

**Minutes of the Audit Committee Meeting held via MS Teams on
Wednesday 24th November 2021 at 4pm**

Present: Carla Kennaugh (Committee Chair)
Laura Bell
Alex Gamil
Diane Hutchinson
Mo Kundi

In Attendance: Jonathan Creed (ICCA) (up to (and including) Item 9)
Claire Dalrymple (Wylie and Bisset) (up to (and including) Item 9)
Lisa Farnhill (Clerk)
Kevin Williams (Director of Finance and Funding)
Andrew Winrow (Head of Finance)

Apologies:

Absent: **None**

Minute No.	Minutes	Action
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A.22.22 Item 1: Apologies for absence

The Chair opened the meeting by thanking everyone for coming back together again so soon, with members agreeing that the splitting of the agenda had been useful, allowing sufficient time to review the documentation and enable dedicated discussion around the reports of the internal and external audit services.

The Clerk confirmed that no apologies for absence were received.

Item 1 – Noted

A.22.23 Item 2: Declarations of Interest

The Clerk declared an interest in relation to her role as the Clerk to the Governing Board at St Mary's College and as a primary school governor.

Item 2 - Noted: The Committee noted the declaration.

A.22.24 Private Meeting Between The Audit Committee And The Auditors

This minute is confidential.

A.22.25 Item 3: Approval of the Minutes Of The Audit Committee Held By Video Conference On 10th November 2021

Members reviewed the minutes as circulated and agreed that they were an accurate reflection of the meeting held on 10th November.

Item 3: Approved: The Committee resolved to approve the minutes of the Audit Committee meeting held on 10th November 2021.

A.22.25 Item 4: Matters Arising / Actions Summary

Members agreed that there were no actions or matters arising to be followed up.

Item 4 - Noted: The Committee noted the update.

A.22.26 Item 5: Confidential Items

The Committee confirmed there was nothing within the approved minutes to be considered confidential, however, concluded that the private meeting with the auditors needed to be held as a confidential minute and would consider if the retendering of the audit service needed to be held as confidential, depending on the outcome. The Committee Chair asked members to draw attention to any information considered to be confidential as the meeting progressed.

Item 5 – Approved: The Committee resolved to approve the minutes for publication.

A.22.27 Item 6: Annual Review Of The Co-Ordination Of The College’s Auditors

The Chair confirmed that although each service could not rely on the work of the other, the audit firms continued to communicate and use one another’s findings to ensure no duplication or gaps with shared output. Both audit services agreed to continued open dialogue.

Item 6 - Resolved: The Committee resolved to note the position.

Item 7: INTERNAL AUDIT REPORTS

A.22.28 7.1 Follow up of Previous Recommendations

Jonathan Creed of ICCA summarised the report, with the review having considered how well the recommendations made in 2019/2020 had been implemented. The review concluded with substantial assurance given, noting sixteen recommendations, with fifteen implemented and only one outstanding, which was the audit walks as part of the control framework in relation to GDPR, delayed due to the site closure. The Committee were assured that this was being implemented with one site completed and the other due imminently, with a report by the former AP Curriculum and Quality to be presented to SLT, with plans to then summarise the information to the Audit Committee. The Committee were assured that early indications were that there were no major concerns to date from the audit walks.

AP/Dir. F&F

Item 7.1 – Resolved: *The Committee resolved to note the assurances of the report.*

A.22.29 Item 7.2 Annual Internal Audit Report

Jonathan Creed of ICCA informed the Committee that this report summarised the information previously submitted to the Committee following individual reviews throughout 2020/2021.

The Committee were assured that on the basis of the work completed, reasonable assurance was the highest assurance available due to the opinion being on the entire college, yet based on reviews of only selected areas.

The report was summarised, noting that more areas were green than amber, with no high priority recommendations. The details were noted, with the findings of the follow up report reiterated, along with a summary of the number and distribution of days, with no additional work undertaken and no conflicts of interests.

Item 7.2 – Resolved: The Committee resolved to recommend the report to the Corporation as essential information.

ITEM 8 FINANCIAL STATEMENTS

A.22.30 Item 8.1 Financial Statements Auditor's Management Letter - 2020/2021

Claire Dalrymple of Wylie and Bissett was invited to take the Committee through the report. The annual report was summarised, confirming the same format as previous years, which would remain in draft until receipt of the final documents required from the college. The Committee was assured that this was an unmodified audit report, with the expectation being that only section 1.2 would be removed and an update to wording to confirm that they have issued an unmodified opinion.

The Committee were assured that there were no indications or expectations of a delay in completion, with the Head of Finance having sent through additional information as requested earlier in the day.

Key points were highlighted, noting no issues in relation to regularity and compliance, nothing arising in relation to going concern, no new recommendations and none outstanding from the previous year.

The Committee were informed that the approach was a substantive approach, with a high-level review of the accounts with no expectation for any of the figures to change. Members were assured that there was nothing to be raised under governance, or fraud and irregularity.

