



**Minutes of the Audit Committee Meeting held on 1<sup>st</sup> December 2020  
Via Zoom: 5pm – 6.30pm**

**Members Present:** Eddie Weiss (Chair), Andrew King, Nick Bevan, Bethan Waters

**In Attendance:** John McGrath (Vice Principal, Corporate Services) (VPCS), Sarah Mason (Representing External Auditors, RSM), Karen Mitchell (Principal), Anna Smith (Clerk)

**1. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST**

There were no apologies no new declarations of interest relevant to the business of the Committee.

**2. MINUTES OF THE MEETING HELD ON 24<sup>TH</sup> JUNE 2020 AND MATTERS ARISING**

The minutes were **Approved** as a correct record and would be signed electronically.

**3. ANNUAL REVIEW OF AUDIT COMMITTEE TERMS OF REFERENCE**

The terms of reference had been amended to include reference to the Corporation Standing Orders therefore allowing for meetings to take place online.

The Committee **Recommended** the revised terms of reference for Corporation approval.

**4. DRAFT ANNUAL REPORT AND FINANCIAL STATEMENTS 2019-20**

The VPCS presented an overview of the draft report and Sarah Mason noted that no major changes had been made to the template used last year. Members had scrutinised the report prior to the meeting and the Chair and VPCS highlighted the following points:

- Members should be reminded of the operating deficit targets and the improved final position achieved.
- The overall achievement rate for 2019-20 stands at a creditable percentage given the impact of Covid and the number of adult courses not being able to be completed on time.
- The trade union time was explained as remission for employees undertaking trade union duties rather than that of trade union officials.
- It is a fundamental responsibility that Governors receive regular and timely information and Committee Members confirmed that they were satisfied this is the case. With regards to specific financial information the Committee was reminded of the importance of keeping audit and finance separate. Bethan Waters noted that while she is happy with the information received, as a new Member of the Committee she would welcome more understanding about how to better interpret some information.

The Committee discussed and agreed the importance of having the internal auditors in attendance more frequently, in particular when agreeing the internal audit plan for the year. The Chair regretted that they had been unable to attend today's meeting. The VPCS had explained that this would be arranged for the next Committee meeting (**Action: VPCS**).

Nick Bevan queried the pension reserve figure and in welcoming further explanation on the subject the VPCS offered to circulate the presentation which had been shared with the Corporation some time ago. Andrew King queried whether the figure is a result of a triennial valuation and the VPCS explained the accounting and contribution process for the College. Members agreed the main factor for the Committee is in ensuring the College can afford its current service obligations.

External Audit Report

Sarah Mason briefed the Committee on RSM's audit findings report for the year ended 31<sup>st</sup> July 2020 highlighting the outstanding items to be resolved and running through the latest positions on the key risks areas as detailed in the report.

Ultimately, RSM have agreed that (subject to a final review of the ESFA reconciliation statements issued in December) the main statement figures are agreed. They had no major concerns and there are no recommendations on controls for the College. Sarah noted this is a very good result and strong position for the College as RSM have no other colleges with zero recommendations at present.

RSM will be asking for the standard letter of representation with no additional clauses.

In briefing on the adjusted and unadjusted statements and disclosures, Sarah queried whether the bank covenants are discussed at Corporation meetings and Members confirmed that this is the case. RSM have no specific concerns over these given the College's good relationships with the banks and ongoing, transparent communications.

Sarah thanked Gul Mohammed (Head of Finance) and his team for all their support throughout the process.

The Chair queried and the VPCS explained the AEB clawback reversal and the Apprenticeship income position were both related to the impact of Covid and resulted in the adjusted revenue as reported.

The VPCS also thanked Gul Mohammed for his work throughout as well as noting the importance of the internal HR, MIS and Finance systems and thanked these teams for their support in working together and ensuring good reporting and confident controls.

The VPCS reminded the Committee that they would be reviewing the College's external audit relationship later in the year and thanked Sarah Mason and colleagues for their support noting the strong working relationship, which had always been maintained.

