

## Newbury College Corporation Audit Committee

**Minutes of a meeting held on Monday 23<sup>rd</sup> November 2020 from 4pm via  
Teams**

Present	Name	Role
<b>Membership</b>	Javaid Iqbal (JI)	External Member
	Tom Rossiter (TR)	External Member
	Glyn Howells (GH)	External Member – Chair from Item 1
<b>Apologies</b>	Jonathan Hopson (JH)	External Member (Attended to Item 3)
<b>In Attendance</b>	Iain Wolloff (IW)	Principal
	Jayne Steele (JS)	Director of Finance & Resources
	Lee Hunt (LH)	Vice Principal
	Lucy Jarrett (LJ)	Senior Internal Auditor, Mazars (Internal Audit)
	Chris Mantel (CM)	Partner, Alliotts (External Audit)
	Jo Houghton (JoH)	Director of Business and Partnerships
	Cathy Wright (CW)	Director of HR
	Gill Parkinson (GP)	Clerk to the Corporation
	<b>Quorum</b>	Three members required

### AGENDA ITEMS

Item No.		Action
<b>1</b>	<b>ELECTION OF CHAIR AND VICE CHAIR</b> JH joined the meeting remotely. <b>The Committee approved Glyn Howells as Chair.</b> GP to update records.	<b>GP</b>
<b>2</b>	<b>APPROVAL OF NEW AUDIT COMMITTEE MEMBER</b> <b>The Committee approved Javaid Iqbal as a new member.</b> GP to update records.	<b>GP</b>
<b>3</b>	<b>APOLOGIES FOR ABSENCE</b> JH left the meeting and offered apologies for the remainder of the meeting. Introductions were made.	

4.	<p><b>DECLARATIONS OF INTERESTS</b> Members confirmed that they had no declarations of interest to make</p>	
5.	<p><b>MINUTES OF THE PREVIOUS MEETING</b> The minutes of the meeting held on 1<sup>st</sup> June 2020 were approved as a correct record and would be signed by the Chair.</p>	<b>GH</b>
6.	<p><b>MATTERS ARISING FROM THE MINUTES</b>  <b>Item 4</b> GP would ensure Health &amp; Safety is included in the Finance Committee business plan. GP had added this for next term.  <b>Item 6</b> GP to explore the existence of a skill list for members with the Clerks Network and AOC. There was no AOC skills list, but GP would provide an assessment of the Audit Committee skills.  <b>Item 12-</b> GP to add financial regulations to the business plan. This had been approved in July by the Corporation and would be reviewed annually.  <b>Item 12</b> The Committee recommended increasing the threshold for capitalisation of assets – this had been changed in the financial regulations.  <b>Item 12</b> The Committee also recommended some nonexecutive oversight when crediting back income - this had been changed in the financial regulations.</p>	<b>GP</b>
7.	<p><b>AUDIT COMMITTEE TERMS OF REFERENCE</b> The Audit Committee Terms of Reference were reviewed and approved subject to two changes:</p> <ul style="list-style-type: none"> <li>• Review of Whistleblowing policy was also included in Finance &amp; Resources agenda on 25<sup>th</sup> November 2019 and would be moved from Audit to Finance &amp; Resources as this Committee also considers non-finance issues.</li> <li>• Health &amp; Safety responsibility to be moved from Finance &amp; Resources to Audit.</li> </ul> <p><b>GP to make these changes before all Terms of Reference are taken to the Corporation for final approval in December.</b></p> <p>GH requested that the Committee meet with the Internal Auditors, without College Senior Managers, immediately prior to the Committee’s Summer meeting. GP to add to Business Plan/Agenda.</p>	<p><b>GP</b></p> <p><b>GP</b></p>
8.	<p><b>INTERNAL AUDIT SERVICE</b>  <b>1. Internal Audit Annual Report 2019-20</b> LJ explained the approach. Mazars had performed audits of:</p> <ul style="list-style-type: none"> <li>• Financial Systems – Credit Control and Debtors</li> <li>• Learner Numbers and</li> <li>• Subcontracting – as a separate audit.</li> </ul> <p>As a result of the pandemic and at the request of the College, they did not complete the following reviews within the 2019/20 Plan - Quality and Student Experience, Financial Planning: and Learner Recruitment.</p> <p>JS added that reference had been made to the Risk Register and FE sector top risks – Learner numbers and Cashflow.</p>	

**GH asked whether there had been any impact on External Auditors?** CM replied that Alliotts had documented systems and not relied on Internal audit work as they would usually do as this was the first year of auditing the College.

