to meet with Auditors in the absence of management</u>	
1.1	Wylie Bisset gave an update on the HR Re- Audit: <ul style="list-style-type: none"> • The previous report was ‘no assurance’ with 10 high grade recommendations • The overall conclusion is now ‘substantial’ assurance • All but 3 of the recommendations have been fully implemented • The remaining 3 are classified as being partially implemented and with good progress towards completion or mitigating circumstances relating to the impact of Covid 19 • HR is in a much better place than it was 6 months ago 	
1.2	RSM provided an update on the Financial Statements: <ul style="list-style-type: none"> • There has been pleasing and positive engagement with the team in terms of responsiveness to the audit and the way that they have embraced the process working virtually • There is outstanding information required from the College and the ESFA to conclude the audit before the financial statement can be signed off, which aren’t of concern and won’t prevent signing in January. • Overall it has been a good audit 	
2	<u>Introductions, Apologies for Absence and Disclosure of Interest</u>	
2.1	Apologies were noted from Ann Kendal and Andrew Warren.	
2.2	The Chair noted that the meeting was quorate with three members in attendance.	
2.3	There were no disclosures of interest.	

3	<u>Minutes of the meeting held on 22 September 2020 and Matters Arising</u>	
3.1	RESOLVED: The Minutes of 22 September 2020 were approved as an accurate record and can be signed by the Chair.	
3.2	The Matters Arising Report was reviewed, noting that the training for governors would take place later in the academic year.	
4	<u>Chair's Actions</u>	
4.1	There had been no use of Chair's action since the last meeting.	
5	<u>Internal Audit Reports</u>	
5.1	NONE	
6	<u>HR Re-audit Update</u>	
6.1	<p>The DPS updated the meeting on HR Internal Re-audit:</p> <ul style="list-style-type: none"> • The draft report was only received this week and is rated as 'substantial' • There were originally 11 high recommendations • 8 are now fully complete • 3 are partially complete and the report recognises the workstreams in place to address these. It also recognises the mitigating circumstances relating to the impact of Covid 19 • Work continues of on improving processes within HR • Really positive progress <p>Well done to the DPS and team for working on it so diligently and ensuring all of the requirements were addressed and also for turning it around so quickly to be able provide an update to the Committee.</p>	
7.	<u>Internal Audit Recommendations: Follow up</u>	
7.1	<p>The DCEO provided an overview on the Internal Audit Recommendations: Follow up, the key points being:</p> <ul style="list-style-type: none"> • The report pre-dates the HR Re-audit findings, this can now be updated • It includes all of the audits that took place in 2019-20 and where the College is with the implementation of those actions now • 71 % are complete and 27% are ongoing • Reasonable progress is being made against all of the audit actions 	
8	<u>Audit Committee Annual Report</u>	
	The Annual Report of the Audit Committee is prepared in accordance with the post 16 Audit Code of Practice (ACOP) for the twelve- month period to 31 July 2020. The	

8.1	<p>Annual Report is written for both the Corporation and its Chief Executive Officer as Accounting Officer.</p> <p>The purpose of the report is to summarise the work of the Audit Committee during the 2019-20 financial year (1 August 2019 to 31 July 2020) and provide an opinion on the adequacy and effectiveness of the corporation's assurance arrangements, framework of governance, risk management and control processes for the effective and efficient use of resources, solvency of the institution and the safeguarding of its assets, and its processes for securing economy, efficiency and effectiveness.</p> <p>This annual report must be submitted to the Corporation before the Statement of Corporate Governance and Internal Control in the Annual Report and Financial Statements are signed. A copy of this report is submitted to the funding body with the annual accounts.</p>	
8.2	ACTION: The Clerk to insert items taken from HR re-audit outcome and external audit opinion	Clerk
8.3	ACTION: The Clerk to share with RSM to ensure consistency	Clerk
8.4	RESOLVED: That the Audit Committee Annual Report is approved, subject to agreed amendments and should be presented to the Corporation on 17 December.	
9	<u>Strategic Risks</u>	
9.1	The DCEO presented the strategic risk register, it was noted that there had been little change due the sequencing of Committee meetings at this time. It was noted that this would be updated prior to the Corporation meeting on 17 December.	
10	<u>Report on Whistleblowing, Fraud and Other Irregularities</u>	
10.1	The DCEO summarised the Report on Whistleblowing, Fraud and Other Irregularities	
10.2	The Report was noted by the Audit Committee	
10.3	RSM asked about instances of Fraud post year end. Members confirmed they were not aware of any instances of Fraud	
11	<u>Value for Money Report</u>	
11.1	<ul style="list-style-type: none"> • The Director of Finance and Procurement introduced the Value for Money Report, noting that this was the first time it had been compiled. The key points being; That there is a downward trend in expenditure from £20m to £15.2m which is due to improved Procurement policies and procedures, performance reviews and scrutinising of costs at business planning • There is a focus on improving quality on IT equipment • There is a strong focus on improving the student experience within the procurement function • Requisition holders can now access a better online purchasing system 	

