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AUDIT COMMITTEE MEETING

Date: 22nd October 2020

Time: 5.00pm

Venue: Video Conference

Present:

Andrew Fawcett (Chair)

Chris Ball

Stephanie Nixon

Gulnaz Brennan

Farhad Ahmad

In Attendance:

Bill Webster (Principal)

Garry Westwater (Executive Director of Finance)

Karen Westsmith (Director of Adults & H.E.)

Tim Openshaw (Assistant Vice Chancellor, Planning & Student Experience) (UoB)

Georgina Philp (Azets)

Danny Harvey (PwC)

Jane Forbes (PwC)

Deborah Bradburn (Clerk)

1. SECTION A - BUSINESS MATTERS FOR CONSIDERATION UNLESS INDICATED OTHERWISE

1.1 Election of Committee Chair

Members were invited to put forward a nomination and elect a Chair for the Committee.

Mr Andrew Fawcett was nominated.

RESOLVED:

Mr Andrew Fawcett be elected Chair of the Committee for the current academic year.

1.2 Welcome to Members/Officers

The Chair welcomed members to the meeting, which commenced at 5.03pm.

Mr Farhad Ali was welcomed to the meeting as a new member of the Committee.

1.3 Apologies for absence

There were no apologies for absence to receive.

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1.4 Declarations of Interest

The Chair reminded everyone present to declare any interests that they may have on matters to be discussed. Standing declarations were noted particularly in relation to the University of Bolton reciprocal governance arrangements and also paid positions.

There were no declarations of interest.

1.5 Request for an item to be unstarred

No requests were made.

1.6 Minutes of the previous meeting held on 11th June 2020

The minutes of the meeting held 11 June 2020 had been previously circulated to members for consideration.

Agreed: that the minutes are approved as a correct record and authorised for publication.

1.7 Matters arising from the previous minutes

The Clerk presented the action progress log and the following points were noted:

- Any ongoing actions related to business continuity and pursuing Group contingency plans with the University.

All other items from the previous meeting had been actioned.

2. SECTION B - COLLEGE MATTERS FOR CONSIDERATION UNLESS INDICATED OTHERWISE

2.1 Internal Audit Reports

(i) OfS Ongoing Conditions of Registration Compliance

PwC presented the report and the following points were noted:

- The College's processes to ensure compliance with the OfS had also been reviewed at other colleges and the University.
- The review looked in detail at three conditions. The successful outcome of students (condition B3), financial sustainability (condition D1) and co-operation with electoral registration of students (condition E5)
- The College was ahead of other colleges in its compliance with robust processes in place that were well structured and defined.
- The outcome of the review was very good with four findings raised. One medium finding related to non-prescribed HE provision that was within OfS scope. The College would report the non-prescribed HE provision and ensure that it was integrated into the

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prescribed HE process. The three minor findings were raised to give extra depth. Reports on HE would cross reference to the OfS ongoing conditions of registration to ensure that there was oversight and evidence of compliance.

- The College had 114 HE learners and 6,000 adult learners, it was important that the work undertaken was proportionate to the number of HE learners.
- The College had created parallel processes to that at the University showing further benefit of the merger.

Governor Questions:

- Was a self-evaluation document the same as a SAR?

The self-evaluation and SAR were similar, self-evaluation was the terminology used for HE. It was how provision at Level 4 and above was measured and evaluated in terms of data, student feedback, success rates and employability.

The Committee noted that it was encouraging to see that the College compared favourably in comparison to other colleges.

RESOLVED:

The Committee noted the progress made against the plan.

(Karen Westsmith left the meeting at 5.20pm)

2.2 Outstanding Audit Recommendations: Monitoring Schedule

The Executive Finance Director presented the outstanding audit recommendations monitoring schedule. All outstanding recommendations were completed except for cash control.

Governor Questions:

- What materiality and level of financial risk was there related to cash control?

The College operated a shop, restaurant and there was petty cash associated with community learning. There were not a lot of cash transactions and a range of different cash activities with different practices. There was limited risk of theft or fraud.

RESOLVED:

The Committee noted the report and completion of the audit recommendations.

2.3 Internal Audit Annual Report 2019-20

The annual report from PwC for the 2019-20 academic year was reviewed and noted.

2.4 Internal Audit Plan 2020-21

PwC presented the plan and it was noted that:

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- The plan was presented to the Committee in June 2020 and was now finalised with progress made accordingly.
- The plan had rolled forward the capacity review to include cyber security.
- The return to the workplace review draft report had been issued to the College with the final report to be presented at the next Committee meeting.
- PwC were currently undertaking the public interest governance review with good progress made against the 2020-21 plan.

The Principal reported that the College would have an ESFA audit to be completed by KPMG that would include the adult education budget. The audit was raised at the AoC Principals meeting as the audit of the adult education budget was devolved to the GMCA.

The following observations were made:

- The ILR for devolved authorities was managed by the ESFA data portal.
- The College had circa. £40k of the national allocation.
- ESFA had increased its interest in cybersecurity and ensuring appropriate safeguards were in place. Following reports of targeted attacks on educational institutions, the College had taken out cyberattack insurance as part of the Group.

RESOLVED:

The Committee reviewed and noted the 2020-21 internal audit plan.

2.5 Financial Statements 2019-20 and Regularity Audit

(i) Financial Statements 2019-20

The Executive Director of Finance and external auditors presented the statements and the following points were highlighted to the Committee:

- The financial statements for the year 2019-20 had been audited by the Group external auditors, Azets.
- There were no major concerns and an unqualified audit opinion had been issued in respect of the accounts for the financial year ending 31 July 2020.
- COVID-19 did not have the anticipated impact on income with an operating surplus of £179k.
- The bank had flexed the covenants but there was still significant loss related to the pension scheme.
- The depreciation figure had increased – aligning the accounting policy with the University.
- The financial statements would be submitted to the Board for approval prior to submission to the ESFA by 31st December 2020.

