

AUDIT COMMITTEE

Minutes of the virtual meeting held via Teams 25 November 2020 at 17:00

Present

Julian Young (JY), Chair	External Governor
Andrew Furse (AF)	External Governor
Neil Wilson (NW)	External Governor

In attendance

Richard Bott (RB)	External Auditor, Mazars (until item 7)
Guy Gorvett (GG)	External Auditor, Mazars
Patrick Clarke (PC)	Internal Auditor, Icca-ETS
Jayne Davis (JD)	Deputy Principal
Paul Fletton (PF)	Interim Director of Finance
Laurel Penrose (LP)	Principal & CEO
Anne Roberts (AR)	Head of Governance

1. Welcome and Apologies for Absence

The Chair welcomed everyone to the meeting. There were no apologies for absence.

2. Declarations of Interest

None given.

3. Confidentiality of Items

All items, other than the Governance & Compliance report [8.1], were agreed as confidential.

4. Minutes of the meeting held on 29 June 2020

The minutes of the meeting held on 29 June 2020 were approved and would be signed by the Chair electronically as an accurate record following this meeting. There were no matters arising.

Actions

- Discussion around benchmarking of Apprenticeships was in progress
- A board assurance matrix was being developed and was highlighted in the Internal Audit follow up of recommendations
- Equality and Diversity had been included in the Audit Plan 2020/21
- The Strategic Risk Register now included more context on HR recruitment and would include risk opportunities
- The (interim) Risk Management Policy had been approved by the Board

- Revised Financial Regulations and Anti-Fraud Policy would be considered at the next meeting and members asked for these to be circulated earlier if possible.

ACTION: PF

All other actions had been completed or were on the agenda.

5. EXTERNAL AUDIT

5.1 Sub-Contracting Controls

RB reported on the sub-contracting controls report. This would be the last year that he could undertake this review given the new ethical rules for auditors. He confirmed that no new matters had been highlighted and there was one outstanding action from 2019/20 in relation to timely payment of sub-contractors, which was being addressed. Members asked about the charging strategy in relation to management of fees. RB reported that this tended to reflect the risk level of the sub-contractor. It was noted that the rationale for the fees set was published as part of the Sub-Contracting Strategy and Policy. Thanks were given to the External Auditors for their report.

5.2 External Audit Strategy Memorandum

The External Audit Strategy Memorandum had previously been circulated to members in September. RB highlighted the additional work required in relation to the assurances required by the Office for Students. No additional charges had been made for this work. The Chair asked for this to be noted in calculating next year's fees, which would need to increase.

6 ANNUAL REPORT AND FINANCIAL STATEMENTS

6.1 External Audit Completion Report

RB reported his thanks to Mary Wisker, Head of Finance for her assistance with the external audit which had been done remotely this year. He reported that all work had been completed other than:

- Receipt of the signed regularity self-assessment
- Securing a Depreciated Replacement Cost of the SVC valuation
- Formal sign-off of the extended bank loans, and
- The Going Concern review

GG reported that the audit approach had been the same as the previous year; there was no evidence of override of management controls or issues in relation to revenue recognition. The Going Concern position had a higher level of scrutiny this year following high profile cases in the sector. It was noted that the regularity self-assessment was on this agenda for consideration and would be signed following the December Board meeting. PF reported that the Board had, at its meeting on 19 November 2020, endorsed the Going Concern assessment and this would be shared with the external auditors.

RB reported on the discussions with Barclays Bank in relation to the short-term 'technical breach' of the covenant. The bank was planning on renewing the covenant and had started the process of approval. He stated that he could not finalise the external audit completion report until this had been done but the aim was to complete this mid-late January, before the ESFA deadline of 31 January 2021. LP reported that lessons had been learnt as a result of the impact of the legacy issue and confirmed that the issue had been brought to the governors' attention as soon as it was known.

Members asked if there were any consequences as result of this. LP reported that the College's financial health rating was still within the 'Requires Improvement' category and that no further action was needed in respect of the ESFA. Indications from the bank was that there was likely to be little change to the covenant requirements.

