



AUDIT COMMITTEE

WENDESDAY 16 JUNE 2021

Report: Minutes of the meeting held on Wednesday 10 February 2021
Author: Clerk
Action: Approve
Status: Open

Present: Chris Macklin (Chair)
Aneela Ali
Neil Weddle (co-optee)

In attendance: Andy Cole (Interim Principal / CEO)
Keith Oxspring (Interim Finance Director)
David Keetley (Financial Controller)
Karen Finlayson (PwC – Internal Audit)
Claire McHaffie (PwC – Internal Audit)
Lucy Robson (RSM – External Audit)
Emma Moody (WBD, Clerk)
Suzanne Clark (Minutes)

A/742 Welcome / Apologies / Conflicts of Interest

The Chair welcomed everyone to the meeting. No apologies were received.

Members were invited to declare any interests on any item on the agenda. No interests were declared at this stage in the meeting; however, members noted that should the direction of debate on any item result in a potential conflict of interest, this should be indicated in the meeting.

It was confirmed that Aneela Ali would be joining the meeting at 4.15pm. As the committee would not be quorate until then, the Chair indicated that the reports would be considered in a different order to ensure all members were present for anything requiring approval.

A/743 Minutes of the last meeting dated 21 October 2020

The minutes of the Audit Committee meeting held on 21 October 2020 were agreed as a correct record.

The Clerk confirmed that a joint meeting of the Audit and Finance and General Purposes Committees had taken place on 2 December 2020. The meeting was very much focused on progressing a number of items identified at the meeting in October.

The Chair advised that he would provide an electronic signature to be appended to the minutes to confirm approval.

A/744 Matters Arising

The Clerk confirmed that the minutes from the meeting on 3 September 2020 were amended.

Example work plans were received and an annual cycle of business is included on the agenda.

A verbal update on the tendering process for internal and external audit will be given later in the meeting.

The Clerk confirmed that work on the governance narrative section of the financial statements is ongoing. The Casterbridge template was received following the previous meeting.

The ILR action plan has been updated. The Clerk confirmed that this will be circulated following the meeting.

The Chair confirmed his imminent retirement as a governor indicating that he is planning to retire from the Board after the signing off of the 19/20 accounts. It is intended that one of the newly appointed governors will fill the role of chair. The Clerk confirmed that the Governance Committee will meet on 3 March 2021 [subsequently changed to 10 March] to look at strengthening the membership of the committees.

It was confirmed that an update on learner numbers is included later on the agenda.

A/745 Assurance report on the annual certificate of expenditure for Centres for Excellence in Maths

The report was presented by the Interim Finance Director / RSM as external auditor.

The Financial Controller confirmed that the report is focused on a grant from the ESFA which mainly covers staff costs relating to the developing of capacity in maths and English. The report verifies expenditure as the ESFA seeks assurance of any associated spend. This was confirmed by the external auditor.

The report was noted.

A/746 Draft Financial Statements 2019/20

The report was presented by the Interim Finance Director.

The Interim Finance Director reported that there is still some work required on the strategic plan and risk sections.

The external auditor advised that RSM had received the accounts early in the previous week. She expects to be in a position to feedback later in the week or early week commencing 15 February 2021. A technical review is required on the final set of statements and this is expected to take place after the half term break. There is work required around going concern. Detailed budget and cashflows have been received. The external auditor raised a number of queries in relation to these and has now received a response which she is working through. RSM also require a copy of the IBR report from FRP which has been requested, an update on AEB income levels and confirmation of property disposals. These are felt to be the three main areas which could impact on the going concern statements. The technical review will progress once this work is complete. There are some other outstanding areas on the audit but these are generally all sundry

items and the external auditor was not expecting any adjustments. Reasonable progress has been made although the external auditor was mindful of the technical review required. It was confirmed that RSM are looking to sign off the accounts by the end of March which feels achievable at this point in time.

The Interim Finance Director advised that he has approached the ESFA to request an extension to the submission deadline. There has been no definitive agreement to the request yet. The ESFA have asked for assurance on a likely completion date.

Aneela Ali joined the meeting at 4.20pm.

The Interim Principal / CEO highlighted that there had been three accounting officers across the year as a result of the change in Principal and suggested work was required on the section relating to Principal / CEO salary. He had an awareness that where this was the case in other colleges the section was itemised and aggregated based on being in post for the full year. The external auditor confirmed that this will be updated in the statements.

