



## AUDIT COMMITTEE

**Minutes of the meeting held on 18 November 2019 at City Centre Campus at 16:45**

### **Present**

Julian Young (JY), Chair	External Governor
Andrew Furse (AF)	External Governor
Andrew Parker (AP)	External Governor

### **In attendance**

Richard Bott (RB)	External Auditor, Mazars
Tom Winter (TW)	Internal Auditor, Icca-ETS
Jonathan Creed (JC)	Interim Finance Advisor, Icca-ETS
Laurel Penrose (LP)	Principal & CEO
Jayne Davis	Deputy Principal
Margaret Playle	Director, Finance & Corporate Services
Anne Roberts (AR)	Head of Governance

### **1. Welcome and Apologies for Absence**

Margaret Playle, the new Director of Finance & Corporate Services and Tom Winter, Internal Auditor were welcomed to the meeting. Apologies were given from Patrick Clark, Icca-ETS.

### **2. Declarations of Interest**

JC in respect of Icca-ETS.

### **3. Confidentiality of Items**

All papers are confidential other than items 12 & 13

### **4. Minutes of the meeting held on 8 July 2019**

The open and confidential minutes of the meeting held on 8 July 2019 were approved and signed as a correct record. All actions had been completed or were on this agenda. AR confirmed that the terms of reference had not changed since being reviewed by the internal auditor.

### **5. Education & Skills Funding Agency**

#### **5.1 ESFA Governance Checklist**

Members reviewed the completed ESFA checklist which was an internal document but one which provided assurance to the governing body. The Committee were assured with the responses made and asked that this document be completed annually and signed by the Chair of the Audit Committee. The Committee gave authority for the Chair to sign this following the meeting.

**ACTION: JY**

## 5.2 ESFA Audit Feedback

Members received an update on the recent ESFA Audit and were pleased to note that an unqualified audit opinion was being submitted to the ESFA. LP thanked JD for all her work in getting to this result. A number of learning points had been gathered during the process but no clawback of funding was expected. Members discussed the areas that had proved challenging and expressed their congratulations to JD, LP and the staff who had worked on the audit. This result would help inform the work of the external auditor.

## 6. Regularity Self-Assessment Questionnaire

Members reviewed the completed Regularity Self-Assessment Questionnaire. This had been completed in more detail this year. Members asked that the response in relation to the ESFA Funding Audit outcome be updated, that the cyber testing audit and fire safety testing be added as well as specific dates when policies were approved. Subject to those changes, the Audit Committee recommended the completed Questionnaire to the Board for signing before being sent to the external auditor. **ACTION: AR**

## 7 Internal Audit

JC left the meeting for this item.

TW reported that Patrick Clark was the new Head of Internal Audit at Icca-ETS following the departure of Martin Harrison. TW highlighted key points of interest in the annual internal audit report. Members agreed with the opinion given and asked that some benchmarking and quantitative data in relation to the College's position be added to the report as well as reference to Bath College in the Introduction page.

The Chair thanked the internal auditors and the senior management team for their speed in turning round the audit reports so quickly. This had been a positive year and the number of recommendations closed was high. It was noted that the internal audits planned during 2019/20 had not changed since the Committee agreed them in July (Financial Planning & Management, Apprenticeships, IT Infrastructure and Disaster Recovery, Review of English & Mathematics). **ACTION: TW** to update the report

## 8 External Audit

### 8.1 Audit Completion Report and Letter of Representation

RB provided the Committee with the draft Audit Completion Report and Letter of Representation. He reported that the audit work had gone much more smoothly this year and thanks were given to JC for his interim finance work in the absence of a College Finance Director. RB confirmed that at the time of issuing this report, an unqualified opinion, without modification, would be given. He also confirmed that the ESFA audit unqualified opinion was helpful but that the ESFA final report had not yet been issued. He highlighted the improvement in cash generation this year which was particularly pleasing to note in such a challenging sector. Based on the information available, the College was assessed as a going concern. The College had met its bank loan covenants.

One member asked about the risk in relation to revenue recognition. RB confirmed that there would always be a risk, financial adjustments in the FE environment were challenging but that as far as it could be determined, all assessments met the ESFA requirements. Members had a discussion around student demographics and sustaining the College's position in a competitive environment.

