

**Minutes of a Meeting of the Audit Committee
Wednesday 02 December 2020**

Present Mr J Bryant (Chair)
Mrs C Ajit Singh
Mr A Barke
Mr R Gallagher

Also present Mr J Allen (Clerk)
Ms T Aust (Principal)
Mr M Cooper (Executive Director Finance & Compliance)
Mr C Rising (MacIntyre Hudson)
Mr S Blakemore (Buzzacott)

The meeting commenced at 17.00.

WELCOME, ANNOUNCEMENT & DECLARATIONS OF INTEREST

1. Welcomes were also extended to the auditors in attendance - Chris Rising (MacIntyre Hudson), and Shachi Blakemore (Buzzacott). There were no declared interests against any of the agenda items. It was confirmed the meeting was quorate.

MINUTES

2. It was **RESOLVED** that the minutes of the meeting held, 17 June 2020, (Paper 1) were confirmed as a correct record.

SUMMARY ACTION LIST & MATTERS ARISING

3. The 'Summary Action List' (Paper 2) was received. The following updates were made available:

MIN REF	DETAILS OF RESOLUTION/ACTION POINT	COMMENTARY / UPDATE FOR MEETING 02 DECEMBER 2020
5	To add a section in the Annual Report from the Audit Committee covering notification to the Committee of any whistleblowing allegations, and to make available a table summarising the outcomes of the reviews conducted by committees on those risks from the Risk Register that fall within the scope of the Committee	Agenda item
5	Audit Services ~Tendering during 2020/21.	A tendering or procurement exercise will be conducted during the next academic year to ensure appointments are in place from 01 August 2021. A further update to be made available at the spring meeting.

21	Internal Audit Plan 2020/21 - to receive for approval.	Agenda item
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4. There were no other matters arising from the minutes.

INTERNAL AUDIT REPORTS

(i) Internal Audit Annual Report 2019/20

5. The report confirmed the areas subject to audit during the last year were in accordance with the agreed audit plan for 2018/19, these being:

- Treasury & Investment Management
- Other Income & Bursary Income
- Fraud Protection and Detection Arrangements
- Insurance Arrangements

6. Audit reports for the areas that were subject to audit were made available to the Audit Committee at both the spring and summer term meetings. The following audit opinions were confirmed in the audit reports:

- Treasury & Investment Management - **Adequate Assurance**
- Other Income & Bursary Income - **Adequate Assurance**
- Fraud Protection and Detection Arrangements - **Adequate Assurance**
- Insurance Arrangements - **Substantial Assurance**

7. The 'Internal Annual Report 2019/20' confirmed the following annual opinion from the Internal Audit Service for West Thames College following the audit work undertaken from the planned internal audit reviews:

Based upon the work undertaken, in our opinion West Thames has adequate and effective management, control and governance processes in the areas examined by us which should enable West Thames College to manage the achievement of its objectives.

Our work however, has identified some enhancements to the design and / or operation of the system of internal control, risk management and governance to make it more effective in the future.

8. The Committee welcomed the positive opinion expressed within the report and it was **RESOLVED** that the 'Internal Audit Annual Report 2019/20' be included within the Annual Report from the Audit Committee, and be recommended for the approval by the Corporation at its meeting of 16 December 2020.

(ii) Internal Audit Strategy & Plan 2020/21

9. The Committee received, for review and approval, the proposed 'Internal Audit Strategy & Plan 2020/21' It was proposed to audit the areas listed below following initial discussions that were held at the last meeting of the Audit Committee and after a review of the Risk Register and Board Assurance Framework.

- **Board Assurance and Management**
Risk Management and Assurance Framework
Governance and Reporting (including KPI data)
Health and Safety
- **Improving Data Quality & Curriculum**
ILR and Funding Audit
Continued preparation for Ofsted inspection drawing on external support
- **Financial Viability**
Financial Planning and Budgetary Control
- **Follow-up of Previous Audit Recommendations**
In addition to the above, MacIntyre Hudson will undertake a follow-up of previous audit recommendations to provide independent assurance to the Committee that these have been implemented in line with planned time frames.

10. It was **RESOLVED** to approve the '*Internal Audit Strategy & Plan 2020/21*' as proposed.

11. The Committee was reminded that the proposed internal audit work is only part of the Board Assurance Framework and that other sources of assurance will be sought to help inform the Committee's overall assurance opinion.

OUTSTANDING AUDIT RECOMMENDATIONS

12. The '*Outstanding Audit Recommendations Report*' was received. At the June meeting the '*Outstanding Audit Recommendations*' report included an update on the thirteen recommendations as at that date. It was reported at this meeting that of the thirteen, six had been implemented, two were partially complete, two were outstanding, and the remaining three were new additions.

13. The report presented at this meeting provided an update on the seven outstanding recommendations from the June meeting, five of which were classified as 'medium' priority and two as 'low' priority. The report confirmed that from the seven outstanding recommendations, three have been completed, two have been partially completed and are work in progress, and the remaining two have not yet been implemented.

