



**CONFIRMED MINUTES OF THE AUDIT COMMITTEE MEETING
HELD REMOTELY ON 25TH NOVEMBER 2020**

Present:	Lucy Barrow Joe McArdle Nigel Woodcock	Independent Governor Independent Governor (Chair) Co-opted Committee Member
In attendance:	Sue Higginson Michael Norton Will Jerram Nikki Leising Paul Haydock Rory McCall Lesley Venables	Principal Deputy Principal Assistant Principal MIS Financial Controller RSM, Internal Auditor (minutes 49 to 82) Wylie & Bissett, External Auditor (minutes 49 to 79) Clerk to the Governors

APOLOGIES FOR ABSENCE

49. There were no apologies for absence.

DECLARATIONS OF INTEREST

50. The following standing interests were declared:
- Lucy Barrow – on secondment to the Liverpool City Region Combined Authority.
 - Joe McArdle – any matters relating to the University of Chester and as a parent of a student who attends the College.

PRE-MEETING WITH AUDITORS

51. The Committee met with the Internal and External Auditors in the absence of management and was advised that there were no issues that they wished to raise. The Internal Auditor reported that the review of sickness absence contained some caveats due to the audit being undertaken remotely in view of the COVID-19 situation, however, the relevant processes and evidence presented were highly robust and provided an effective framework of internal controls.

52. A governor asked about one of the comments in the report which related to the College ensuring that it had met its legal duty on human resources and employment issues. The Internal Auditor responded that this was included because the audit staff undertaking the review were not legal specialists.

MINUTES OF PREVIOUS MEETING

53. **Resolved** That, subject to one minor amendment, the minutes of the meeting held on 30th September 2020 be approved as a correct record and signed by the Chair.

MATTERS ARISING

54. Governors received a progress report against the list of actions from the previous meeting and noted that all of the actions had been completed.

JOINT COUNCIL FOR QUALIFICATIONS AUDIT

55. The Assistant Principal MIS presented the outcome of a recent audit by the Joint Council for Qualifications, which provided an annual assessment of the College's examinations processes. Governors noted that there had been 100% compliance with the relevant procedures and that the audit had been carried out remotely for the first time.

56. The Committee conveyed their thanks to the staff who had participated in the audit on an outstanding result.

EXTERNAL AUDIT

External Auditor's Annual Report 2019/2020

57. The External Auditor presented the Annual Report on the Financial Statements for the year ending 31st July 2020 and the Letters of Representation for both the Financial Statements and Regularity Audits.

58. The report summarised the College's financial activity and stated that the overall operating surplus (£883K) would be impacted by the College's overall pensions liability of £826K, with a total comprehensive income of £57K for the year.

59. A small number of issues had still been in the process of being finalised when the papers for this meeting had been issued, but these had now been resolved.

60. Under the relevant reporting standards, the Auditor was required to comment on the College's going concern status (ie its ability to pay its debts in the future when they fell due). Governors were informed that there was a £6.6m deficit in the College's pension funds (with the majority attributable to the Local Government Pension Scheme), but, as this would not crystallise in the near future, the liability would not impact on the College's going concern status.

61. The Auditor had reviewed the implementation of the recommendations made in relation to the previous year's financial statements and confirmed that these had been completed and no further recommendations had been made for 2019/2020.

62. The External Auditor expected to issue an unqualified audit opinion for both the Financial Statements and Regularity Audits once the Statements had been approved by the Board and signed by the Chair and the Principal. The Committee was advised that there were no significant issues to bring to governors' attention.

63. In response to questions from governors, the External Auditor reported that no adjusted or unadjusted errors of sufficient materiality had been identified by the audit. The risks associated with the College's internal control systems had been scrutinised as part of the audit process, with no issues highlighted for the attention of governors.

Report and Financial Statements for the year ended 31st July 2020

64. The Head of Finance presented the End of Year Accounts for 2019/2020 and advised that, compared to its peers, the College's financial position continued to be good and the Committee was reminded that the financial and growth targets had been met or exceeded.

65. The College's income had increased by £2.1m compared to the approved budget due to additional grant monies received from the funding bodies (ESFA and LCR) in respect of 16-18 learners and the Adult Education Budget, following growth in previous years and the national rise in the funding rate for 16-18s. Additional income had been received in-year for tuition fees and the Government's 'furlough' scheme.