A member questioned the pensions adjustment in the statements. There is no explanation in the annual report but a technical explanation has been included in the notes. The member recognised that this is an actuarial calculation beyond the College's control but given that it showed significant movement he felt it required an explanation, highlighting that it is almost double the liability in the balance sheet. She agreed that it would be sensible to give an explanation that this is separate to other financial challenges. It was confirmed by the external auditor that similar proportional movement is consistent across the sector. The Chair agreed that an explanation to express the rationale for this in the statements was required. This should acknowledge that there is no effect on cashflow. The member added that he had noted a number of small items requiring updating. The Interim Finance Director advised that he would welcome any additional feedback in relation to the statements after the meeting.

The Chair spoke about giving assurance to the external auditor around going concern, property sales and student numbers to then inform statements of going concern. He advised that the Board Winter Conference took place during the previous week. As part of the conference, governors looked in detail at budgets, curriculum proposals and asset sales. Good debate and discussion took place around going concern. The Chair highlighted the target date for the accounts of the end of March and noted that the next meeting was not planned until 16 June 2021. The external auditor agreed that she would work with the Interim Finance Director to agree a timeline, looking realistically at the work still required. Once the timeline is confirmed the Clerk will look to arrange a special meeting of the committee.

Karen Finlayson and Lucy Robson left the meeting at 4.30pm.

The internal auditor advised that no internal audit services had been provided during the year and highlighted two references within the statements to internal audit work on pages 4 and 36. The internal auditor suggested some amendments were required to this. It was agreed that the internal auditor would follow this up with the Interim Finance Director outside of the meeting. The internal auditor confirmed that review and recommend work was undertaken rather than internal audit. The Clerk indicated that there was a need to demonstrate that activities took place, to give assurance and satisfy the needs of governors. Any amendments should be reflective of this.

Action: Special meeting of the Committee to be arranged following confirmation of the timeline for approval of the accounts.

Action: Internal auditor to work with the Interim Finance Director to amend financial statements in relation to internal audit activity.

The report was noted.

A/747 Draft Internal Audit Plan

The plan was presented by PwC as internal auditor.

The internal auditor reported that a number of meetings had taken place with staff throughout the organisation, in a number of areas. The internal auditor noted her appreciation for staff for making the time to meet. She also recognised that staff had been open, honest and cooperative in helping to create the draft plan. No timetable has been included yet and further discussions are to take place to inform this.

The Interim Finance Director advised that a review of learner numbers has been included. The College has recently been informed that the ESFA will be doing a full funding audit during week commencing 22 February 2021. The ESFA will be looking at 2019/20 numbers rather than current learner numbers which will be the focus of internal audit. The Chair recognised that the scope of the internal audit could be focused on any areas identified as part of the ESFA audit.

The Clerk questioned whether the review of funding and data activity would look at any risks associated with remote learning. The internal auditor advised that the plan is still quite high level and that this area could be added to the scope. The planned IT Security review could also consider this.

The Interim Finance Director indicated that subcontracting is included in the plan but the College will still need to provide the ESFA with the annual subcontracting audit report. He asked whether this is included in the plan. The internal auditor advised that the audit had been discussed and a contact has been shared with the Director of Business Development as it is a separate team within PwC who would undertake this audit. This is to ensure internal and external activities are kept separate. The internal auditor advised that she would also share the contact with the Interim Finance Director. The Interim Principal / CEO commented that he was supportive of this approach to give a degree of separation.

The Chair recognised that the plan outlined a substantial internal audit over a significant number of days. This was required to give the necessary levels of assurance. The Interim Principal / CEO confirmed that extensive conversations have taken place between PwC and the Executive Team. He added that it is felt appropriate to have the amount of activity outlined and the team are content that the plan covers what it needs to. A member expressed her view that the plan gives governors the assurance that is needed. It shows a breadth of checks and testing across a number of areas.

A member questioned whether control measures may be needed in relation to COVID vaccinations. The Interim Principal / CEO advised that the College is following externally set guidelines from the Department for Health and this is not included at this stage. This is felt to be an area to keep under review.

The Chair advised that he had also met with PwC and he very much appreciated being involved in the production of the plan. He felt the plan was very comprehensive and indicated that he was hopeful that the assurance from internal audit will allow external auditors to have confidence that the College has effective controls in place.

A member commented that it would be good to see how internal audit is incorporated into the KPI tracker as she felt that this is an area where progress needs to be tracked.

The Chair asked whether it would be useful to share the plan with other governors, to give members an understanding of what the team is focused on. The Clerk felt that this would be beneficial and it was agreed to circulate the plan to other chairs of committees indicating that the plan has been discussed by the Audit Committee and asking whether

there is anything not included that has been highlighted in their committee. The plan could then be shared with the Board for information.