**The Committee approved the Internal Audit Annual Report 2019-20**

**2. Internal Audit reports - Learner Numbers**

This year's internal audit took place over the summer and recommendations were received in October 2020. Four significant recommendations were identified:

- 16-19 Work Related Activity Record
- Evidence of Prior Learning
- Student completions without full achievement
- Students in learning past planned learning end date

There were two housekeeping recommendations, 1 for apprenticeship enrolment and 1 for learning support assessments for 16-19 learners.

**3. Internal Audit Action Tracker update**

JS explained there were 27 recommendations. 22 had been implemented and 5 were outstanding from last year:

- Estates strategy – delayed by COVID-19 now due in March 2021, and necessary for capital grants and T-Level application. The Committee agreed this was acceptable. **JI – did this have any impact on the land sale?** No, this is already approved.
- Overhaul of month-end processes and reporting to produce more timely Management Accounts by March 2021. JS hoped to have time in Jan/Feb to overhaul the monthly processes. This had been delayed from Jan 20.
- Till in Restaurant and salon – actioned and to be verified by Mazars. Isotel put into restaurant and Salon which was COVID-19-friendly.
- New Starter check lists independently verified – actioned and to be verified by Mazars
- Bank reconciliation signatures – satisfactory resolution to be verified by Mazars

**GH asked how Mazars had obtained assurance remotely.** LJ confirmed that most of the documentation could be obtained remotely, apart from learner files which needed to be seen on-site as very large in volume.

**4. Actions of Internal Audit of Mitie services**

JS explained water safety was the main issue. Keystone Projects (the College's advisors on estates and FM) attended monthly meetings with Mitie and Equitix. The most recent water risk assessment had given an all clear from Legionella. Water temperatures were checked, and risks were almost entirely mitigated. GH was pleased to note that this was being taken seriously by Mitie. An update would be provided at the next meeting – GP to add to the business plan.

*GP/JS*

Keystone Projects – new audit was carried out in Oct, but JS had not yet seen the report. To be made available to Governors at the next meeting after discussion with GH about any further audit required. GP to add to business plan. It was noted that there had been positive staff changes at Mitie.

*GP/JS  
/GH*

	<p><b>5. Sub-Contracting Controls Report</b></p> <p>JoH explained that, as the College had sub-contracted over £100K funding during 2019/20, an external audit on subcontracted provision was required. The 2019-20 sub-contracting controls report had been circulated. Subcontracting performance would be reported to the SLT on a termly basis from December 2020 and the link to where sub-contractors can access the 'monitoring of sub-contractors' policy' had been added to 2020-21 contracts.</p> <p>There were no questions.</p>	
9.	<p><b>INTERNAL AUDIT PLAN</b></p> <p>LJ presented the report.</p> <p>The plan considered the areas of focus of audits in recent years and recommended key risk areas to be audited in 2020/21. Mazars were consulted on the key risks facing the sector. IW and JS then reviewed these risks and proposed the following areas for audit this year:</p> <ul style="list-style-type: none"> <li>• Digital Controls – Compliance with Financial regulations and GDPR in the context of the rapid move to remote working (Cyber-attack/fraud).</li> <li>• Apprenticeship – Compliance with funding rules was a risk to income as rules were complex and had changed significantly over time.</li> <li>• Cashflow forecasting (incorporating learner number budgeting and forecasting)</li> </ul> <p>This represents 22 audit days, with an additional 8 planned days for the annual Learner Numbers audit.</p> <p><b>GH queried whether Cybersecurity should be included given the dependence on remote working.</b> It was agreed that this would be added to the Plan subject to JS and LJ agreeing a reasonable cost (6 days suggested in the plan).</p> <p><b>The Committee approved the Internal Audit operational plan subject to including Cyber Security if possible.</b></p>	JS
10.	<p><b>ESFA FUNDING AUDIT</b></p> <p>The College was informed in October that it had been selected for the ESFA funding audit and were given a two-week timeframe provided in which to gather information. JS explained that errors identified through audit could result in the clawback of funding.</p> <p>The audit began on 16<sup>th</sup> November with feedback due on 27<sup>th</sup> November. The outcome, including any clawbacks required, should be confirmed by 27/1/21, and this would be communicated to the Corporation. The External Auditors would review the outcome of this audit prior to approving the accounts and lessons learned to be included at next Committee meeting. GP to add to agenda.</p>	GP
11.	<p><b>EXTERNAL FINANCIAL STATEMENTS YEAR ENDED 31<sup>ST</sup> JULY 2020</b></p> <p>CM presented the reports and thanked the NC finance team. He highlighted:</p> <p><b>1. Audit Management Report 2019-20</b></p>	