66. Revenue was forecast to grow by 8.8% in 2020/2021. At £19.7m, expenditure was £730K (or 5.3%) higher overall than in 2019/2020, due to increased staff costs (particularly teachers' pension costs). Other operating expenses had reduced in 2019/2020 as a result of the lockdown situation.

67. Fixed assets were lower and the debtors balance was in line with 2018/2019. Cash balances had increased in 2019/2020 due to the higher than anticipated surplus figure at the start of the academic year. This had caused the number of cash days in hand to improve from 53 in 2018/2019 to 108 in 2019/2020 and overall cash balances were at £5.438m at 31st July 2020. Repayments during the year meant that the total amount of loan creditors had decreased.

68. Governors were advised that the Office for Students had very recently issued further guidance on reporting disclosures for higher education providers. This required all HEIs (including FE colleges offering higher education provision) to include a statement on all sources of HE and FE income within the Financial Statements. The College was in the process of adding this to the final document that would be submitted to the Board for approval at its December 2020 meeting.

69. **Resolved** That the Board be **RECOMMENDED** to approve the Financial Statements and the Letters of Representation for both Financial Statements Audit and the Regularity Audit for 2019/2020.

AUDIT COMMITTEE ANNUAL REPORT 2019/2020

70. The Clerk presented the draft Audit Committee Annual Report for 2019/2020. The report followed the requirements of the revised Post-16 Audit Code of Practice and governors were assured that the document covered all the areas within the Code.

71. The report summarised the work of the Committee in 2019/2020, along with the outcomes of various audits. Governors requested that a further paragraph be added on the work undertaken on the risk register on the COVID-19 pandemic and its potential impact on the College's operations.

72. The Committee concluded that it had discharged its responsibilities in accordance with the Terms of Reference.

73. **Resolved** That the Audit Committee Annual Report for 2019/2020 be approved and submitted to the Board for information (subject to the above amendment)

INTERNAL AUDIT VISIT 1 2020/2021

74. The Internal Auditor presented a report on HR – Wellbeing and Sickness Absence which had been carried out earlier in the term.

75. Governors were advised that there was a downward trend in sickness absence rates, linked to the improvements in health and wellbeing that had been instigated by the College. The audit had examined what measures were in place to support staff and how these were communicated. Benchmarking against other client colleges in the sector indicated that the College's processes were robust and effective.

76. In response to a question from a governor on whether any additional strategies would be implemented over the winter months, the Principal responded that actions had already been taken such as undertaking meetings whilst walking outside and the proposal to close the College's campuses prior to the Christmas break (subject to Board approval). The new president of the Student Union was also keen to involve learners in health and well-being activities. Any suggestions from governors would be most welcome and should be forwarded to the Principal.

77. The Committee asked about levels of assurance in terms of the completeness of HR policies to ensure that these aligned with current legislation. The Principal reported that all policies and procedures were regularly reviewed against good practice and the external legal framework, with amendments made if necessary.

78. The College had a contract with Eversheds solicitors to provide legal advice when required and this was supplemented by the service provided by Irwin Mitchell as part of the membership of the Association of Colleges. The Equality, Diversity & Inclusion Committee included governor and trade union representation to provide an additional level of assurance.

79. A governor questioned the impact of COVID-19 on the College's sickness absence levels, whereby 2 out of 5 curriculum areas had experienced an increase in staff absence. The Principal reported that all staff were required to self-isolate if they had been in contact with anyone with COVID-19. It was difficult to benchmark the College's performance against previous years, as the pandemic was a unique occurrence. Governors were advised that it was possible that sickness levels would decrease during the pandemic, as staff were able to work from home whilst self-isolating, due to changes in working practices.

Rory McCall left the meeting at this point.

INTERNAL AUDIT PROGRESS – 2020/2021

80. The Internal Auditor reported that only one review had been undertaken in the current year. The next pieces of work were scheduled for early January 2021 and would be submitted to the Committee's February meeting.

81. Currently, RSM intended to continue to audit the College's systems remotely. Governors asked whether this would enable the audits to progress as smoothly as being onsite. The Internal Auditor was confident that there would be no significant issues in the process.