The Chair noted that it is good practice for the Audit Committee Members to have the opportunity to meet with the external auditors without management in attendance and Sarah Mason welcomed this at the next opportunity.

The Annual Report was **Recommended** to the Corporation for approval.

*Sarah Mason left the meeting (5.50pm)*

## **5. RISK MANAGEMENT REPORT INCLUDING REVIEW OF RISK REGISTER**

The VPCS took Members through the key themes on the risk register, how these have been affected by Covid and how the College has continued to respond.

The Committee reviewed the latest position on the key themes as detailed in the report and Andrew King noted that the College had held its position very well.

Members raised the following:

**Q.** In terms of staff recruitment and retention, is industrial action around pay etc a risk to the college?

**A.** No, this has never been a significant risk for the College. Both the VPCS and the Principal confirmed that the College has good relationships with the unions with ongoing discussions and positive support and the number of union members is very low amongst employees.

**Q.** Does the current IT investment pose an immediate or longer-term risk?

**A.** Some capital funding can be used on IT infrastructure but investment is needed in desktops and laptops used by students and staff ideally in the next 12-24 months.

- It was agreed that the risk register should include the risk of potentially not receiving any funds to support the estates strategy and the risk of not achieving the relevant permissions/stakeholder agreement.

**Q.** The staff recruitment and retention risk area mentions that the number of agency staff is manageable and within budget but staff cost expenditure is not within budget so are we justified in saying this?

**A.** The heightened agency costs were in 2019-20. The accounts and estimates for this year show that the outturn is in line with the budget but it is still a key area of risk. The Principal added that staff turnover is at national benchmark.

The Committee **Noted** the report and risk register.

## **6. RISK MANAGEMENT POLICY AND PROCEDURE**

The policy had been approved by the Corporation at its meeting on 15<sup>th</sup> October 2020 and the Committee **Ratified** this approval.

## **7. ANTI-CORRUPTION AND ANTI-BRIBERY POLICY**

There had been no changes made to this policy since the last version approved. Bethan Waters queried whether the College holds a gift register and it was confirmed that staff are asked to report receiving anything above the value of £25 and if any gift is worth more than £50 it is reported to the Corporation and this is detailed in the Financial Regulations.

The Committee **Approved** the policy.

## **8. ANTI-FRAUD AND IRREGULARITY POLICY**

The changes made to this policy since the last version had been highlighted to Members on circulation and for the benefit of the new Committee Members, the VPCS briefed on an incident that had been reported to the December 2019 Committee meeting. Bethan Waters queried whether staff receive phishing/cyber-security training and it was confirmed this is the case.

The Committee **Approved** the policy.

## **9. ANNUAL REPORT OF THE AUDIT COMMITTEE 2019-20**

Members reviewed the report and a couple of amendments were agreed (noted separately). The Committee acknowledged that there would normally be more on internal audit but were comforted to hear how satisfied the external auditors are. The Principal added that the College is highly regulated by various external bodies.

Members were reminded of the importance of this mandatory document which is submitted to the ESFA with the annual accounts. The Chair queried whether the subcontracting internal audit report would be submitted to the ESFA and the VPCS confirmed that while this is not mandatory the subcontractor internal audit report was requested as a means of certification and so has been shared with them. The Chair further queried and was satisfied that the College rigorously reviews the quality of its subcontracted teaching.

The Committee **Recommended** the report to the Corporation.

## **10. INTERNAL AUDIT ASSIGNMENT REPORTS**

Members discussed the single recommendation on the internal auditors' review of subcontracting and the VPCS would be following this up.

## **11. APPOINTMENT OF INTERNAL AUDITORS**

The VPCS reminded members that TIAA had been appointed for 2018-19 and 2019-20 and asked the Committee to confirm this appointment for 2020-21. Areas to be audited during this year were discussed and it was reiterated that TIAA would be invited to attend the next Committee meeting.

The Committee **Approved** the appointment of TIAA as internal auditors for 2020-21.

## **12. ANY OTHER BUSINESS**

None.

## **13. DATE OF NEXT MEETING**

24<sup>th</sup> March 2021

**Approved as an accurate record of discussions: 24<sup>th</sup> March 2021**