

Minutes of the **Audit Committee**
Held on Monday 23rd November 2020

Present: Kathy Newman (Chair), John Dernie, Andrew Perrott, Alexey Smirnov,
Keeran Vetriko

With: Charlotte Mannion, Governor
Carole Kitching, Principal
Dominic Asater, Deputy Principal Resources
Richard Bott, Mazars
Guy Gorvett, Mazars
Karen Gentle, RSM
Frances Millar, RSM
Tracy Scaife, Head of Governance

19. Apologies for absence – none received.

20. Resignation of Dennis Bridges – the meeting noted that Dennis Bridges has recently resigned as a governor of the college. The committee asked for their thanks and best wishes to be passed on to him.

The Chair advised that Tim Thurston has agreed to join the committee on a temporary basis until a permanent replacement for Dennis Bridges can be found.

ACTION: *TS to contact DB and pass on the committee's thanks and best wishes.*

21. Declarations of Interest – received as follows:

Kathy Newman - college investment with Nationwide
Keeran Vetriko –Board Director of Swindon and Wiltshire Local Enterprise Partnership (SWLEP)

22. Minutes of the last meeting held on 12th October 2020 and matters arising – minutes agreed as a correct record subject to Dennis Bridges being added to the list of those present at the meeting. Confidential minutes agreed as a correct record.

23. Order of agenda – the Chair advised that the order of the agenda will be amended to accommodate those present that have to leave the meeting early for other commitments.

24. New College Internal Audit Reports (RSM) – noted that the follow-up report and the LNS report are still in draft and have not been circulated and will be presented to the next meeting of the committee. With regard to the follow-up report, there are some actions still outstanding and the LNS report was slowed down due to both the unannounced funding audit by the ESFA which was prioritised and a family bereavement. This has had a knock-on effect to the Annual Report which is therefore reporting a draft opinion.

25. New College Internal Audit Annual Report 2019/20 (RSM)– draft report received and noted.

Concerns were raised with regard to the broadness of the bullet point under the heading 'Scope and limitations of our work' which states "due to the limited scope of our audits, there may be

weaknesses in the control system which we are not aware of, or which were not brought to our attention". The meeting was advised that the internal auditors exercise sample based reporting and that this is a standard limitation statement included in all their reports. However some members were concerned that the report should give reasonable assurance and this statement does not enforce that but is very general.

The overall opinion of the draft report is that there are weaknesses in the framework of governance, risk management and control such that it could become inadequate and ineffective. This is a disappointing outcome. It was noted that Louise Tweedie, audit partner, had previously advised that it was normal for scores to go down when mergers take place. It was also noted that the report is draft and some actions remain to be completed before the opinion is finalised.

Page 5 of the report draws attention to the number of actions that have not been actioned however some of these have now been completed and the report needs to be updated to reflect this. The Annual Report of the Committee will also need to be amended to reflect the opinion within the Internal Audit Annual Report.

26. Financial Statements and Annual Report year ended 31st July 2020, Management Letter and Regularity Audit – New College – reports received and noted.

The Deputy Principal Finance and Resources advised that the work in progress accounts were shared with the Resources, Integration and Change committee at their last meeting. The final end of year outcome was better than predicted at a break-even position. The numbers are clean with no adjusted items.

The audit process was undertaken remotely. The main areas of management judgement looked at were noted. No issues were identified with the management override of controls with control being maintained throughout the Covid-19 pandemic. With regard to the merger, there have been no changes in accounting or the way in which the audit has been carried out. Going concern was based on merger budgets and was looked at not just due to the pandemic but also to new standards of the FRC. Very few issues were raised regarding control points but it should be noted that the college needs to be more vigilant with remote working. There were no findings with regard to regularity.

It was noted that the comments from the external auditors with regard to internal controls are at odds with the comments from the internal auditors within their Annual Report although they do look at the area with a different focus.

It was requested that a further check of the data and commentary within the financial statements will be made to ensure accuracy.

The committee recognised the need to accept the sign off of the financial statements with the information currently available from the internal auditors and will recognise this in the Annual Report of the Audit committee. It was noted that the internal audit partner has seen the report and the outcome of their annual report might improve as they finalise their reports. The opinion within the internal audit annual report is a worse-case scenario.

