

**Minutes of the Audit Committee Meeting held via MS Teams on Wednesday 2 December 2020  
at 5pm**

**Present:** Carla Kennaugh (Chair)  
Mo Kundi  
Christine Bampton  
Jim Turner (Associate Governor)

**In Attendance:** Joanne Platt (Interim Director of Governance)  
Michelle Brabner (as an observer by invitation from the Chair)  
Eddie Green (Vice Principal Services)  
Andrew Winrow (Head of Finance)  
Patrick Clark (ICCA)  
Claire Dalrymple (Wylie & Bisset)  
Eilidh Templeton (Wylie & Bisset)

<b>Minute No.</b>	<b>Minutes</b>	<b>Action</b>
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**A.21.22 Item 1: Apologies for absence**

Apologies for absence were received from Jonathan Creed (ICCA).

The Chair of the Corporation (Veronica Fell) had been invited to attend the meeting as an observer as the Financial Statements Auditor's Management Letter 2019/20 was an item for discussion, but was unable to attend and sent apologies.

The Interim Director of Governance confirmed the meeting was quorate.

**A.21.23 Item 2: Declarations of Interest**

None

**A.21.24 Item 3: Minutes of the Previous Meeting of 18 November 2020**

*The Committee resolved to approve the minutes as an accurate record.*

**A.21.25 Item 4: Matters Arising / Actions Summary**

There were no matters arising from the minutes.

The Interim Director of Governance presented the Actions Summary from the meeting on 18 November 2020 from which it was noted that all actions

Minute No.	Minutes	Action
	<p>were either complete or on the agenda for further discussion at this meeting.</p> <p><b><i>The Committee resolved to accept the report.</i></b></p>	
A.21.26	<p><b>Item 5: Confidential Business</b></p> <p>None.</p>	
A.21.27	<p><b>Item 6: Financial Statements</b></p>	
A.21.28	<p><b>Item 6.1: Financial Statements Auditor's Management Letter 2019/20</b></p> <p>Clare Dalrymple presented the Financial Statements Auditor's Annual Report and Management Letter for 2019/20 to the Committee.</p> <p>It was noted that there are outstanding issues identified in Section 1.2 of the report which will be completed before the Management Letter is signed. Most notable was the inability to finalise the audit of the financial statements pending the outcome of the Funding Audit currently being undertaken by the ESFA which could give rise to adjustments to the accounts. The deadline for finalising the accounts is 31 January and it was noted that this was also the deadline for the completion of the Funding Audit. It was possible therefore that the final Management Letter wouldn't be signed until that time.</p> <p>Despite this, the Committee was advised that there is currently no reason to believe that the College will get a qualified report as there are no issues identified in relation to Going Concern and no control issues have been identified. There are also no governance issues to draw the College's attention to, no identified fraud and irregularity and no Management Letter points to note.</p> <p>In response to a question from a Governor, it was confirmed that despite the Pandemic, the audit approach had not changed this year and nothing had come out of the testing that required a different approach to be applied.</p> <p>Governors asked for examples of testing and it was confirmed that random sampling was undertaken across a wide range of systems to provide additional assurance.</p> <p>The Committee gave thanks to the Finance Team and noted that it was a credit to the team that all the papers had been of a good standard and that nothing untoward had been identified. The Committee also thanked Wylie &amp; Bisset for undertaking the work during the Pandemic.</p> <p><b><i>The Committee resolved to accept the report and subject to the completion of the outstanding items identified in Section 1.2 of the Report, to recommend it for approval to the Corporation.</i></b></p>	
A.21.29	<p><b>Item 6.2: Regularity Self-Assessment</b></p> <p>The Head of Finance presented the Regularity Self-Assessment which had</p>	

been completed to enable the Corporation to publish its statement of regularity, propriety and compliance within the annual accounts, in accordance with the Post-16 Audit Code of Practice.

The Committee noted that the College's external auditor (Wylie & Bisset) has completed its assurance work in relation to this and has confirmed that it is in a position to give an unqualified report.

