

**Minutes of the Meeting of the Audit Committee
held remotely on Monday 30 November 2020**

Present: - Mike Rookes (Chair)
Graham Briscoe (Co-opted Member)
Joe Hedges
Kay Sandford-Beal

In attendance: - Tim Williams (Finance Director)
Jane Simons (College Accountant)
Linda Watkins (Clerk to the Governors)
Abigail Appleton (Principal)
Louise Tweedie (RSM)
Carol Davey (Mazars)
Jon Marchant (Mazars)

The meeting was quorate as four members of the Audit Committee were present.

1. Apologies for Absence

Apologies were received from Emma Lewis (Co-opted Member).

2. Declarations of Interest

None declared.

3. Confidential discussion with Auditors and without Officers present

The Auditors confirmed that there were no issues to raise without officers present. Mazars stated that the process and progress of the financial statements audit was reflected in the reports presented which had been completed remotely with congratulations recorded to the Finance Director and College Accountant. RSM reiterated that the pandemic had created challenges to starting audits that there was full engagement from officers. The Chair thanked the auditors for persevering during challenging times.

4. Minutes of the Last Meeting

The Committee agreed that the Chair should sign the minutes of the meeting held on 8 June 2020 as a true record.

Matters arising have been completed with the exception of the counter fraud policy and assessment which would be addressed on the agenda. A Governor suggested a separate action list with colour coded actions showing the status of actions. Governors agreed that this was not necessary for the committee.

The Committee agreed: -

- To approve the minutes

5. Value for Money Annual Report to 31 July 2020

Members noted the Annual Value for Money Report outlining procurement processes to ensure value for money. This showed the College had satisfactory arrangements to promote economy, efficiency and effectiveness. The report did not include reference to the Office for Students quality measures. A Governor raised staffing costs which were reported at 71% as a percentage of income which exceeded indicators. The Finance Director responded that the College had

recently undertaken a restructuring process to reduce staff costs. This indicator was included in the risk register,

The Committee agreed: -

- To recommend that the Board endorse the value for money annual report to 31 July 2020 which provided assurance of practices

6. Report on non-competitive-tendered contracts to 31 July 2020

This reported that there were no contracts that were over £30,000 that were not tendered in the year to 31 July 2020.

The Finance Director informed Governors that the College had received a capital grant from ESFA of £104K which must be spent by 31 March 2020. This will be a tight deadline to achieve. Progress will be reported to the F&GP Committee and Board for approval of relevant costs during the process; it may be necessary to address by Chair's action by the Chair of the Corporation.

The Committee agreed: -

- To note the report on non-tendered contracts to 31 July 2020

7. Counter Fraud Policy and Annual assessment to counter fraud

The Finance Director and Clerk had completed the annual assessment using the ESFA template. There were no incidents of fraud during the year. The College does not have a counter fraud policy or strategy which will be developed and presented to the Committee. A Governor asked about segregation of duties with confirmation from Mazars and RSM that this is audited annually and considered as part of all audits.

The Committee agreed: -

- To note the assessment to counter fraud confirming that there were no incidents of fraud during the year

8. ACOP regularity self assessment

The ACOP requires completion of the self assessment to provide clarity of the accountability framework, key requirements and evidence to support the statement of regularity, propriety and compliance in the financial statements. Mazars needed to review the document before signing off the accounts.

An amendment was agreed to reporting in the event that there were any whistleblowing incidents. Student complaints are presented to the AQ&S Committee and staff complaints to the F&GP Committee.

ACTION: CLERK TO THE GOVERNORS

The Committee agreed: -

- To recommend that the Chair of the Corporation and Principal sign the regularity audit self assessment which Mazars had reviewed.

9. Annual Report and Financial Statements to 31 July 2020 and assurance

- I. RSM presented the annual report for the year ended 31 July 2020 which provided an overall opinion that the College had an adequate and effective framework for risk management, governance and internal control. This was the second level opinion which RSM usually awarded to GFE colleges which reflects the combination of audit opinions given throughout the year. A benchmarking report will be provided summarising data of RSM's clients in the sector. COVID-19 caused substantial operational disruption from March 2020 meaning that the College's priorities changed with a significant impact on both

the operations of the organisation and its risk profile. It was encouraging that there were no high-level recommendations.

- II. Mazars' Audit Completion Report for the year ended 31 July 2020 was presented with confirmation that the majority of the audit had been completed. COVID-19 had created unusual circumstances this year, however, the audit was conducted to meet regulations and provide a robust audit. Appreciation was recorded to the Finance Director and College Accountant for providing information remotely. Mazars outlined the report covering the purpose of the financial statements audit, financial performance, significant risks, accounting and audit issues to provide assurance for the Corporation to sign off the financial statements to 31 July 2020.

Significant risks and key judgement areas were tested including that management did not override controls, revenue recognition and that the College is a going concern. The financial statements confirmed that the College is a going concern and Mazars would issue an unqualified opinion. Mazars assessed the College's viability for the 12 months from the date of signing the financial statements reviewing if income and expenditure are appropriate to ensure sufficient funds to deliver the College's educational activities. FE student numbers have increased by 15% above the funding agreement in 2020/21 which will increase income in the following year.