The appendices were outlined with members attention drawn to a new paragraph detailing further information regarding the responsibilities of auditors in relation to the financial statements and work undertaken in relation to fraud. This was to provide additional detail and added further volume without highlighting anything additional or of concern to the Committee.

The Committee were notified of minimal unadjusted errors, of £8000 with no intention to adjust the accounts.

In concluding, the Committee were assured that the work concluded and was satisfactory, completed in line with the plan with only minor issues to address.

In response to a question, members were assured that the cost saving resulting from the redundancies took account of the cost of the redundancies, highlighting higher savings to be realised in the following year. Further questions were asked

relating to the treatment of the redundancy costs, as included in staff costs, asking if these needed to be detailed separately, with the Committee informed that the disclosure was made in the notes of profit and loss, with no requirement for an additional disclosure.

Members asked if there were any concerns over the pension, which had been raised as an issue in the previous year. Members were assured that there was no cause for concern as it was not payable now and the values fluctuate based on the actuarial position, with a positive variance of £714,000 for this year. Members asked if the pension obligations commitment was built into the forecast, with the Committee assured the rolling cash flow to 2023 built in the pensions commitment.

Members sought further clarity in relation to the going concern statement and sensitivities in the forecast, with the Committee advised that the auditors had reviewed the latest management accounts and had nothing to report in relation to that, acknowledging that the post-merger position affected the starting point and projections.

Members indicated a further update may be required based on the forecasts, with the Dir. Finance and Facilities confirming that the October Management accounts were being finalised and reflected a similar position to those reviewed by the auditors. The Committee and auditors were notified that for November, there was a deterioration based on lower than anticipated HE enrolment, with the Committee assured of plans to fully review HE from a strategic perspective. The impact of reduced enrolment was a reduction in income of £150,000, moving the college's financial health to the cusp of good, although the college maintained a strong cash position. Wylie and Bissett indicated that this was new information and they would need to review it ahead of commenting, although suggested that the financial health would need to move substantially into the requires improvement grading before there would be an issue.

Members clarified that all bank accounts and legal claims had been disclosed and raised concern over the number of outstanding items. The Committee were assured that all relevant items had been disclosed and the list was being worked through, again reassuring the Committee of the expectation to have work completed and signed off in time.

Item 8.1 – Resolved: The Committee resolved to recommend the report to the Corporation as essential information.

A.22.31 Item 8.2: Regularity Self-Assessment Questionnaire (RSAQ) and Supplementary Bulletin

The Committee were advised that the auditors had reviewed and were satisfied with the responses provided to the RSAQ and supplementary bulletin. The context of the supplementary guidance and return was provided, with the Committee advised it provided Governors with directional questions and assurance of actions taken to minimise the impact and follow correct procedures in relation to COVID-19 and any associated financial claims and grants received.

The Committee were reminded of the cautious approach undertaken, with additional measures maintained even when they were no longer mandatory, to ensure staff and student safety was prioritised, reflected in low case numbers, with anecdotal comparative information provided to indicate the low rates compared to other local providers.

Members were assured of ongoing financial safeguards and processes utilised during the closure, as tested by the IAS to provide additional assurance.

Members asked if the college had an additional committee to review the processes and safeguards in relation to the Pandemic, with the Committee advised this had been the case during the peak of the Pandemic. In response to further questions, the Dir Finance and Facilities informed the Committee that some staff had been consulted to generate the responses, with particular support from estates and IT.

Item 8.2 – Resolved: The Committee resolved to recommend the self-assessment to the Corporation for approval and signing.

A.22.32 Item 8.3: Report on the Consideration of Fraud and Irregularity

The Dir. of Finance and Facilities informed the Committee that the information had been reviewed with the auditors, with no incidents or concerns, noting it had been six years since the last incident. Members were assured that the controls in place were strong.

Item 8.3 - Resolved: The Committee resolved to recommend the report as essential information to the Corporation.

A.22.33 Item 8.4: Financial Statements – 2020/2021

The Dir F&F highlighted how the Annex's summarised the information, including providing further clarity on earlier questions in relation to pensions.

Committee members were assured of a thorough review and interrogation by the Resources Committee with the latest version in the Committee pack incorporating the recommendations of the Resources Committee and requests for amendments by Wylie and Bissett.

Members were advised of minimal movement since the July management accounts, as summarised in Annex 2, with one technical item, with a pensions adjustment of £63,000 and nothing new to report, with the exception of the income reduction following low HE enrolments.

Members attention was drawn to the operating deficit of £2,300,000 with a positive variance of £250,000 on non-pay costs in relation to energy and teaching costs saved during the college closure.

Members asked if the cost increase relating to catering had been anticipated, with the Committee informed that this had been necessary to continue to provide the service when there was a reduced footfall, whereby the College agreed they

would pay on a cost basis to ensure continued provision of service.

Members asked for further information relating to the origins of the valuations for the investment property, asking if a formal valuation was necessary. The Committee were advised that the valuations were formed from the review of similar properties that had achieved recent valuations with covenants in place should the College want to explore the option of selling.