Governor's noted that the Committee is required to recommend that the Corporation approves the self-assessment to enable the Principal and Chair of the Corporation to sign it, thus enabling the assurance report to be signed.

In response to a question from a Governor, it was confirmed that the College had always had a clean audit in relation to this and that it had never had any negative feedback from the ESFA.

Governors noted that although the format of the report had changed, there were no significant differences in this year's self-assessment to draw to their attention.

**A.21.30**

***The Committee resolved to recommend that the Corporation approves the self-assessment.***

**Item 6.3: Report on the Consideration of Fraud and Irregularity**

The Vice Principal Services presented the Fraud and Irregularity Report to the Committee. It was noted that the Post-16 Audit Code of Practice requires colleges to consider an anti-fraud checklist to ensure that arrangements are in place for the prevention and detection of fraud and the framework used is intended to assure the Corporation that the financial statements are free from material misstatements in relation to fraud and irregularity.

The Vice Principal Services confirmed that all senior staff and Governors had signed a confirmation return stating whether they were aware of the existence or otherwise of any breaches of law and regulations, actual or suspected fraud, related party transactions or any declarations of interests and that no issues had been disclosed.

Governors noted the Fraud Register attached to the report which confirmed that there were no instances of actual or suspected fraud during 2019/20 or to date.

In response to a question from a Governor, it was confirmed that the anti-fraud checklist covers 'lessons learned' but that this only applies if fraud is suspected or has taken place.

Governors noted that the College's Fraud Policy sets out the procedure to be followed when fraud is suspected or identified and that assurance is gained from the controls the College has in place, which are subject to review by the internal audit process.

Patrick Clark informed the Committee that there was a checklist shown as a link in the latest Audit Code of Practice which includes a list of potential fraud indicators and a checklist to help to identify high risk areas to enable Colleges to ensure they have adequate controls in place.

Governors agreed that this sounded like a good tool to use and asked that it be used to map against the College's internal audit plans over recent years to see where the gaps are.

VP  
Services

A.21.31

***The Committee resolved to accept the report and to recommend that the Corporation approves the considerations in respect to fraud and irregularity which may be used to assure the Corporation that the financial statements are free from material misstatements in this regard.***

**Item 6.4: Financial Statements 2019/20**

The Committee considered the Annual Report and Financial Statements for 2019/20, noting that this has already been considered by the Governance and Resources Committee, with their feedback taken into account in the version now before the Committee.

It was noted that the accounts reflect the position already reported in the July management accounts, with the exception of a small number of adjustments for pensions (£-219k), holiday pay (£14k) and Learner Support Costs (£12k) resulting in an overall change of -£193k. These adjustments are all usual year-end adjustments arising from information and reconciliations that take place after the year-end

As previously discussed under Item 6.1 above, it was noted that the audit work was largely complete with unqualified audit opinions expected, although the accounts can't be signed until the completion of the funding audit currently taking place.

Governors noted that the outturn was better than anticipated. The College had performed well on the Adult Education Budget and would have done very well in relation to this if the Pandemic hadn't occurred.

Pensions was a significant variation due to both the increase in the contribution to teachers' pensions and an increase in pension fund costs.

Overall, it was noted that costs had increased, despite making some big staff savings and there had been a reduction in income as a result of the Pandemic.

In response to a question from a Governor, the Vice Principal Services advised the Committee that the merger plan had forecast losses and that the College was slightly ahead against the forecast, but that the College had not yet achieved the growth predicted. It was noted that the College is half way through the merger plan but that the current year was a critical one to get back on track and to achieve growth.

Although the Pandemic had impacted on income, it was noted that the College's reserves are healthy. However, SLT is reviewing the plans and is looking at how it can reduce expenditure as well as achieving growth.

Governors asked how savings had been made and it was confirmed that most had been as a result of natural turnover with some smaller savings arising from reviews post-merger. Governors were advised that work had been done over the summer to analyse the cost base and this had included

benchmarking, which had been a useful tool to guide the College to where to look for savings.

It was noted that the Governor Task Group was working with SLT to develop a new strategy which was expected to be ready in January 2021.

The Committee thanked the team for a good and helpful report.