Alliotts intended to give a finding of “true and fair” and include references needed by OfS and the audit Code.

The “Going Concern” statement would be re-assessed if the signing of the statements is delayed by the ESFA audit (see Item 10) as this denotes that the College is in a good position for the 12 months from the date the accounts are signed.

Para 2.4 Education & Skills Funding Agency (ESFA) income – no work was undertaken on data as ILR and student records were taken as correct and Alliotts would rely on work done by the ESFA. The ESFA would provide certificates with the caveat that income is subject to a funding audit. This could result in a material change to income, outturn and cashflow. A date would be booked provisionally with the Corporation in late January to approve the Accounts, in the event a funding clawback changed the Financial Statements.

Para 2.6 College Estate Asset realisation was included in exceptional items. Planning and developments for the UCN (£312K) had been written off.

Para 2.8 The increase in Pension liability was outside College control but was consistent with other Colleges in the sector audited by Alliotts. The ESFA had made a contribution in the year as an additional funding grant, which may be included in the overall grant in future.

Para 2.9 The College is working towards obtaining OfS approval for its access and participation plan. For 2019/20 the OfS issued clarifying guidance to providers and auditors in this area due to reported data quality issues and the ability to audit the data retained by the FE and HE sectors in connection with the costs incurred. For 2020/21 detailed records are required to be maintained as auditors are directed to apply a materiality level assessed against the total spend incurred, resulting in more detailed work being undertaken and an increased risk of qualification in this area.

College web-site – this should be updated with previous financial statements and required information in line with OfS guidance as well as improving signposting.

*IW/JS*

**GH asked why the Section 4 land for school to be built was treated as a disposal?**  
CM replied that the use of the land would be leased to the Academy Trust for 125 years, so was effectively disposed of. There were no other questions.

## **2. Draft - Statutory Accounts 2019-20**

JS explained the accounts were approaching a final draft – outstanding items included the trustees report (COVID-19 remarks), number review (to be available at the Finance committee meeting on 7<sup>th</sup> December), and corrections to notes. Both Alliotts and the College were happy that the key figures are substantively correct.

The budgeted operating deficit of £365K had increased to nearer £1m with the impact of the pandemic and was now £999K; though with an overall surplus when the capital receipt from the land sale is included.

### **Questions/comments:**

GH asked whether gender pay gap information should be included in the notes and CW agreed this would be a good thing to do.