RB asked that the carrying value of land at Somer Valley Campus be revisited in the coming 12 months to assess for any impairment and impact, if any, on the financial statements. Members asked about the land at the Bath City Centre Campus. LP confirmed that the value of this land had been used in submissions for capital monies from the West of England Combined Authority.

RB updated members on pensions for the sector and particularly the McCloud and GMP cases. He confirmed that the actuaries had incorporated the impact of the McCloud ruling and, in line with others, had included the GMP impact as an unadjusted difference. Members confirmed they were content with this. RB presented a benchmarking chart of pension assumptions (assuming a long term trend) and Principal/CEO remuneration across colleges (the latter to be added to the Report) **ACTION: RB**

RB reported that there were very few internal control recommendations. Three policies were due for review, one of which was on this Committee's agenda and it was confirmed that the others would be reviewed in 19/20. Members asked that more work be done on the asset register and for a target date for completion of the reconciliation. It was agreed to have an update at the March Audit Committee. **ACTION: MP**

RB confirmed that the summary of misstatements was judged to be immaterial. Members reviewed the draft management representation letter and the independent auditors report to the members of the corporation. The Chair thanked RB for a comprehensive report which would be recommended to the Corporation in December.

## **8.2 Members Report & Draft Financial Statements**

Members considered the Draft Report and Financial Statements which had been prepared by the College. The Report and Statements were in almost final form and would be presented to the Corporation in December.

## **9 Audit Committee Draft Annual Report**

AR presented the Audit Committee's draft Annual Report of activity during 2018/19. Information in relation to attendance, outcome of the ESFA audit, the external audit opinion and internal control recommendations would be added following the meeting. Members reviewed the report and agreed it represented an accurate picture of the Audit Committee's activity during the year. Members gave authority for the Chair of the Committee to authorise the updated report for submission to the Corporation in December. **ACTION: AR** to update the report; **JY** to review and authorise

## **10 Risk Register**

JD presented the Strategic Risk Register, final outcome for 2018/19 and an updated Register for 2019/20. The two areas deemed to have miss rates (emergency response

and HR recruitment/capability) had been added to the Register for 2019/20. She confirmed that the Committee would be presented with just the top 10 high risks under the Risk scoring Assessment (1-4). Members agreed with this approach and were pleased to see a large number of 'green' outcomes in 2018/19. Members asked about recruitment of technical staff, noting that this was a difficult area. LP confirmed that incentives and payment of market rates were in place and that there would be a revaluation of advertising and advice sought from staff in the relevant departments. The Chair asked about training opportunities that the College could offer. LP confirmed that this was being done, including discussions with the local Universities in relation to employment following graduation. JD confirmed that emergency response testing was planned to mitigate this risk and this would include more entry systems at the Somer Valley Campus. Currently only Wellow House (which housed SEND) had a swipe card system.

The Chair thanked JD for her update. It was agreed that a more detailed scrutiny of the Risk Register and the revised Risk Management Policy should be undertaken at the Committee's March meeting. **ACTION: JD** to update the Risk Management Policy

**11 Information Governance Compliance**

AR provided an overview of information governance compliance for the academic year to date. Members asked at what point a data breach would be considered to be a high risk. LP confirmed that guidance on the Information Commissioner's Office (ICO) website was used and a self- assessment made against the ICO criteria. Members asked that this be added as a footnote in future reports. **ACTION: AR**

**12 Gifts & Hospitality Policy**

AR presented a revamped Gifts & Hospitality Policy to enable a clear framework for staff, governors and others to use. The Gifts & Hospitality Register would be reviewed by the Chair on an annual basis and a report made to the Committee. Members discussed the the value of gifts which had to be declared and agreed with the limits set, noting that the Policy would be reviewed in a year's time. Members asked that wording be added in relation to what would be deemed 'reasonable' to an ordinary member of the public in respect of gifts valued over £25. Subject to this, the Audit Committee recommended the Policy to the Corporation for approval.

**13 Membership of the Committee**

The Committee approved the recommendation that Neil Wilson, external governor replace Andy Parker on the Committee for the remainder of the 2019/20 year. Thanks were given to Andy for his input to the Committee. Andy would be replacing Neil on the Finance & Estates Working Group.

**14 Any other Business - None**

**15 Date of Next Meeting - 16 March 2020 at Bath City Campus**

Signed (Chair).....

Date: .....