RESOLUTION:

- (i) Subject to the review by the Accounting Officer, that the Financial Statements and report for the year ended July 2020 for New College and the Management Letter be presented to the Corporation on 8th December 2020 for approval;
- (ii) that the Annual Report of the Audit committee include a statement with regard to the opinion of the Internal Auditors being draft at the time the committee considered the Financial Statements and Annual Report for the year ended 31st July 2020.

ACTIONS:

CK to review the wording in the Financial Statements to confirm an accurate reflection of the position of New College

AS, TS to amend Annual Report of Audit Committee to include comment re. internal audit opinion.

27. Financial Statements and Annual Report year ended 16th August 2020, Management Letter and Regularity Audit – Swindon College – reports received and noted.

The key findings of the audit of the financial statements of Swindon College were noted. A discussion was held regarding the treatment of the accounts and the two ways in which they could have been approached across the two former colleges. The different outcomes that these could lead to were fully debated. Both approaches would have been acceptable to the RSM audit partner as both were in accordance with accounting policies however the Deputy Principal Finance and Resources felt it better to proceed with a prudent approach. Mazars, who will be the external auditors for the merged college advised that they are in agreement with the approach taken. The meeting agreed that the narrative within the financial statements relating to the specific merger accounting approach be removed.

In addition, it was agreed that the narrative in the financial statements of Swindon College should be kept to the minimum required. With commentary on future outlook and plans not appropriate for a closed entity.

RESOLUTION:

- (i) that the narrative within the financial statements regarding the differing accounting approaches be removed and other narrative simplified.
- (ii) that the Financial Statements and report for the year ended 16th August 2020 for Swindon College and the Management Letter be presented to the Corporation on 8th December 2020 for approval

ACTIONS:

DA to amend financial statements removing narrative relating to accounting approaches and narrative related to forward looking plans

SH to present financial statements year ended 16th August 2020 and management letter to Corporation 8.12.2020.

28. Risk Appetite Statement – received and noted.

RESOLUTION: that the Risk Appetite Statement be agreed and referred to Corporation on the 8th December 2020 for approval.

ACTION: *SH to present risk appetite statement to Corporation 08.12.2020*

29 Risk Management update – report by Deputy Principal Finance and Resources received and noted.

With regard to the current partnership with BIMM, it was noted that the legitimacy of numbers needs to be confirmed.

ACTION: *SH to confirm BIMM numbers.*

30 Risk Registers – received and noted combined Risk Registers for the four areas requested – whole college, post-merger, Covid-19 and the IoT.

The committee acknowledged the good progress made in consolidating and updating the Registers and appreciated the effort this has required.

The post-merger register will deplete over time whereas the IoT register will grow. The post-merger register is reviewed regularly against the merger implementation plan. The IoT register will be kept under review by the IoT Sub-Group of the Resources, Integration and Change committee. Covid-19 risks are constantly being monitored and reviewed.

The approach to determining the ratings reported in the whole college register were discussed. An action was taken to update the columns for mitigating actions and residual risk to ensure they only reflect the controls that are currently in place and operating effectively.

The committee stated that risk management should be embedded throughout the college, not just at a senior level. The Registers are a good starting point but need to be refreshed and updated by the risk and control owners for the next meeting of the committee.

ACTION:

SH to present amended and updated risk registers to the next meeting of the Audit committee.

31 Audit committee annual reports 19/20– received and noted for New College and Swindon College.

It was further noted that the report in respect of New College needs amending to include the internal and external audit opinions. As noted earlier in the meeting the internal audit opinion is still in draft and is likely to change when their annual report is finalised. The committee asked the internal auditors to finalise their reports as soon as possible. The Corporation will need to be advised that the internal audit opinion is not yet finalised and will have to approve the financial statements and the audit committee annual report on the information that they have.

The annual report of the audit committee for Swindon College was agreed and will be presented to the Corporation meeting on 8th December 2020.

ACTION: AS/TS to amend annual report for presentation to Corporation on 8th December 2020. KN to present audit committee annual reports to Corporation 08.12.2020

32. Combined campus audit action list – received and noted.

It was requested that the action list be split into two sections – outstanding actions and actions requiring internal audit approval for removal.

Consideration of the action list was deferred until the next meeting of the committee.

33. Fraud, irregularity and whistleblowing – no matters to report.

34. Any other business –none.

35. Date of next meeting – Monday 1st March 2021 at 3.30pm.