14. The Committee sought assurances that the outstanding recommendations on fraud prevention were not putting the College at any risk of being subject to any fraud attempt. The internal auditor reported that the planned actions outlined in the report to fully implement the recommendations should give the Committee comfort, and it was confirmed by the Director of Finance that the recommendations will be fully implemented by the end of this year. The Committee noted and welcomed the assurances received.

15. The Committee was satisfied with the progress being made in the implementation of the remaining audit recommendations.

16. It was **RESOLVED** to note the report.

FINANCIAL STATEMENT & REGULARITY AUDIT POST AUDIT MANAGEMENT LETTERS & FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2020

17. Under this agenda item, the Committee received the following reports:

- Financial Statements 2019/20
- Post Audit Management Letter
- Letter of Representation
- Completed regularity self-assessment document for information only

18. As required by the Audit Code of Practice, a copy of the College's draft '*Financial Statement and Annual Report 2019/20*' was made available. Whilst the Audit Committee has sight of the full financial statements for reference, the main purpose of the Audit Committee is to review the Statement of Corporate and Internal Control, and Statement of Responsibilities of the Members of the Corporation as well as reviewing and recommending, for Corporation approval, the '*Post Audit Management Letter*'.

19. The Finance Committee on 25 November 2020 reviewed the financial details in the accounts. The accounts on page 22 record a deficit for the year of £341k (2018-19: £876k). After taking out FRS adjustments of £772k for pension service and interest costs, the operating result for the year as reported at Line A of the I&E account in the Management Accounts, (Paper 3) was a surplus of £431k (2018-19: £151k).

20. Governors were referred to their key responsibility on assessing the College's going concern, and the following was noted from the commentary on page 7 in the Financial Statements:

The College expects arrangements in the sector to continue to be challenging going forward, not least because of increased uncertainty caused by COVID-19 which will continue to have an adverse impact on some income lines, including tuition fees, nursery fees and income from other commercial activities. The College has built up reserves and had net current assets of £1,837k at 31 July 2020 so is well-positioned to manage this. In addition, the College has in place a cost reduction plan for 2020-21 and has a good track record of being able to realise cost savings to mitigate income reductions. In 2019-20, the College received financial support of £36k through the Coronavirus Job Retention Scheme but does not expect to require any additional, similar financial support ongoing.

The Corporation undertakes regular review and monitoring of student numbers data and timely management accounts which include the current cash position, future cash flow projections, the College budgets and regularly updated forecasts, including financial returns submitted to the ESFA. Bank covenants in place with Barclays are monitored regularly and the Corporation considers that these are not expected to be breached in the foreseeable future.

After making appropriate enquiries and taking into account factors likely to affect its future development and performance, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements.

21. Following the review by the Finance Committee, the Finance Committee resolved that, subject to a satisfactory review undertaken by the Audit Committee, to recommend the Corporation at its meeting on 16 December 2020 be asked to approve the '*Financial Statements and Annual Report 2019/20*'.

22. The '*Audit Findings Report*' made available to the Committee raised no internal control issue relating to regularity audit. An unqualified regularity audit opinion was confirmed for 2019/20.

23. Both audit opinions are confirmed in the Financial Statements and Annual report for the year-ended 31 July 2020.

24. It was **RESOLVED** that the revised '*Post Audit Management Letter*' and '*Letter of Representation*' be included within the Annual Report from the Audit Committee and be recommended, for the approval by the Corporation, at its meeting of 16 December 2020.

25. It was **RESOLVED** to recommend that the Corporation at its meeting on 16 December 2020 approves the '*Financial Statements and Annual Report for the year-ended 31 July 2020*'.

AUDIT OF SUBCONTRACTORS

26. The ESFA funding agreement and funding rules contain a clause concerning an annual subcontracting external assurance requirement. This clause requires that, where the College enters into subcontracts for the purpose of delivering provision under the funding agreement with an aggregate value of £100,000 or more in any one year, it must obtain an annual report from its external auditor which provides assurance on the arrangements that the College has in place to manage and control its subcontractors. The College must supply the ESFA with a certificate signed by its external auditor and an authorised signatory confirming it has received a report providing satisfactory assurance.

27. No audit report was made available for the Committee to consider as the expectation was that the two subcontractor partners used by the College would not deliver provision over the value of £100k during 2019/20 due to the Covid-19 pandemic.

28. However, due to innovative deliver of learning on-line, and through distance learning, the value of subcontracted provision just exceeded the threshold of £100k. Therefore the audit is required and Buzzacott have been commissioned to undertake the audit. Once finalised, the required certificate will be issued to the ESFA.

29. It was confirmed the report on the audit of subcontractors will be made available at the next meeting of the Committee.