82. Briefings on current issues in the further education sector were provided for information. These included a list of questions suggested by the National Audit Office on COVID-19 responses which audit committees should reflect on as part of their cycle of business. It was suggested that a training session should be arranged for a future meeting on the role of the Audit Committee and the questions posed by the NAO.

Paul Haydock left the meeting at this point.

MANAGEMENT ACCOUNTS

83. The Committee received for information the Management Accounts as at 30th September 2020 (which had been reviewed by the Board of Governors on 28th October 2020) to monitor the solvency of the College, in accordance with the Committee's terms of reference.

84. The Head of Finance explained that the College had recently changed its methodology for preparing the information in the accounts, which provided a greater level of transparency, linked it more closely to the MIS and enabled early identification of any variances. The budgeting process was also more realistic and curriculum areas were now required to map their projected performance against job outcomes in the locality, which informed the College's marketing plan.

85. Governors were advised that the College's financial health rating placed it marginally inside the 'outstanding' category, due to a reduction in overall debt in 2019/2020 and improvements in its cash holdings. Although extra income had been received in 2020/2021, the majority of this money was being spent on COVID-19 mitigation measures.

86. The College had received an additional £392K for small class support for 16-18s, only half of which had been included in the current forecast, as it was likely that there will be other associated costs with this fund that were, as yet, unknown.

87. Further grants had been received for capital items and maintenance works, both of which needed to be spent by March 2021. Governors asked whether these should be ring-fenced in the accounts so that they did not influence the actual cash position and were informed that the lowest point in the College's cashflow forecast would be in March 2021, but that all future reports would include a separate cashflow projection to indicate the impact of capital projects. All FE colleges would have increased amounts of cash currently due to the higher level of Government grant funding, however, it was the underlying business model that was important.

88. Adult Education Budget income was £137K below the forecast, mainly in curriculum areas that had suffered as a result of the lockdown situation (Hairdressing/Beauty Therapy, Business and ESOL). The ESFA appeared to be taking a hard-line approach to under-performance against AEB learner number targets and thus it was important for these to be achieved as far as possible.

89. Commercial income had reduced due to the pandemic (£204K) and the planned 2% pay award for staff was included in the forecast (£307K). These reductions were offset by higher than anticipated grant funding, the release of contingency funding for validation and examination costs and depreciation. Overall the College's income had an unfavourable variance of £218K.

90. Learner numbers were either in line with the plan or slightly ahead, with the exception of apprenticeships.

RISK MANAGEMENT

91. The Deputy Principal provided an update on the College's Risk Register.

92. There had been no changes to the risks and their respective scoring. The main risk continued to be the move to online delivery of provision, which was progressing well and enabled management to drop into lessons remotely. Although the transition to online teaching and learning appeared to be working successfully, student outcomes had not yet been assessed, so the risk continued to be scored as 'high'.

93. The robust systems in place at the College enabled any issues such as attendance to be highlighted at an early stage and corrective actions taken. The staff in Quality Assurance and Student Support had worked hard to adapt the College's processes to online delivery and to bring an element of consistency. Governors commented that the next stage would be for innovation and best practice in teaching and learning to be incorporated into the curriculum and were advised that staff development had taken place for managers to update their own skills and enabled them to identify and share new ways of teaching.

INSURANCE REVIEW

94. The Head of Finance provided a report on the College's insurance cover for 2020/2021 and its claim history for 2019/2020.

95. The College's insurance broker had obtained the best value premiums for all individual elements of the cover and management felt that this provided good value for money and would achieve considerable cost savings.

MONITORING OF PREVIOUS RECOMMENDATIONS

96. Governors received a report on the progress of the implementation of previous audit recommendations. There had been one internal audit since the last meeting and no recommendations had been made during this review.

ITEMS TO BE REPORTED TO THE BOARD:

97. The Chair summarised the main points of the meeting which would be reported to the Board at its meeting on 16th December 2020:

- Report on successful Joint Council for Qualifications audit received for information
- External Audit Report on the Financial Statements and Regularity Audits indicated unqualified opinions and no management recommendations
- Board recommended to approve the Financial Statements and the Letters of Representation for both Financial Statements Audit and the Regularity Audit for 2019/2020.
- Audit Committee Annual Report for 2019/2020 approved and would be submitted to the Board for information

DATE OF NEXT MEETING – Wednesday 24th February 2021



SIGNED:

(Chair)

24 February 2021

DATE: