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AUDIT COMMITTEE MEETING

Date: Tuesday 2nd November 2021

Time: 5.00pm

Venue: Board Room / Video Conference

Present:

Andrew Fawcett (Chair)

Farhad Ahmad

Chris Ball

Stephanie Nixon

In Attendance:

Bill Webster (Principal)

Garry Westwater (Executive Director of Finance)

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

Lewis Fletcher (PwC)

Jane Forbes (PwC)

Gary Devlin (Azets)

Deborah Bradburn (Clerk)

Jill Hebden (Secretary)

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.

1.3 Apologies for absence

Apologies for absence were received from Gulnaz Brennan.

1.4 Declarations of Interest

There were no declarations of interest.

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1.5 Request for an item to be unstarred

No requests were made.

1.6* Minutes of the previous meeting held on 10th June 2021

The minutes of the meeting held 10 June 2021 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 noted that the Group operational business continuity arrangements would be discussed at the next Executive Governance Working Group. All other items had been actioned.

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

2.1 Outstanding Audit Recommendations: Monitoring Schedule

The Executive Director of Finance presented the monitoring schedule, highlighting the following points:

- There were two outstanding audit recommendations under working capital that would be replaced by a new internal audit review of business continuity in 2021/22.

RESOLVED:

The Committee noted the outstanding audit recommendations report.

2.2 Internal Audit Annual Report 2020/21

PwC presented the Internal Audit Annual Report and the following points were noted:

- PwC had continued to undertake all reviews, albeit remotely without any critical or high-risk findings identified.
- The report highlighted good practice and positive messages for the College.

(S Nixon joined the meeting at 5.09pm)

RESOLVED:

The Committee noted the internal audit annual report.

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2.3 Internal Audit Plan 2021/22

PwC presented the internal audit plan 2021/22 and highlighted the following points:

- The plan had been circulated across the Group to allow for transparency on how the audit plan cut across the Group as a whole. All review planning had been aligned to Committee meetings.
- Within the context of the College and the Group the focus would be on four key areas:
 - Cyber security
 - Health and Safety
 - Procurement and inventory management
 - Budgeting and Forecasting
- The plan provided the College with the internal audit charter that referenced the scope and coverage of internal audit reviews.

RESOLVED:

The Committee reviewed and noted the 2021/21 internal audit plan.

2.4 Financial Statements 2020-21 and Regularity Audit

(i) Financial Statements 2020/21

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

- Following the final submission of the R14 to ESFA, there were some amendments to be made prior to Board approval.
- There had been strong cash performance in-year with £4.8m at year-end. The College had passed all bank covenants and the financial health judgement from ESFA had been confirmed as 'outstanding'.
- The operating surplus was £1.27m – before FRS charges - which was the best surplus recorded for some time and the total net liability had reduced.
- The business case to GMCA for the retention of the adult education budget would be submitted by 5th November, the outcome of which would not be concluded at the point of signing the accounts.

Governor Questions

- What was the return on assets in relation to the pension scheme?
This is an annual actuary assessment of the pension scheme. In 2020/21 there was a significant surplus and in 2019/20 there was a significant deficit.
- Is there a risk where the GMCA grant is concerned?

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At this point it is unclear what the College will need to do, there may be a requirement for over-delivery this year.

- There has been a significant increase in trade receivables, is there the potential for bad debts?

A significant amount is from Bolton Council for supported education. In terms of BCMS, it had been provided for although the likelihood was that it would be paid.

- Why was £1.4m payable to ESFA?

A major component is the sum of £465k relating to the tuition catch up fund which is part of the response to COVID-19. The cash has been received but the activity has not been delivered. There is the potential that some of this may need to be paid back.

- Why is the University not considered as a related party?

The final note in the accounts regarding the parent company and any Group transactions are considered in the annual accounts. This is not something that has been raised as an issue via ESFA or OfS.

- Will the IFR 16 affect the College?

Yes, when the SORP is updated from September 2022/23.

RESOLVED:

The Committee noted and agreed the financial statements for 2020/21 for recommendation to the Board following further amendment.

ACTIONS:

- Executive Director of Finance to amend the financial statements.
- Clerk / Board Agenda

(ii) Audit Findings Report for Year Ended 31 July 2021

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

- The financial statements reflected that the College was financially resilient and would be issued with an unqualified opinion.
- The quality of engagement with the College was excellent and the audit team were presented with a good set of financial statements and detailed information on request.
- The College was a going concern and had met all covenant requirements.
- Technical adjustments and minor disclosures were updated on the financial statements.
- A segregation of duties risk was identified due to the small size of the finance team that was mitigated by the use of exception reporting that was subject to further review.

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- There were no issues to report in relation to the valuation of assets and pension which were managed effectively.
- An error identified in previous years regarding the fixed asset register had been amended this year.

Governors Questions:

Is £672k in Appendix 2 correct?

This has been a simple classification error in previous years that has been regularised this year.

- Is Azets happy with the assets valuation?
Management were asked to confirm how assurances are reached on assets. These assumptions are then examined and tested against benchmarks and sector knowledge. The expectation is a cycle of valuations of assets to be in place and continually valued over a reasonable period frequently.

RESOLVED:

Members noted the contents of the Audit Findings report.

(iii) Representation Letters 2020/21

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

(iv) Regulatory Self-Assessment Questionnaire 2020/21

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

2.5 Audit Committee Annual Report 2020/21

The annual report was presented and reviewed.

The Committee noted that it was an annual requirement to report to the Board on its assessment of the control systems in operation at the College and noted the amendments to be made.

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

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2.6 Risk Management Annual Report 2020/21

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

There remained an emphasis on COVID-19 in the report and what measures the College had undertaken to mitigate any associated risk, particularly regarding lockdown and the reopening of the College campus.

RESOLVED:

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

ACTION:

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

2.7 Risk Management / Risk Register

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

- The register was a thorough review undertaken in May with routine updates made during SMT meetings. The details of any changes were shown in the appendices.
- The risk assessment was a live and active reflection of College risks and cut across the local and Group position.

RESOLVED:

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

2.8(i)* Treasury Management Policy

The Executive Finance Director had developed a Treasury Management Policy in keeping with best practice that was aligned with the University of Bolton policy.

RESOLVED:

The Committee noted the Treasury Management Policy and recommended it for Board approval.

ACTION:

Clerk / Board Agenda

2.8(ii) ESFA Letter / Financial Management

The Clerk provided a letter issued by the ESFA outlining the expectations of college's in setting standards for good financial management, governance and respective reporting.

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RESOLVED:

The Committee noted the ESFA letter.

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 College would need to complete its submission by the end of January at the same time as publishing the annual accounts.
- The College had received a letter from ESFA confirming the College's 'outstanding' financial health that would be formally reported to the Board.

RESOLVED:

The Committee noted the update provided.

5. SECTION E - FUTURE MEETINGS

Thursday 24th March 2022 at 5.00pm

There being no further business to discuss, the meeting closed at 6.15pm

Chair's Signature:

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

Date: 24 March 2022