<p>11.2</p> <p>11.3</p> <p>11.4</p>	<p>The Committee considered the frequency of the report and agreed that there was a need to consider the definition of Value for Money and to report against this. A six - monthly report is welcome.</p> <p>Action: Consider the definition of Value for Money at the next meeting and then update the report at following meeting.</p> <p>Q. Has the Covid situation led to a reduction in expenditure? A. We will see some inherent reduction in terms of materials and supplies due to people not being on the premises. However, there has been an increase of £125k more than expected on costs for signage, sanitiser and additional comms etc. T here was a further £300k signed off at the F&GP Committee to cover the IT expenditure to cope with the digital divide that some students were facing.</p> <p>The Audit Committee welcomed the report.</p>	<p>ALL</p>
<p>12</p> <p>12.1</p> <p>12.2</p>	<p><u>Asset Management Policy</u></p> <p>The DCEO presented the policy, which had been updated to align with the financial regulations and added to the new policy template.</p> <p>Recommendation: that the Corporation approves the Assets Management Policy</p>	
<p>13</p> <p>13.1</p>	<p><u>Annual Report and Financial Statements / Audit Management Letters/ Letters of Representation</u></p> <p>This item was considered jointly by the Finance & General Purposes Committee and the Audit Committee.</p> <p>Members were advised that there had been some changes to the Draft Annual Report and Financial Statements as issued with the meeting papers, although not material, the changes related to strengthening of the commentary and the updated version was shared on screen with members of both committees.</p> <p>Richard Lewis of RSM gave members a tour of Financial Statements, noting that there were two key elements to consider this year, relate to additional disclosures required by the Office for Students and other items requiring disclosures relating to Covid 19.</p> <p>Key items highlighted by RSM were:</p> <ul style="list-style-type: none"> • The governors report - relating to public benefit and how this has been delivered. • The impact of Covid 19 relating to extra resources required for students throughout the pandemic and the use of the government’s furlough scheme. • The charitable work that the College has been involved with in response to the pandemic. • A £3.4m deficit impacted by restructuring and LGPS costs. 	

<p>13.2</p>	<ul style="list-style-type: none"> • £1m investment in capital assets • The fact that the two subsidiaries will be wound up in 2020-21 • Budget and Cash flow forecasts to 2022-23 have been examined by the Corporation and its conclusion that that the College is a going concern. That RMS agrees with this conclusion. • Post balance sheet events are disclosed relating to the positive outcomes from the FE Commissioners stocktake visit and Ofsted interim inspection. • That the Audit Committee is of the opinion that for 2019-20: <ul style="list-style-type: none"> (a) The Committee has operated effectively and has considered issues in detail; (b) In spite of challenging times, the Committee has fulfilled its Terms of Reference by agreeing a suitable and balanced calendar of business throughout the year, and ensured that all duties and responsibilities are covered; (c)The College’s assurance arrangements; framework of governance; risk management and control; and processes for securing economy, efficiency and effectiveness are adequate and effective and reviewed regularly. Audit Committee members signalled their agreement that this was the conclusion they had reached. • The Audit opinion is – Unqualified. • RMS’s conclusion relating to going concern will be that there is material uncertainty. This relates to the breaches of banking covenants. It was acknowledged that the bank had issued waivers in 2019-20 but also that the bank is unable to offer waivers into the future and that if there is a breach without waiver, the bank could call in the debt (£20m). It was noted that there is a good relationship with the bank and the bank has indicated that it has no intention of calling in the debt. • There is a report £22.7m loss for year, including £3.5m relating to Public Benefit activities and £19m relating to the Local Government Pension Scheme, owing to a change in the discount rate due to Covid 19. It was noted that other institutions have also been affected by this to a similar magnitude. • Cash flow has improved over the last year. • Accounting policies, consistent, appropriate and compliant with the ESFAs direction. • Consideration was given to the value of the fixed assets, in the opinion of the auditors the fixed assets appear to be free from material error. <p>Q. Do we have a plan for dealing with the breaches of the bank covenants?</p> <p>A. Quarterly performance reviews, the outcome is reported to F&GP Committee. The covenant that is being breached is debt as a % of income. The relationship with the bank is good and the communication flow between the college and the bank has enabled for an open, transparent and timely dialogue. content with cashflow etc.</p>	
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13.3	<p>Facilities review due in March and the covenant piece will be reviewed and agreed going forward.</p> <p>The F&GP Chair asked the Turnaround Director to comment, it was noted that the College is the process of turnaround, that it is not there yet. That 2020-21 gave some changes but that the College is in a much better position in terms of its resilience. Recruitment for 2021-21 is not where it was planned to be. There needs to be strategic focus on the longer-term outlook to enable the completion of turnaround.</p> <p>RSM explained that they were waiting to receive information from the ESFA to conclude the audit and that whilst the Annual Report and Financial Statements can be approved by the Corporation, they should not be signed by the Chair and Accountable Officer until RSM indicate they are in receipt of the additional information from the ESFA. It was confirmed that electronic signatures can be used.</p> <p>RSM explained that the letters of representation use standard text and theses should be signed at the same time as the Annual Report and Financial Statements.</p> <p>RECOMMENDATION: That the Annual Report and Financial Statements 2019-20 be approved by the Corporation and subject to the receipt of further information from the ESFA to allow the finalisation of the audit, they can be signed by the Chair and Accountable Officer on a date to be determined by the auditors.</p>	
14	<u>Any other business</u>	
14.1	There was no other business.	
15	<u>Meeting Evaluation</u>	
15.1	Meeting evaluation form to be circulated via email.	Assistant Clerk

Approved by the Committee:

R. Woods
Signed by the Chair

08.03.2021
Date

Agreed Actions

#	Minute	Action	Who
1	8.2	The Clerk to insert items taken from HR re-audit outcome and external audit opinion	Clerk
2	8.3	The Clerk to share with RSM to ensure consistency	Clerk

3	11.3	Consider the definition of Value for Money at the next meeting and then update the report at following meeting.	All
4	15.1	Meeting evaluation form to be circulated via email.	Assistant Clerk