CONFIDENTIAL SESSION

30. Prior to considering its Annual Report to the Corporation, the Committee has the right to go into confidential session without college management being present, should the Committee or the Auditors deem it to be necessary. It was confirmed that there was no need to go into a confidential session.

ANNUAL REPORT 2019/20 FROM THE AUDIT COMMITTEE

31. The 'Annual Report 2019/20 from the Audit Committee' was received. There is a requirement in the Joint Audit Code of Practice stating that the annual report of the audit committee is to be written for both the governing body and the Principal, as the accounting officer of the College. The annual report should be used as a summary document explaining the work of the Committee during the course of the year.

32. The Annual Report must offer an annual opinion from the Audit Committee to both the Corporation and Principal. The Audit Committee agreed the following annual opinion:

The Audit Committee, through review of auditors' reports and discussion with auditors and college managers, has arrived at the opinion that West Thames College has adequate and effective assurance frameworks, framework of governance, risk management and control processes for the effective use of resources, solvency of the institution and the safeguarding of its assets.

The Committee is satisfied with the financial reporting of West Thames College and the performance of the internal and financial statement & regularity auditors.

The Audit Committee considers that the Corporation's responsibilities have been satisfactorily discharged and recommends this report to the Corporation.

The Audit Committee recommends the Corporation at its meeting on 16 December 2020 approves the Annual Report and Financial Statements for the period ended 31 July 2020 for West Thames College, and to authorise the Chief Accounting Officer (Principal) and the Chair of the Corporation to sign the Financial Statements for submitting to the Education & Skills Funding Agency.

Once approved by the Corporation, the Annual Report and Financial Statements for the period ended 31 July 2020 for West Thames College to be published on the College's website.

The Audit Committee formally records, through the annual opinion of the Committee, appreciation of the hard work and professionalism shown by the Executive, Managers and all staff in ensuring that all risks relating to the Covid-19 pandemic were addressed to enable students to continue with their learning during the national lockdown and resulting restrictions.

33. It was **RESOLVED**

- (i) To approve the 'Annual Audit Report 2019/20 from the Audit Committee'; and
- (ii) That the 'Annual Audit Report 2019/20' from the Audit Committee' be made available to the Principal and Corporation at its meeting on 16 December 2020.

RISK MANAGEMENT

34. The Committee received for review all 'Red' and 'Amber' risks in the Strategic Risk Register. It was noted that none of the high risks fall within the terms of reference of the Audit Committee.

35. The Clerk confirmed that the Finance Committee and Quality Committee, at their respective meetings this term, conducted a review of the high risks that fall within their terms of reference. Both Committees were satisfied with the robustness of the proposed mitigation actions to reduce the risk and of the sources of 'independent assurances'. No new risks were identified by either committee.

36. It was reported the scoring of three risks (19, 42 & 47) have been changed since the last review and the changes were outlined in the Risk Register.

37. The Committee welcomed confirmation that Risk 42 - Failure to improve achievement rates in English and maths qualifications (functional skills at level 1 and GCSE high grades 4-9) - that was rated a 'High' risk with a net score of 25, has been lowered to a 'Low' risk, with a revised score of 15, following the significant improvement in achievement rates. The Committee congratulated the staff in this curriculum area for the improvements made.

38. The increased score for Risk 19 (HE recruitment & impact on income) and Risk 47 (Commercial income) was a consequence of reduced income arising from the impact of the Covid-19 pandemic.

39. No risks have been added or deleted since the last meeting.

40. It was **RESOLVED** to note the '*Strategic Risk Register*'.

(The Auditors left the meeting at this point).

ANNUAL REVIEW OF AUDITORS' PERFORMANCE

41. The '*Annual Review of Auditors' Performance Report*' was received. The Audit Committee is required to assess annually the performance of the internal audit service against agreed performance indicators. It was agreed to use the agreed performance indicators as an aide memoir to guide discussions.

42. It was **RESOLVED** to note there were no serious issues or concerns arising from the annual review of the performance of the internal audit service. It was **RESOLVED** to appoint MacIntyre Hudson to be the College's internal audit service for 2020-21.

43. It was **RESOLVED** to note there were no issues or concerns arising from the annual review of the performance of the external audit service. It was **RESOLVED** to appoint Buzzacott to be the College's financial and regularity audit service for 2020-21.

44. It was **AGREED** to bring forward to the summer term meeting the annual review of auditors to enable appointments to be confirmed prior to the start of the academic year.

ANY OTHER BUSINESS

45. There was no other business.

DATE OF NEXT MEETING

46. Wednesday 10 March 2021 @ 6pm.

The meeting closed at 18.30

Signed: _____ Date: _____

(Chair)

SUMMARY ACTION LIST

Min	Action Point	Review Date
5	Audit Services ~Tendering/Procurement exercise during 2020/21.	10/3/21
29	To receive the audit report on subcontracted provision	10/3/21
44	To bring forward to the summer term meeting the annual review of auditors to enable appointments to be confirmed prior to the start of the academic year.	Summer Term