Members asked about the timescales for sign-off of the financial statements. PF stated that the plan was to receive the legal documents from the bank by mid-January in order to enable the external auditors to sign off their report. A recommendation to approve would then be made to the Board on 27th January 2021.

RB reported on the distorting effect on colleges' accounts of the defined benefit pensions scheme assumptions and that his actuaries had reported that the demographic and financial assumptions used by the College were reasonable. He also reported that further work was required on the land valuation of SVC. PF confirmed that a Depreciated Replacement Cost valuation had been commissioned for report back no later than mid-January 2021. The valuers expected to do this by the end of December.

Members noted that all internal control recommendations had been resolved. There was one low risk recommendation this year which management stated would be resolved by the new online DBS system.

RB reported that the Covid-19 situation had exacerbated scam emails and to be aware, particularly in relation to financial transactions. Members of the Committee thanked the external auditors for their diligence and pragmatism in what had been a more challenging year due to the pandemic.

6.2 Members Report and Financial Statements

PF reported on the latest draft financial accounts, an earlier version of which had been reviewed by the Finance & Estates Working Group. Final proof reading and referencing was still to be done. Members reviewed the content of the Report of the Governing Body and noted the inclusion of the 'Going Concern' disclosure approved by the Board on 19 November 2020. The Committee noted the draft financial statements for 2019/20 and approved these, noting that these were subject to the further work by the external auditors and could therefore not yet be recommended to the Board for approval. JY

directed that the finalized accounts including all necessary evidence and paperwork, including the amended Barclays Bank loan arrangements and SVC land valuation, must be completed by 20 January, a week before the Board meeting on 27 January, as the accounts must be submitted by end-January, and PF would keep the Chair of Audit informed on progress. **ACTION PF & LP.**

7 INTERNAL AUDIT

7.1 Risk Management Internal Audit Report

PC presented the Risk Management Internal Audit Report. Members noted the audit opinion of 'Reasonable Assurance' that the areas of the control environment tested were designed and operating effectively with no significant weaknesses. Five medium and low recommendations had been made. PC reported on the suggested areas for improvement and highlighted the risk appetite statement which tended to be more detailed in other policies in the sector. He agreed to share examples with JD. **ACTION: PC**

Members recognised that risk appetite was a difficult area and suggested that whilst an example might be put in the Risk Management Policy, it might be more appropriately articulated in sign off documents.

PC reported that the (interim) Risk Management Policy was good compared to others in the sector. However, there was some inconsistent terminology in the scoring definitions compared to the Risk Register, and there was a need for a risk assurance matrix to accompany the Register, as identified in June.

ACTION: PC to share examples of other frameworks with JD

ACTION: JD to review the scoring terminology

The Chair reported that he had produced a statement on articulating risk and would consider the risk appetite statement for consideration by SMT and Committee members. The Committee would offer comments on the policy and delegated approval of the revised final version of the policy to the Audit Chair for recommendation to the Board. **ACTION: JY**

(Sec's Note: Some members' comments received and this will be presented at the February Board)

PC flagged the recommendation that a Corporate KPI/Scorecard would be useful to help provide assurance to governors. LP reported that this was in the process of being devised, alongside a finance and HR dashboard and these would all be pulled together for consideration by the Board in March 2021.

ACTION: LP

7.2 Follow up Report on Previous Recommendations

PC provided an overview of the follow up on previous internal audit recommendations. The report gave a 'Reasonable Assurance' opinion that progress with implementation had been timely and effective. Of the 38 recommendations, 22 had been implemented and 15 were partly or not yet

implemented. Of these, just one was scored as high risk (recording of 20% off the job training). Members asked about progress in this risk area. PC reported that sample checks had been done, the calculations were accurate and there was evidence that students had completed. LP reported that the ESFA had undertaken two audits in 2018/19 and 2019/20 and there had been no clawback of funding. She confirmed that more robust controls were being put in place with the use of mini-audits throughout the year, managed by the Assistant Principal (Business & Technical Skills).

The Chair asked that the titles of the responsible officers be added and the dates for implementation amended. **ACTION: JD** to liaise with PC about the revisions and re-circulate the report in December.