***The Committee resolved to accept the report and subject to the completion of the funding audit and subsequent finalisation of the accounts, to recommend it for approval to the Corporation.***

#### **A.21.32 Item 7: Internal Audit Reports (Risk Management)**

Patrick Clark summarised the outcome of the Risk Management audit which had resulted in a substantial assurance rating with only five low risk or advisory recommendations.

Governors noted that overall, the College has an adequate framework and documentation surrounding risk management which compares well within the sector. However it was noted that some of the documentation would benefit from minor changes to improve presentation and reduce the number of documents.

Governors noted that some Colleges had a Board Assurance Framework extended to cover all risks in the Risk Register rather than just the high risks. However Governors said that they liked to see the high risks separately as this saved them having to look through lengthier documents with the potential of missing something important.

Governors noted that one of the College's former Governors who was very experienced in risk, had had some input into the audit work undertaken.

Governors discussed the purpose of the risk appetite statement in the Risk Management Policy, which it was confirmed was a helpful tool in decision-making, providing guiding considerations to be taken into account. It was noted that the College's risk appetite statement was considered to be one of the better ones seen in the sector as it provided definitions of risk appetite rather than just single statements.

In response to a question from a Governor, it was confirmed that the risk appetite statement should be and was reviewed regularly alongside the regular review of the risk management policy.

***The Committee resolved to accept the report.***

#### **A.21.33 Item 8: Audit Committee's Annual Report**

The Committee considered its Annual Report for 2019/20 which will be submitted to the Corporation for information at its next meeting and which will be included within the Annual Report and Financial Statements submitted to the Corporation for approval prior to submission to the ESFA.

The content of the report was drawn from a variety of sources, including the

Annual Internal Auditor's Report, the External Audit of the Financial Statements and the Regularity Audit. Governors noted that the report confirms that the Committee has discharged its responsibilities as set out in its terms of reference in an effective manner.

***The Committee resolved to confirm its opinion that the College's systems of internal control are adequate and effective and that the College's arrangements for risk management, control and the governance framework and processes for securing economy, efficiency and effectiveness are adequate and effective.***

**A.21.34 Item 9: Terms of Reference**

The Committee considered its Terms of Reference for 2020/21, noting that the only proposed change was in relation to the job title for the Clerk to the Corporation (now designated as Director of Governance).

***The Committee resolved to accept the report and recommend the Terms of Reference to the Corporation for approval.***

**A.21.35 Item 10: Timetable of Business**

The Committee considered its Cycle of Business for 2020/21. It was noted that there were some errors in relation to the dates for Meetings 3 and 4 which would be corrected.

The Chair noted that the decision to hold two meetings (one in November and one in December) had been a wise one in light of the amount of business to be considered at this time of the year, and it was agreed that this would be considered for future years.

***The Committee resolved to accept the report (subject to the changes referred to above) and recommend the Cycle of Business to the Corporation for approval.***

**A.21.36 Item 11: Committee Annual Assessment**

The Committee considered its annual assessment of its performance in 2019/20 and noted that it had met its responsibilities set out in its Terms of Reference.

***The Committee resolved to accept the report.***

**A.21.37 Item 12: Items to be reported to the Corporation**

The Chair summarised the actions from the meeting and identified the following items to be reported to the Corporation at its meeting on 14 December 2020:

- Financial Statements Auditor's Management Letter 2019/20

**Minute  
No.**

**Minutes**

**Action**

- Regularity Self-Assessment
  - Report on the Consideration of Fraud and Irregularity
  - Financial Statements 2019/20
  - Committee Terms of Reference and Cycle of Business
- 
- Audit Committee Annual Report
  - That the Committee has undertaken its annual effectiveness review and confirmed that it has met its terms of reference
  - Minutes of the meetings of 18 November and 2 December 2020

**A.21.38 Item 13: Date of Next Meeting**

Wednesday 3 March 2021 at 3pm

The Chair noted that an extraordinary meeting may be required in the event that anything significant arises from the ongoing Funding Audit.

**Meeting ended at 6.20pm**

**Approved 3<sup>rd</sup> March 2021**