

MINUTES OF THE AUDIT COMMITTEE
HELD ON TUESDAY 19 NOVEMBER 2019

PRESENT:

Chris Johnson	Chair
Louise Mattinson	Member
John Whittaker	Member

IN ATTENDANCE:

Jennifer Eastham	Vice Principal: Finance and Corporate Services
Helen Knowles	Audit Director, BDO – External Auditor
Alix Gledhill	Audit Senior Manager, BDO – External Auditor
Jean Tracy	Clerk to the Corporation
Joanne Calcutt	HR Manager – Work-shadowing the Clerk

The meeting commenced at 17.00pm.

1. FINANCIAL STATEMENTS AUDIT MANAGEMENT LETTER FOR THE PREVIOUS YEAR

Helen Knowles thanked the Committee for its agreement in moving the agenda to enable her to attend another audit committee meeting.

Ms Knowles presented the report which provided an overview of the External Audit work which had been carried out for the year ended 31 July 2019. It was noted that the audit work was substantially complete and, subject to the successful resolution of outstanding matters, it was anticipated that an unmodified audit opinion would be issued. The outstanding items, as listed on Page 4, were as expected to be at this time and none were a cause for concern.

Members were advised that there were no significant changes to the planned audit approach and no additional significant audit risks had been identified. It was also confirmed that no restrictions had been placed on their work.

Members were also advised that there were no issues arising from the work on regularity and that an unmodified opinion would be issued.

Ms Knowles reported that there were no changes to the final materiality percentage thresholds and triviality from that reported in the Planning Report. Information on an adjust audit difference was provided, it being noted that this was considered to be trivial. In addition, no unadjusted audit differences had been identified.

Ms Gledhill then talked through the significant risks and the work which had been undertaken as part of the audit. The audit matter in all cases concluded with no significant issues being identified. It was noted that in terms of Fraud and Error, Regularity Audit and Related Parties, no issues were identified.

A discussion took place on the Defined Benefit Pension Scheme. The Vice Principal: Finance and Corporate Services explained the reasoning behind the decision to increase the RPI inflation

figure to 3.4%, it being noted in the report that this was in line with what is seen in other colleges. The College position in terms of its chosen discount rate was in line with expectations.

In answer to questions from Committee members, it was confirmed that BDO use the Internal Audit Reports to help identify any risks but do not rely on them, and that the £28K adjustment had been made.

The Audit Committee **AGREED** to recommend the Audit Completion Report (commonly referred to as the Audit Management Letter) for the year ended 31 July 2019 to the Board for approval.

17:17pm Mrs Knowles and Ms Gledhill left the meeting.

2. PRESENTATION ON RISK-THEMED TOPIC

A number of items were covered and discussed:

Pensions – noted to be particularly volatile, with the increase partly as a result of the staff population age. The Committee was informed that the College had appealed to the Council re the rate increase. A report was also to be considered at the next Policy and Resources Committee and Board meetings.

Brexit – no update at this time.

General election – the Committee was informed that prior to the announcement of the general election, the ESFA had announced funding increases, including the general rates and maths/English. Whether this is progressed is dependent on the result of the general election.

Recruitment – the Committee was informed that recruitment targets had not been met and, in answer to a question from a member of the Committee, was informed of the reasons for this and the actions now being taken in the College.

Staff turnover – this was stable but the difficulty in attracting staff because of increased competition and salary levels was noted. The College was asked to explain how the rate of pay was benchmarked with other colleges.

3. APOLOGIES FOR ABSENCE

Apologies were received from Dr Fazal Dad, Principal and Chief Executive who was attending the AoC National Conference. There were no other apologies for absence. It was noted that representatives from RSM were not expected to have attended this meeting.

4. DECLARATION OF CONFLICTS OF INTEREST

The Chair advised those in attendance that should members of the Audit Committee become aware of any potential conflicts of interest, they should be disclosed at the earliest opportunity during the meeting.

5. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON THURSDAY 26 SEPTEMBER 2019

The Minutes of the Audit Committee held on Thursday 26 September 2019 were **AGREED** as a true and accurate record and were duly signed by the Chair.

6. MATTERS ARISING

Actions carried forward from 26 September 2019 meeting:

5. Internal Audit Strategy – RSM had provided an updated document to take account of the comments from Dr Dad relating to a review on how learner starting points were assessed, what interventions were in place and how the College demonstrated student progress.
9. Annual Report of the Audit Committee 2018/19 – The Vice Principal: Finance and Corporate Services confirmed that the amendment to the Audit Committee Annual Report had been made as requested.