*JS*

	<p>P13 Attendance Chris Boulton was registered as 0% - a note should be included to explain that this was due to a conflict of interest. GP to check GH's attendance percentage. P15 Members of Audit Committee to be changed to 5 to reflect the ToRs.</p> <p><b>3. Letter of Representation</b> CM explained this was the standard letter to be signed by SO and IW. The Letter would be signed when the audit opinion was signed.</p> <p><b>4. Regularity Self-Assessment Questionnaire</b> The RSAQ was considered and approved by the Committee.</p>	<p><i>JS</i></p> <p><i>GP</i></p> <p><i>JS</i></p>
12.	<p><b>RISK REGISTER &amp; RISK MANAGEMENT REPORT</b> IW presented the Risk Register report. This provided a detailed update on the two key areas of risk which have the potential to have the most impact on the operations of the College:</p> <ul style="list-style-type: none"> <li>• Safeguarding of students and staff in the pandemic There were ten confirmed cases of Covid-19 within the College to date, including two staff members, leading to 74 staff and students needing to self-isolated. A higher number of staff and students had had Covid-19 tests due to concern about symptoms but, thankfully, most tests were negative.</li> <li>• Maintaining positive cashflow More spending had been undertaken due to the pandemic leading to a deteriorating cashflow. The paper detailed a range of actions being taken to mitigate this including staff restructuring to ensure staff costs in 2021/22 remain below the FE commission guidance of 65% of income, including a current restructure of the SLT/CLT which is targeted to achieve a c.£250K saving. <b>TR asked how many staff numbers the cost savings represented?</b> IW confirmed that this represented five posts.</li> </ul> <p><b><u>There were several questions:</u></b> <b>GH queried how the pandemic and lockdowns had affected student welfare and mental health?</b> The College had considered how it could support students throughout this time, including 118 high needs students who had been given the opportunity to continue attending College. Work was being undertaken on resilience. GH suggested adding the risk to student welfare to the risk register.</p> <p>Discussion ensued on whether the Environmental risks should be scored more highly as a risk.</p> <p><b>TR asked whether there were signs of students struggling as a result of the pandemic.</b> IW felt that this was a significant challenge for many students but overall, felt students were very positive. TR commended the positive culture and the approach to supporting students.</p> <p>There were no further questions.</p>	<p><i>IW</i></p>
13.	<p><b>ANNUAL REPORT OF THE WORK OF THE AUDIT COMMITTEE 2019-20</b> JS explained that this report was submitted to ESFA with the statutory accounts and outlined Committee activities in the year, issues, and membership.</p>	

	<p><b>The Committee approved this subject to the figure for the planned audit days for 2020/21 being changed to 30.</b></p> <p>GH to sign amended version and drop off at college.</p>	<b>GH</b>
14.	<p><b>AUDIT COMMITTEE STRATEGIC TARGETS</b></p> <p>The Committee discussed whether to continue setting separate targets for the Audit Committee, given that other Committees did not do so. It was agreed to take the business plan and review of the previous year’s business to the first meeting of the year instead. GP to add to business plan.</p>	<b>GP</b>
15.	<p><b>POST 16 AUDIT CODE OF PRACTICE – REVIEW OF CHANGES</b></p> <p>JS explained that the Post 16 Audit Code of Practice sets out a common standard for the provision of assurance in relation to funding of post-16 providers. Changes were:</p> <ul style="list-style-type: none"> <li>• Clarification in relation to the ESFA’s expectations regarding how providers should manage their subcontracting arrangements.</li> <li>• A reminder to colleges that their internal and external audit services need to be commissioned from separate audit providers.</li> <li>• Further clarification of the ESFA’s own programme of funding validation and assurance.</li> <li>• Recognition that colleges that have registered with the OfS are required to comply with its regulations.</li> <li>• A new requirement that any amendments to the standard terms of engagement for regularity assurance reviews (as prescribed in the Code) must be approved by the ESFA.</li> <li>• An update to the anti-fraud checklist including the provision of a link to the ESFA’s published fraud indicators.</li> </ul> <p>This was noted and GH thanked JS for the work on this.</p>	
16.	<p><b>SIGNIFICANT INCIDENT REPORT</b></p> <p>JS noted there were no reports to be made. This was a standing item.</p>	
17.	<p><b>AOB</b></p> <p>There was no other business. The meeting ended at 17:53.</p>	

Confirmed as a correct record:

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Signature of Committee Chair

Date .....