In response to a member question, the Interim Finance Director confirmed that fees for internal audit have been agreed.

Action: Internal auditor to share details of PwC team who would undertake the annual subcontracting audit.

Action: Internal audit plan to be shared with chairs of committees prior to circulating to the Board, for information.

The plan was approved.

A/748 Draft Audit Committee Annual Report 2019/20

The report was presented by the Interim Finance Director.

It was reported that there is still work required in order to finalise the report. Input is needed from RSM on completion of the financial statements. An overview of the outstanding items was given. Attention was drawn to section 7.5 on internal audit. The internal auditor confirmed that the statement provided outlining that no reviews had been undertaken was appropriate. The report is as complete as it can be until the financial statements are finalised.

The Interim Principal / CEO queried section 13 of the report in relation to subsidiaries. The Interim Finance Director confirmed that TTS was a dormant company during 2019/20. It was agreed that the Interim Principal / CEO and Interim Finance Director would have a further discussion outside of the meeting to ensure that reporting against dormant companies is consistent.

A member questioned whether the review of the committee terms of reference should be highlighted within the report. It was confirmed that the revised terms of reference were adopted during 2020/21 but a note will be added advising that they were reviewed over the summer.

The Chair thanked the Interim Finance Director and the Clerk for a very comprehensive report. A member indicated that whilst they were comfortable with the detail, they didn't feel the report could be approved at this stage. The Interim Finance Director confirmed that on completion of the financial statements the report will be updated and brought back to the special meeting. The Chair noted that the committee had reviewed the draft of the report and noted the sections to be completed. He commented that he was very pleased with progress.

Action: Financial statements to be reviewed to ensure reporting on subsidiaries is consistent.

Action: Report to be updated to include review of terms of reference.

The report was noted.

A/749 Annual Cycle of Business

The schedule was presented by the Interim Finance Director.

The Clerk asked members whether the cycle should include something around assessing and reviewing value for money or whether they felt this was covered by other items. A discussion took place around this. The internal auditor indicated that she had experience around working value for money into internal reviews. This was very much at a granular

level and the internal auditor indicated that it could be built into other assurance reports and incorporated into the internal audit process. Reviews could include a value for money objective if this was felt to be useful. The Chair indicated that audits in the health sector now include a view on value for money and asked whether there may be a requirement for education to do this in the future. The internal auditor indicated that this was currently at a low level and agreed that she would follow up with her colleagues for further detail and report back.

Action: Internal auditor to confirm whether there are plans to include value for money within education audits in the future.

The schedule was received.

A/750 Any Other Business

There was none.

A/751 Date of the next meeting

The date of the next scheduled meeting was confirmed as Wednesday 16 June 2021 at 4.00pm. As agreed earlier in the meeting, a special meeting will be arranged once the timeline for approval of the financial statements has been agreed.

Claire McHaffie left the meeting at 5.20pm

A/752 Audit Tender Process

A verbal update was given by the Interim Finance Director.

The Interim Finance Director reported that he had requested an update from Tenet. There are four interested parties for the external audit tender. It was reported that RSM are no longer on the approved framework list. The Financial Controller added that the College would be using the CPC framework and RSM were on the framework at start of the process – they may or may not therefore be eligible to tender. The framework moved at the start of 2021 and anyone wanting to remain on there would need to resubmit. The tender has not yet closed so there may be some additions. The Chair indicated that he had an awareness that some of the bigger firms are moving away from audit in this sector – as they considered it high risk. A meeting is scheduled for 1 March 2021 to meet the applicants.

In terms of internal audit, the Interim Finance Director reported that work is ongoing to get the tender document ready for 1 April 2021 with a view to awarding the contract on 20 May 2021 with a start date of August 2021. It was reported that RSM are not on the internal auditor framework either.

In response to a member question, the Interim Finance Director indicated that he would confirm timings for 1 March 2021. The member asked whether there is a core criteria list for companies to meet. The Interim Finance Director confirmed that there is a scoring mechanism that Tenet will provide and that they will create the scores on behalf of the College. The committee are only required to ask clarification questions where there are any areas of concern. No new questions can be asked to ensure a fair process. The member expressed an interest in understanding the experience of the companies who have tendered stating that the process should give comfort on this. The Financial Controller advised that staffing and experience is part of the tendering process. In response to further member questions, the Financial Controller confirmed there will be the opportunity to probe and ask questions around experience. There is also potential to seek the views of previous customers.

Action: Interim Finance Director to confirm timings for 1 March 2021.

The report was noted.

The meeting ended at 5.40pm.