The auditors confirmed that the valuations and rent had been reviewed from an income generation perspective, with assurances given over the income and the valuation, both considered to be in line with local expectations. Members explored this further, enquiring whether valuations were necessary for insurance purposes, highlighting the investment in the Pennington Building would have significantly increased the value and rebuild cost. The Committee members were reassured that the requirements were reviewed with the insurers on an annual basis, reviewing coverage and premiums, however, the Dir of Finance and Facilities was unsure of any requirement to have the building revalued on a tri-annual basis, agreeing to clarify this.

Dir F&F

Item 8.4 - Resolved: *The Committee resolved to recommend the Financial Statements 2020/2021 to the Corporation for approval and signing.*

A.22.34 Item 9: ANNUAL REPORT OF THE AUDIT COMMITTEE

The Clerk summarised the report, highlighting that this drew upon information from the annual reports of the IAS and external auditors, the funding audit, the review of the committees own performance and other sources of external scrutiny, including the funding audit, FEC DA and ERG. The Clerk reminded the Committee that the report needed committee approval ahead of being presented to the Corporation as a recommendation on control measures in place, which must take place ahead of the signing of the Financial Statements.

The Clerk highlighted the conclusion, noting the Committee had met its obligations as laid out in the terms of reference and based on the assurances received throughout the year from a variety of sources, could provide assurance to the Corporation that measures for internal control and risk management were effective. The report stated the committee was in a position to recommend to the Corporation the signing of the financial statements as the Committee had received information that indicated internal controls are effective. The report summarised the position on risk, with adequate processes for managing and mitigating risk, with the Committee provided with substantial assurance from the IAS followed by a further review and improvement to the risk management processes. The Clerk highlighted how this demonstrated a commitment to continued improvement and risk mitigation.

The Clerk concluded by highlighting how the College had responded to recommendations from a series of external scrutinises, including the IAS, FEC, ESFA funding audit and had been transparent and committed to improvement

Item 9 - Resolved: *The Committee resolved to approve the annual report and present this to the Corporation ahead of the signing of the financial statements.*

Ahead of leaving before item 10, the representatives from the internal and external auditors were thanked for their work and support throughout the year.

A.22.35 Item 10: Approval of the Scope for the Tender for the Internal Audit Tender

The Committee were given an update on progress towards the re-tender for the IAS. The committee were advised that the College had approached Tenant to support with the tendering process, at a cost of £3500 plus VAT which included a £500 discount, notifying the Committee that Tenant would encourage prospective suppliers, undertake the valuation, gain prices and interest. The Committee were provided with the indicative timeframe, with the scope and specifications to be reviewed in January, advising the Committee of the intention to review the information with the Committee Chair ahead of going to market, with the Committee assured that KPI's would be factored in to the process, which would not be run on price alone.

Members were asked to consider tentative availability for the interviews, with plans to include at least one Committee member, with one member indicating they would support the process, date dependent. Members indicated they were content with a timeframe running to January for the review of the scope and going to market, but noted that it could not be delayed beyond this. The Committee were assured that Tenant were keen to progress and that the process would not be delayed. Members asked that the Dir Finance and Facilities seek the input of the Head of Finance into the process, as he would regularly deal directly with the IAS.

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Members/
Dir. F&F**

Members asked if there was any indication of the anticipated cost of the IAS, with anecdotal evidence of suppliers being reluctant to tender resulting in an expectation of increased costs. Members were assured that the current IAS intended to submit their interest and had considered reducing costs to remain competitive. The Committee were assured that should the existing company be successful, they would change the audit partner to ensure continued independence.

Item 10 - Resolved: *The Committee resolved to note the update and inform the Clerk/Dir of Finance and Facilities of their availability in supporting the internal audit tendering process.*

A.22.36* Item 11: Items to be Reported to the Corporation

The Committee agreed to summarise the work of the committee through the circulation of the minutes.

The Committee agreed to circulate the following as essential information ahead of the signing of the financial statements:

- Annual Internal Audit Report 2020/2021
- Fraud & Irregularity Report 2020/2021
- Audit Committee's Annual Report 2020/2021

The Committee agreed to circulate to the Corporation the following reports for approval:

- Regularity Assurance and Self-Assessment Checklist 2020/2021

- Audit Completion Report 2020/2021
- Financial Statements 2020/2021

Item 11 – Approved: *The Committee resolved to recommend the information as outlined above to the Corporation at the meeting of 14th December 2021.*

A.22.37 Item 12: Next Meeting of the Committee and Closing Comments

The next meeting was confirmed as Wednesday 2nd March 2022

Members and attendees were thanked for their contribution and preparations and noted how reassured they had been from the detailed reports and in depth responses to the questions of members. The Finance team were thanked for their hard work and robust processes.

Item 12 – Noted: *The Committee resolved to note the date of the next meeting.*

The meeting closed at 5.30pm