There were no other matters arising.

7. AUDIT KEY PERFORMANCE INDICATORS 2019/20 UPDATE

The Vice Principal: Finance and Corporate Services presented an update on the Audit Performance Indicators for 2019/20 which assisted the Committee in assessing risk.

The Committee noted:

- The impact of the earlier invoicing on the debtor position and the continued focus in the operational debt meetings on the progress of debt collection; it was noted that there were no major concerns with the debt level.
- Information on the current recruitment figures and the estimates and potential cost reductions which were being modelled.

The Audit Committee noted the performance against the approved Performance Indicators for 2019/20.

8. INTERNAL AUDIT – ACTION POINT STATUS (PROGRESS TOWARDS COMPLETION OF RECOMMENDATIONS)

A Report, providing an update of progress towards the completion of recommendations following the Internal Audits which had been undertaken, was received by the Committee.

The Committee noted that the College was working through the two which were still amber, the full details being contained in the appendix. In answer to a question from a Committee member, the Vice Principal: Finance and Corporate Services explained that staff were being encouraged to use the Cloud rather than portable storage systems. The Vice Principal: Finance and Corporate Services also confirmed that the outstanding action relating to HE placements would be completed by the due date stated in the report.

The Audit Committee acknowledged the update provided.

9. RISK MANAGEMENT – RISK REGISTER 2019/20

The Risk Register for 2019/20, which linked with the Strategic Plan approved by the Board in July 2019, was presented to the Committee.

The Vice Principal: Finance and Corporate Services advised members there was little change to the Risks, however where changes had been made, these had been identified within the Register. Four Risks remained high level which were noted as being reduction in Government funding; failure to meet income targets and failure to meet enrolment targets, due to recruitment challenges; and failure to deliver quality improvement and achieve a successful outcome at Ofsted and Quality Assurance Reviews with partners. Action plans were in place to mitigate and the Committee noted the continuing work to increase income and recruitment figures and that the College looked at the position monthly and made adjustments as necessary/possible.

In answer to a question from a member of the Committee, the Vice Principal: Finance and Corporate Services explained the student engagement activities which are in operation in FE

and HE to improve retention together with the other support services – counselling, free meals and transport and the work of the Students' Union.

The Committee was informed of the Quality Standards Review (QSR) which had taken place in October. Four specific areas were reviewed and 'high confidence' across all areas was reported. It was noted that this outcome had not lifted the OfS registration condition as that related to retention.

The Audit Committee agreed to **RECOMMEND** the Risk Management – Risk Register for 2019/20 to the Corporation Board for approval.

10. OFFICE FOR STUDENTS (OfS) – MONITORING AND INTERVENTION (ACCOUNTABLE OFFICER)

The Report provided the Committee with an update the significant powers which the OfS had over providers. In particular, the report advised the Committee of the requirement to nominate an Accountable Office and of Reportable Events.

The Vice Principal: Finance and Corporate Services also covered the College's compliance with the 2018/19 accounts direction, which had also been considered at Policy and Resources Committee. This included the reporting requirements in relation to the Principal's salary and the remuneration of senior College staff.

11. AUDIT SCHEDULE 2019/20

The Audit Committee received, for information, details of the Internal and External Audit Schedules for the 2019/20 academic year. It was noted that the Internal Auditors had started their first assignments on the previous day.

12. DATA RETURNS MONITOR REPORT 2018/19 AND 2019/20

The Audit Committee received a Report, for information, that confirmed the College was compliant with regard to Data/Funding returns for both the academic year 2018/19 and 2019/20.

13. ANY OTHER BUSINESS

The Clerk provided an update on the efforts to recruit to the Board and Audit Committee and that the FE Student Governor would be appointed to the Board at its meeting in December 2019 and, unless the Board agreed otherwise, would become a member of the Audit Committee.

There were no other items discussed under Any Other Business.

14. REVIEW OF MEETING

Members were thanked for their attendance and contribution at the meeting.

The Chair thanked the Vice Principal: Finance and Corporate Services and all those involved in the preparation of the papers.

15. DATE AND TIME OF NEXT AUDIT COMMITTEE MEETING

Tuesday 25 February 2020 at 5.00pm.

Signed:

Date: