

Brooklands College

Minutes of the Audit Committee
co-ordinated remotely via 'Zoom' meeting platform software,
across various domestic locations, commencing 18.00hrs on 25 May 2021.

Present:	Dr Andrew Gilchrist	Chair
	Mary Hughes	Safeguarding Governor
	Hilary Omissi OBE	
	Nicholas Woolf OBE	Observer
In Attendance:	Dr Stephen Dowbiggin OBE	Interim CEO
	Sarah Glasspool	Director of Finance
	Mike Cheetham	RSM - Internal Audit Partner
	Katharine Patel	Buzzacott – External Audit Partner
	Jonathan Lipscomb	Clerk to the Governing Body

Apologies:

Committee Member Paul Stedman has taken temporary leave of absence from the Governing Body.

PART 1.

1. Action in the event of fire

This item was noted as superfluous in this instance.

2. Welcome and apologies for absence

Apologies for absence had been received from Paul Stedman. The meeting was confirmed as quorate.

3. Declarations of Interest

- i. Andrew Gilchrist declared his other relevant position as Chair of Audit at Croydon College.
- ii. Dr Stephen Dowbiggin OBE declared his position as Chair of the Sainsbury's T-Level Committee.
- iii. Nicholas Woolf OBE declared that he is a director and minority shareholder in the company, VLE Support Ltd and a director of its subsidiary, Midas Systems (London) Ltd.
- iv. No other declarations of interest were made.

4. Notification of Any Other Business

The Chair had not been notified of any other business.

5. Draft Minutes of the Audit Committee Meeting (Part 1) on 1 February 2021

The following amendments were requested:

The Principal was to be listed as having attended.

Item 6. Typographical errors in paragraphs (xviii) and (xx) to be corrected.

Item 7.3 (v) The Clerk was to clarify that the Governors' reassurance is based on the view of IAS that although their opinion for 2019/20 was partly qualified, this was because of the student records and that should the audit of the 2020/21 data prove more positive, then the overall opinion for that year would not be similarly qualified.

Items 7.1 and 8.4 to be moved to Part 2. minutes

Subject to these changes, the minutes were agreed as a correct record and will be signed by the Chair when circumstances permit.

Draft Minutes of the Audit Committee Meeting (Part 1) on 9 February 2021

7. (viii) The Clerk was asked to amplify his comment 'Governors took a positive view' to show that it related to an improvement in the tracking process.

8. Items (iii), (iv) and (v) were to be re-ordered so that the contents of (v) preceded those of (iii) and (iv) and moved to Part 2.

Subject to these changes, the minutes were agreed as a correct record and will be signed by the Chair when circumstances permit.

6. Matters Arising and Action Points from the Minutes of the Meeting on 9 February 2021.

The Clerk reported that all four outstanding action points were either in abeyance or had been completed.

Arising out of the review of the minutes, the following point was noted:

- i. Governors were keen to stress importance of knowing what student expectations for teaching hours are.

7. Internal Audit Final Reports 2019/20

The Internal Auditor explained that overall, the audit findings had been positive.

7.1 Governance

- i. The governance audit had focussed mainly on the SPA process and overall, auditors were entirely happy.

7.2 Risk Management

- i. Reasonable assurance could be given by the auditors who had provided just a couple of small pieces of advice to enhance process.

7.3 Key Financial Controls

- i. Reasonable assurance could be given by the auditors that there was generally a good level of control in place. The College was reminded to be mindful of the need to check supplier details ahead of making payments as fraud is a big risk in this area.

7.4 Departmental Review – Apprenticeships

- i. The audit had looked at controls rather than data and had made positive findings with respect to how the department had been restructured and how it had been working since the restructuring. Cross-College engagement was good, which is reassuring as it can be difficult to achieve.

7.5 Follow-Up

- ii. The overall follow-up review would have reflected good progress as every change requested had been implemented, however lingering issues with the Learner Number Systems (LNS) caused the overall judgement to fall back to 'reasonable'. The Auditor noted that alongside all the difficulties with COVID, it had been difficult for colleges to focus on such matters as the LNS.
- iii. The Auditor reminded members that there had been a commitment to the MIS consultant to implement a new MIS system across the College in May 2021. The CEO confirmed that a tender process had been followed resulting in a contract with CIVICA REMS to implement a live system from 1 August. The Auditor added that systems are not necessarily a solution in themselves but that where they are unsuitable, they add to an organisation's problems. The new system is believed to be intuitive and easily customised. It was also the most cost-effective. References from other smaller colleges using it, are very strong.

8. Update on Internal Audits 2020/21

[Items were taken in reverse order from that on the agenda]

8.3 Information Technology

- i. The fieldwork will have been completed by the end of the academic year and a report will come to the next meeting of the Audit Committee.

8.2 Human Resources

- i. The HR report had been issued in draft a couple of days previously and is with Management for review. Again, it was positive. It looks specifically at recruitment. Many good controls are in place but there is an issue over consistency of application. Overall the report gives 'reasonable reassurance'. It is noted that the final report would be presented to the next meeting of the Audit Committee.

8.1 See Part 2 Minutes.

9. Director of Finance & HR Report

9.1 Revaluation of Tangible Fixed Assets

Noted:

- i. Following the work with the ESFA the College has had a valuation of the estate made by Gerald Eve and it is proposed that asset classes, 'freehold, leasehold, land and buildings' (but not equipment) be revalued to 'fair value'. To that end a new policy has been set out, changing the basis of valuation from historic cost to periodic revaluation.
- ii. The External Auditor commented that the 'useful lives' seem a bit long, with anything over fifty years requiring an annual impairment review. The Director of Finance and HR had

followed the parameters used by Gerald Eve and it was agreed that a tri-partite discussion would be worthwhile ahead of finalising the new Policy.

Agreed:

- i. So as not to hold up discussions that were in part dependent on agreeing a new policy, the draft was approved by the Committee subject to the External Auditor agreeing a wording relating to 'useful lives'.
- ii. The External Auditor agreed to make a wording available for circulation to the Committee.
- iii. The new policy is to take effect, starting with the 2018/19 financial statements.

10. See Part 2 Minutes

11. IA Outstanding Recommendations Tracker**Noted:**

- i. The tracker is now in Excel and contains the recommendations for the audits that have been finalised together with the audit on the LNS which is still in draft and for which recommendations have not been assigned to an individual or given a target date as the report is not finalised.
- ii. All the previous recommendations have been addressed by the follow-up audit or replaced by new recommendations.
- iii. One or two of the target dates require updating as the dates have now passed. Any changes should be clearly annotated and brought to the attention of the Committee at the next opportunity.

Action:

- i. Target dates now in the past to be re-set.

12. Internal Audit Strategy 2021/22

The internal Audit Strategy will be decided upon in consultation with the incoming IAS.

13. External Audit Strategy**Noted**

- i. Following on from a meeting with the Director of Finance & HR to plan the 2020/21 audit, the strategy assumes that the 2019 and 2020 accounts will have been finalised by the Summer of 2021 so as to move forward with the new planning deadlines.
- ii. The audit plan sets out some of the logistics and audit risks.
- iii. The Financial Statements audit will follow the latest ESFA accounts directions to which one or two changes have been made, none of which is significant. These are noted in the report.

- iv. With respect to the new Audit Code of Practice, members should note the removal of the statement that the External Auditors may rely on the ESFA's funding reconciliation statement.
- v. There are a few cases of auditing standards having been enhanced, leading to further work but there will not be a great deal more work for the College.
- vi. Key accounting estimates were set out and further auditing work is required in terms of the degree of detail and level of scepticism to be brought to bear on the key accounting estimates, such as the use of provisions.
- vii. Further disclosures are required in respect of the transparency of the Regularity Report. The framework has not changed significantly however and so the usual process will not be much changed.

Main areas of risk:

- viii. The status of the negotiations with the ESFA – the audit assumes that the 2019 and 2020 accounts will have been finalised, with the ESFA and the College having concluded their negotiations.
- ix. This impacts on the value of the land and building asset base, should Governors agree to a change in accounting policy with a prior year adjustment for the 2019 and 2020 accounts which will then feed into the 2021 accounts. The 2021 accounts will not require a further report from Gerald Eve but will establish whether there have been any recent relevant changes.
- x. The audit will cover correspondence with the bank.
- xi. In respect of a 'going concern' opinion the audit will look at the financial health of the College both historically and looking ahead 12 months from the date of approval of the College's accounts (likely to be December 2021 in the case of each of the 2019, 2020 and 2021 accounts). Cashflows will be examined to take a view of future solvency and the ability of the College to pay its debts.
- xii. In terms of income recognition, it is important to note that auditors may no longer place any reliance on the reconciliation statements of the ESFA and so must assess any risk that the College's ILR claim is inaccurate. If there are any material errors, then there is a risk that the financial statements will not accurately reflect income earned.
- xiii. In terms of that risk assessment. It is the judgement of the IAS that there are potential errors in College's ILR, though the College maintains that there is a process in place by which to correct those errors. The External Auditors may therefore have to carry out some testing of their own, to satisfy themselves that the ILR numbers are materially correct and will also review the control systems being used by the MIS team when checking for errors.
- xiv. The CEO considered it useful to have a further independent view of the final claim, to give comfort to Governors though the External Audit Partner made it clear that her team would not be auditing the ILR claim *per se* but rather the income anticipated as a result of having made that claim.
- xv. The IAS is a powerful help to the College in terms of examining internal processes in detail whilst the External Auditors look at the outcomes insofar as they affect the accounts, checking for material misstatement and that the accounts give a true and fair view.

14. AOB

There being no other business, the meeting was closed at 19.40hrs.

15. Date of Next Meeting

The Clerk stated that he would be submitting a draft schedule of meetings for the 2021-22 academic year to the Full Governing Body meeting on 19 July 2021 and undertook to consult with Governors before that time to try to eliminate any difficulties ahead of seeking approval.

Dr Andrew Gilchrist

Chair of the Audit Committee

Date:

Jonathan Lipscomb

Clerk to the Governing Body