A disclosure about the assessment as a going concern was required at a sufficient level for readers to understand how the decision was made. It was crucial to ensure that this was recorded clearly outlining challenges resultant from the COVID-19 pandemic. Governors were asked to confirm that wording is sufficient with no concerns raised.

There is a liability on the balance sheet for the pension liability which Mazars confirmed had been tested by actuaries but reflected the unfavourable movements in discount rates recorded in July 2020. This has increased across the whole college sector and was impacted by the COVID-19 pandemic and its effect on stocks and shares. This has created a liability which the College cannot control.

There are no issues with regularity and a clean audit opinion will be issued.

One minor control point was raised that not all signed contracts of employment could be located; this was a common issue during remote working. Points from last year were followed up with a report provided. There were trivial adjustments which have not been amended and were of no concern.

The audit report included OfS requirements regarding the Access and Participation Plan, cost allocation and confirmation that any grant money received has been spent appropriately. This was provided and was a clean report.

A Governor raised negative reserves and impact in the sector which is a common issue for colleges with many reserves and balance sheets becoming negative in some colleges. The College's cash balance has historically been higher even though the operational deficit has reduced cash; however, this will not cause the College to run out of cash.

There was a question about Brexit asking if there was any guidance regarding expectations for reporting next year. Policies are linked to EU law and regulation, e.g. Companies Act. There has not been any guidance to date.

- III. The Audit Committee's Annual Report to 31 July 2020 was discussed. The Committee is required to present an annual report to the Board to advise on the adequacy and effectiveness of the College's internal control systems in accordance with the Audit Code of Practice. This was a factual report detailing the work of the Committee to 31 July 2020.
- IV. The Principal was unable to recommend the narrative report for approval which was not provided.
- V. The Finance Director reported that the F&GP Committee had discussed the financial data last week which had not changed.
- VI. The Committee agreed to recommend the Board approve the Members' Report and Financial Statements to 31 July 2020 based on reports presented and assurance provided in the previous items.
- VII. The letter of representation was in a standard format and presented for approval to be signed by the Chair of the Corporation.

The Committee agreed: -

- To note RSM's annual report which would be presented to the Board which provided independent assurance
- To recommend that the Board endorse the Audit Committee's Annual Report which would also be submitted to ESFA along with the Members' Report and Financial Statements.
- To note the management letter confirming that Mazars had given HCA an unqualified audit opinion
- To recommend the Board approve the Members' Report and Financial Statements to 31 July 2020 subject to receipt of the final version for circulation to the Committee and Chair of the Corporation
- To approve the letter of representation
- To thank the Finance Director and College Accountant for their role to prepare the financial statements

10. RSM Internal Auditor's Reports

- I. The progress report showed the audit plan had been completed for 2019/20. Client briefings included a summary of the Mary Ney Review, Audit Committee's role to navigate risk during COVID-19 and 2019/20 post-16 ACOP. There were no changes to the role of the Audit Committee although there were some changes to practices in the College.
- II. The follow up audit reviewed progress of recommendations made in 2018/19 showing reasonable progress had been made with 14 recommendations implemented, 11 in progress, 10 not implemented and 7 superseded.
- III. Mental health wellbeing arrangements for students were given substantial assurance based on processes and procedures embedded. There was a medium and a low-level recommendation. It was confirmed that a mental health action plan is being prepared for presentation to the AQ&S Committee in March 2021. The Chair of AQ&S (HE) Committee has agreed to join the mental health working group. A Governor asked about support implemented for staff wellbeing, particularly during the pandemic. The Principal responded

that some staff training had been provided on managing digital workloads. The talent management group meets fortnightly who are managing wellbeing support for staff. Staff have regularly been provided online wellbeing resources and details of a confidential helpline. Overall staff absences have been low, particularly during the pandemic, although some staff have needed to self isolate.

The Committee agreed: -

- To note the Internal Auditor's reports and useful sector updates

11. Risk Management Register and Report

High-scoring risks were noted which included the impact of COVID-19. This had increased scoring on the student experience. The risk of the HE enrolment target not being achieved and relationship with RNC have decreased. There has been a delay to the completion date of Station Approach student accommodation from December to the end of January.

A Governor made an observation that 50% of risks are categorised as high-risk. It was noted that some risks are ongoing from one year to the next.

There was a question if the staff restructuring project should be added to the risk register. This was part of staffing which was already included generically on the register. The restructuring project had been completed. A question followed regarding outstanding actions from the HR audit with target dates for completion moved forwards to February 2021, asking if some of these could be addressed earlier based on recommendations which would ensure HR policies and records are up to date. The Finance Director stated that COVID-19 had hindered progress of some audit recommendations; however, some are near to completion and could be finalised as a priority.

The date of completion of actions to meet GDPR regulations had been moved to March 2021. The Committee had been informed that a consultant would be commissioned to ensure GDPR compliance. The Finance Director confirmed that some work is required on policies and the option to commission a consultant would be considered. **ACTION: FINANCE DIRECTOR**

The Committee agreed: -

- To note the risk register

12. Recommendation Tracking

The Finance Director explained that he would update the tracker taking account of the follow up audit.

13. Any Other Business

There were no items

14. Date and Time of the Next Meeting

The next meeting was arranged for Monday 29 March 2021 commencing at 2.00pm.

Signed as a true record of proceedings:

Chair: **Date:**