The Committee reviewed the financial statements and commented that Note 18 was referenced but omitted and required amendment.

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RESOLVED:

The Committee noted and agreed the financial statements for 2019-20 for recommendation to the Board following further amendment.

ACTION:

- Executive Director of Finance
- Clerk / Board Agenda

(ii) Audit Findings Report for Year Ended 31 July 2020

Azets presented the report and the following points were brought to the Committee's attention:

- The financial statements presented a clear audit with no material adjustments required.
- Five audit risks had been identified at the planning stage and the audit had concluded that appropriate actions were in place to mitigate against the risks with appropriate assurances provided.
- There were 3 minor recommendations related to journal authorisation. Management had accepted the recommendations and appropriate action had been taken.
- An adjustment had been made each year for the fixed asset register and book value due to the use of a financial system that required upgrading. The College hoped to migrate to the same system as the University in 2021 that would remedy the issue.

Governor Questions:

Had the College reflected the audit risks in its internal risk management?

The risks identified were included in the College risk management.

Had there been instances when the journal had not been signed correctly or unsigned?

Any omission was as a result of limited time and resource. Anything over £50k would be overseen by the Executive Director of Finance.

Was there anything that the College could do to reduce pension costs?

The pension scheme was managed externally on behalf of the College with pension funds managed independently of the College. Moving employees onto an affordable pension scheme would be a Group strategy.

RESOLVED:

Members noted the contents of the Audit Findings report.

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(iii) Representation Letters 2019-20

The representation letters that were required by OfS and ESFA were presented.

(iv) Regulatory Self-Assessment Questionnaire and Annex A 2019-20

The Committee reviewed the self-assessment questionnaire and it was noted that all sections had been appropriately completed and any issues highlighted.

2.6 Audit Committee Annual Report 2019-20

The annual report was presented and reviewed.

The Committee noted that the report should reflect the good attendance of the Committee also that it had actively reviewed its capacity and capability and as a result had recruited a new member to the Committee.

The Committee noted that the Board members terms of office all ended at the same time; this was as a result of the College merger. Appropriate succession would be required for continuity of governance with staggered terms of office. The issue would be raised at the next Search and Governance committee meeting.

RESOLVED:

The Committee agreed that the report be submitted to the Board for consideration after the amendments had been made.

ACTION:

- Executive Director of Finance to make amendments to the annual report.
- Clerk / Board Agenda
- Clerk / Search & Governance Agenda

2.7 Risk Management Annual Report 2019-20

The risk management annual report which summarised the College's approach to risk was presented and discussed.

The impact on teaching and learning was positive with programmes delivered during COVID-19. One way systems and PPE were in place with the only personnel on campus limited to staff and learners.

Governor Questions:

Where was the College this week in relation to risk management?

The College remained a challenging environment but was open and at full capacity. Currently 150 staff and learners were self-isolating. The highest risk area was health and beauty with

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learning placed online this week. English and maths tutorials were highlighted as a risk area and were also to be placed online after half-term.

RESOLVED:

The Committee agreed that the report be submitted to the Board for consideration.

ACTION:

Clerk / Board Agenda

2.8 Risk Management / Risk Register

Tim Openshaw presented the report and the following points were highlighted:

- There had been an anticipated increase in score in one of the risk areas that related to the COVID-19 environment and was represented in the summary chart.
- A review of the register and mitigation of the risks were live issues.

The Committee felt assured that the risk register was a live document and adjusted accordingly to matters for consideration.

RESOLVED:

The Committee noted the update to the Risk Management / Risk Register.

2.9 ESFA Audit Code of Practice 2019-20

The following update was provided by the Clerk:

- The report provided an update of the changes to the ESFA Post-16 Audit Code of Practice that was published in July 2020.
- A schedule of the updates was provided and the extent to which the College was compliant with those changes, as applicable.
- The College acknowledged and was cognizant of the Code's requirements that included the enhanced clarification provided by it.

RESOLVED:

The Committee reviewed and noted the Audit Code of Practice 2019-20.

2.10* Audit Committee Terms of Reference

The Clerk advised that the terms of reference were recommended for review every three years and had been updated to ensure that they were consistent with the Post-16 Audit Code of Practice 2019-20.

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RESOLVED:

The Committee noted the updated terms of reference and were recommended for approval by the Board.

ACTION:

Clerk / Board Agenda

3. SECTION C - UNIVERSITY GROUP MATTERS FOR CONSIDERATION UNLESS INDICATED OTHERWISE

None.

4. SECTION D - ANY OTHER BUSINESS

4.1 ESFA Policy / Funding Rules / Conditions of Grant Changes

This was a standing item on the agenda to discuss noteworthy matters. The following was noted:

- The ESFA required institutions to complete a 12 month cash flow report. The integrated financial model for colleges (IFMC) would require submission in July 2021.

4.2 External Audit Plan 2020-21

The external audit plan for 2020-21 would be circulated to the Committee for completeness.

ACTION:

Executive Director of Finance

5. SECTION E - FUTURE MEETINGS

Thursday 25th March 2021 at 5.00pm

There being no further business to discuss, the meeting closed at 6.35pm

Chair's Signature:

A handwritten signature in black ink, appearing to read "A. D. Jowett".

Date: 25 March 2021