7.3 Internal Audit Annual Report 2019-20

PC presented the internal audit annual report of activity during 2019-20. The report included the internal audit opinion to the Audit Committee and Corporation of 'Reasonable Assurance' that by 31 July 2020, the College's governance, risk management and systems of internal control were operating adequately and effectively. This statement reflected the fact that two audits had been given a limited assurance opinion though, following further work, the issues had been largely superseded and therefore a 'reasonable assurance' rating had been issued.

Members asked how the impact of Covid-19 had affected the audits. PC stated that slightly fewer days had been used (37 instead of 40) and some audits had been rescheduled, but most of the work could take place remotely. Evidence was available electronically and his auditors had received everything they needed.

JD and LP reported that the internal audit reports and risk management framework were used as action plans and were important in the development of the Assistant Principals and Curriculum Managers roles and reflected the robustness of the college.

The Chair thanked PC for the timeliness and clarity of his reports and asked him to pass the Committee's thanks to his team.

7.4 Internal Audit Plan 2020/21

The Committee noted the internal audit plan 2020/21 which had been adjusted following the recommendations made at the last meeting.

8 GOVERNANCE AND COMPLIANCE

8.1 ESFA Governance Checklist

AR presented the completed ESFA Governance checklist. Members agreed that this should continue to be done each year for assurance purposes and asked

that the dates when policies were approved be added. AR reported that there was a separate policy approval document which she would add as an Appendix. **ACTION: AR**

8.2 Self-Assessment Regularity Questionnaire

AR presented the completed self-assessment regularity questionnaire that this year had a supplementary annex for Covid-19. GG confirmed that the external auditors had nothing to add. Members noted that some of the information in the document would be useful for the assurance framework. The Committee agreed to recommend the document to the Board for approval, following which a signed copy would be sent to the external auditors. **ACTION: AR**

8.3 Annual Report of the Audit Committee

AR presented the annual report of the work of the Committee, which included the internal audit opinion. The report could not be finalised and submitted to the Board until the external audit opinion had been completed. The Committee made no immediate changes to the report and asked that the final report be circulated to members of the Committee for approval and submission to the Board in January. **ACTION: AR**

8.4 Information Governance Compliance Reports

Members considered the Information Governance annual report 2019/20 and the Autumn term report and noted the significant increase in workload, particularly in complexity and volume. Members discussed the report and asked who the Data Protection Officer would be, with the departure of the Director of HR. LP reported that she would take this on temporarily, with the support of the Deputy Principal, until the appointment of a Director of Finance & Corporate Services.

9 RISK

9.1 Strategic Risk Register and Covid-19 Risk Register

JD presented the updated risk registers and highlighted the three new strategic risks (recruitment of a permanent Director of Finance & Corporate Services and Chair of the Corporation and College strategic opportunities) and the latest assessment of Covid-19 risks. It was reported that the recruitment was taking place in December.

Members had a detailed discussion of the opportunities risk, noting that it was important for the Corporation and SMT to continue to horizon scan and engage with stakeholders and funders. The Chair commented that the College was quick to seek out opportunities and had done well in relation to funding bids. JD would add 'horizon scanning' to this section. **ACTION: JD**

It was noted that the proposal for North Somerset to join WECA could present a risk as the College was currently the only FE college in WECA. LP reported on her links with WECA which kept her abreast of developments. Members asked about

opportunities to work with other Colleges in the area. LP reported on the recommendations in the 'Colleges for the Future' report and the links the College had as a partner in the West of England Institute of Technology.

Members asked about the business continuity risk and JD reported on the appointment of a new Health & Safety Coordinator who was putting plans in place.

Members asked whether the Covid-19 tier system that was about to come into effect would have an impact on the College. JD reported that it would not as education remained open. Communications would be sent to students and parents. LP reported that she was on the B&NES outbreak Board and therefore had access to the most up to date information. She reported that the College had been commended in its response and communications. Members discussed the work taking place under the Strategy risk and noted that the Digital Strategy would be presented to the Board in January.

Members asked that the Assistant Principals be referenced in the Risk Register as they were pivotal in supporting the SMT in managing the risks.

ACTION: JD to reflect this in both Risk Registers.

10 Any Other Business

None

11 Date of next meeting – 15 March 2021 at 17:00