

Minutes of a meeting of the Audit Committee held on 23 November 2020 at 5.00 pm  
by Microsoft Teams

Present: Robert Milburn (Chair); Elaine Clinton; Norma Boyes (from Minute No:30/20); Denise Rollo; Stuart Williams.

Also present: Karen Wilson (Deputy Principal); Karen Rae, External Auditor – Armstrong Watson; Patrick Clark, Internal Auditor – Icca-ets.  
Jane Murray (Clerk)

### **25/20 Minutes**

**Resolved** - that the minutes of the meeting held on 21 September 2020 be approved and signed as a correct record.

### **26/20 Declarations of Interest**

None received.

### **27/20 Internal Auditor's Report 2019-20**

The Internal Auditor presented his report for 2019-20, noting that it was a strong report (in comparison with other colleges audited). The 'reasonable assurance' given is the highest that can be received (as per the previous year) and it was suggested that this report could support the Committee to form their view in the Audit Annual Report.

In response to questioning, the Deputy Principal acknowledged that the added value from the reports was felt beneficial.

It was noted that there was a strong performance by the internal auditors in respect of their performance against KPIs. The Chairman thanked the internal auditor for his work over the year.

### **28/20 External Audit**

The External Auditor felt that of key consideration this year was the Local Government Pension Scheme and the impact it had on Going Concern.

The Colleges had a worse year-end than other education establishments owing to timing, when gilt prices were low, which had affected pension liabilities. This was affecting all colleges. The Going Concern statement had been amplified this year, to acknowledge the position. It was noted there were no issues in respect of the ability to pay bills, cash reserves continuing to be healthy (if diminishing).

It was noted that income was down for the year, but not by a significant amount. The largest outgoing continued to be staff costs, which reflected the increased oncosts of staff employment, as numbers were decreasing.

The overall deficit for the year of £3.7m was largely affected by the pension deficit.

It was noted by the Deputy Principal, however, that at the last valuation, the LGPS did not require the College to pay any extra contributions (previously £60,000 per annum) and that no imminent increase is expected. Asked what the liability might be at the next valuation, it was felt that if one was payable, it would likely to be in the region of £60-100,000.

In reviewing the position, the Committee felt that it would appear that the numbers are the best that they could be and that it seemed that there was a prudent approach to managing cash in the best possible way. It was felt that the pension position was the same as the rest of the sector, noting that some colleges had fared very much worse.

This being the case, it was felt that the Committee was content to approve the financial statements and recommend going concern to the Board.

Turning to the External Auditors' management report, there were no issues identified in the following significant areas of risk:

- Revenue recognition
- Management Override
- Going concerns as a result of Covid-19
- Laws and Regulations (there had been a clean regularity audit)
- LGPS Deficit.

There were three audit differences identified, all of which were considered to be low material value.

As has previously been discussed, the External Auditor's report noted:

- the defined benefit pension liability has increased from £5.8m to £9.00 m;
- the external auditor did not believe that the pension liability gives rise to a material risk to going concern;
- unclear currently as to what medium to longer-term impact that the Covid-19 pandemic might have;
- noting the risk that assets may be of less value to the College if online provision continues into the medium-term, it was not felt appropriate at this stage, to take any decision on asset impairment.

Attention was drawn to the letter of representation to be recommended to the Board for signature.

The External Auditor thanked the college staff for their cooperation during the audit. The Chair thanked the External Auditor for the very clear report and professional manner in which the audit had been carried out.

**Resolved –**

- 1) That the financial statements (inc regularity audit) be recommended to the Board for approval and signature;
- 2) That the External Auditors' Management report be received and noted;
- 3) That the letter or representation be recommended for signature to the Board.

**29/20 Value for Money Report**

Using the benchmarking material and surveys available, the Deputy Principal presented her Value for Money report, providing analysis and a high level overview of and curriculum performance.

In benchmarking against the £8-15m turnover category of colleges, it was noted that all appeared in a similar position, confirming that growth was required if the College was not to continue to have financial pressures.

The report also looked at the key targets outlined by the FE Commissioner during the review, with most targets thereabouts, excepting average class size which continued to be a challenge. Small class sizes would be taken into account in the review of the property strategy which was ongoing.

The report was well received in giving a good overview of performance against the sector, with the Internal Auditor adding that it was the most comprehensive report that he had seen in a college.

It was requested whether there could be some benchmarking in future on income, rather than just on costs. It was noted that there was a high dependence on Government funding, in line with the sector, at 77%, but that this could certainly be added for future.

The committee noted the wealth of information in the report and the efforts being made to use the information to best advantage.

*Norma Boyes joined the meeting.*

**30/20 Audit Tracking Report**

The Deputy Principal updated the Committee in respect of compliance with audit recommendations made.

There had been some delays owing to lockdown, such as the property strategy and the work placement appraisals, although work was now ongoing with a later completion date. It was noted that there was no sub-

contracting activity currently, and if it were to resume, recommendations would be implemented.

### **31/20 Whistle-blowing Policy**

The Clerk had reviewed the whistle-blowing policy and there had been one very minor change – the name of the charity previously known as public concern at work, had changed to Protect. This being the case, she did not propose that this warranted Board approval.

The External Auditor raised an issue around changes to audit reporting requirements and the Clerk agreed to investigate further.

(Action since: the Clerk has confirmed that there have no changes under Public Interest Disclosure, the focus of the whistle-blowing policy. The changes to audit reporting do not apply to 'Exempt Charities', of which the College is one, as the Secretary of State for Education is the Principal Regulator and currently the auditor would report to the ESFA in any case, were there to be any fraud or irregularity. This being the case there would be no further amendments required to the Whistle-blowing policy as agreed with the Chair).

### **32/20 Chair of Audit**

The Committee (the Chair withdrawing from the vote) agreed to the re-appointment of Robert Milburn as Chair of Audit for a two-year period.

The Chair offered the auditors the opportunity to raise anything without staff present and this was declined. The Chair thanked all those present for their input.

Resolved – that Robert Milburn be appointed Chair of the Committee for a further year period from the date of this meeting.

**The meeting closed at 1820h.**