

## AUDIT AND RISK COMMITTEE MEETING

### CONFIRMED MINUTES OF THE MEETING HELD ON THURSDAY 26 NOVEMBER 2020 AT 9.00 AM VIA MICROSOFT TEAMS

#### Present:

Bree Sherwood (Chair), Jill Lanning, Philip Richardson – up to and including agenda item 6.2.

#### Attendees:

Corrienne Peasgood (Principal), Martin Colbourne (NES MD), Paul Goddard (Scrutton Bland Auditor), - up to and including 6.9, Liandi Venter (KPMG) – up to and including agenda item 6.2, Clare Johnson (Clerk to the Corporation), Sue Millions (Administrator)

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#### 1. Apologies for Absence

There were no apologies received for the meeting and it was formally agreed that the Committee was quorate and could go ahead.

#### 2. Declaration of Interest

Governors and Committee members are requested to make known any relevant pecuniary interests relating to any items on the agenda and it was noted that all declarations will be recorded.

There were no new declarations of interest given at the meeting.

#### 3. Confirmed Minutes of the Meeting held on 29 November 2019 (Paper 02)

The minutes of the meeting held on 29 November 2019 were agreed as a true record of the meeting and approved by the full Board at their meeting in June 2020. The minutes will be signed by the Chair at the next available opportunity.

#### 4. Confirmed Confidential Minutes of the Meeting held on 29 November 2019 (Paper 03)

The confidential minutes of the meeting held on 29 November 2019 were agreed as a true record of the meeting and approved by the full Board at their meeting in June 2020. The minutes will be signed by the Chair at the next available opportunity.

#### 5. Matters Arising from the Previous Minutes (Paper 04)

Action 1: *Bree Sherwood to see Annual Report and Financial Statements before CCN Board / sign off.* Action completed.

Action 2: *Karen McIntosh to ensure Easton references are correct.* Action completed.

Action 3: *Corrienne Peasgood to review the Achievement of Strategy Targets section of the Annual Report.* Action completed.

Action 4: *Governance to add Bree Sherwood's reappointment date in table.* Action completed.

Action 5: *Martin Colbourne to prepare cash flow forecasts for board on 17 December 2019 to support the KPMG Audit Memo.* Action completed.

Action 6: *Governance to check when Noel Bartram ceased to be a member of the Committee as this needs to be consistent throughout the report - section 2 wording as well as table.* Action completed.

Action 7: *Governance to remove wording “co-opted”. Both Noel Bartram and Jill Lanning are Governors and their attendance at the Committee is in the capacity as a full Board member so rephrase to “Governor co-opted to Audit Committee”.* Action completed.

Action 8: *Governance to make necessary amendments for Bree Sherwood to approve and sign.* Action completed.

## SECTION A

### 6.1 Draft Annual Report and Financial Statement 2019/20

(Paper 05)

The draft Annual Report and Financial Statement for 2019/20, previously distributed, was discussed at the meeting.

Martin Colbourne informed the Committee of the current status of the Annual Accounts audit and that KPMG had confirmed that they are behind on their normal timetable with the audit of the accounts. The Committee was informed that the Government has recognised the effect of COVID and has delayed the deadline for submitting audited College accounts from the end of December to the end of January 2021. It was noted that following discussions, with the Chair of the CCN Board and Principal, it was agreed to push back the College accounts submission from December 2020 to January 2021. KPMG have prepared a short paper for today’s Audit and Risk Committee Meeting (please see agenda item 6.2). Martin Colbourne informed the Committee that an additional Audit Committee Meeting will need to be held in order to review and approve the formal KPMG audit memo / letter of representation etc. The agendas and timings will be discussed and finalised during today’s meeting.

The Chair noted that she is reassured by Martin Colbourne’s comments and commented that this approach is very typical of most organisations at the present time given their challenges associated with COVID.

Martin Colbourne gave the Committee a breakdown of the key information within the annual report and financial statement for 2019/20. It was noted that Easton finances were moved into the accounts from January 2020, so the previous format has changed. Easton brings two subsidiary companies to CCN, EOC Enterprises Ltd and EOC SPV Ltd, so these are now group accounts and need to show the subsidiary company figures as well as the overall CCN figures.

The draft commentary at the beginning of the report was discussed and it was agreed that this needs to include all concerns - COVID related, strategic, financial and operational. It was agreed that the college should include how the virus and related control measures have affected their planned activities and operations and how these changes were managed. It was agreed that a revised draft of the Accounts would be prepared for consideration at the Business Committee meeting taking place on 8 December 2020. This version would also be circulated to members of this Committee for their comments, particularly on the commentary ahead of the Board meeting on 15 December 2020.

The main financial figures in the report was discussed and agreed. It was noted that these have been discussed and agreed at previous Board meetings.

The Chair thanked Martin Colbourne for his helpful review and agreed that due consideration needs to be given to the front half of the report and would welcome any feedback from

Committee members. Martin Colbourne commented that COVID has not hit the College as hard as expected in 2019/20 but the commentary must be right to show the impact it will have in 2020/21.

The overall deficit on the College of £2,203k was discussed and it was confirmed that this is mainly due to the additional charges / losses relating to pensions liabilities. Primarily this relates to the Local Government Pension Scheme amounting to £1,877k which includes an FRS 102 charge of £1,265k pension costs of £612k; and £20k charge for the unwinding of the NES pension provision. The increase in the Local Government Pension Scheme actuarial liabilities relating to staff at Easton of £993k was noted and concern was expressed about the doubling of the liabilities in 2019/20 from £24,183k to £47,394k.

Martin Colbourne informed the Committee that this was a sector wide issue and a matter of on-going discussion with colleagues in other colleges and, at a national level, with DfE. The Chair recognised the Committee's concerns and agreed that the College are continuing to do what it can on this matter.

The full content of the Draft Annual Report was noted.

## 6.2 KPMG Update

(Paper 06)

The KPMG Update on the draft 2019/20 Accounts, previously distributed by Liandi Venter, was discussed at the meeting and the following noted:

- It was noted that the areas of focus will be finalised by the end of next week. These being: Revenue recognition has been completed. Valuation of net pension liability; management override of control; use of funds; merger accounting and property valuation; valuation of estate and payroll are in progress. Going concern; access and participation expenditure; median pay disclosure and statutory accounts are not yet started.
- Going concern assessment was discussed and it was confirmed that Martin Colbourne is awaiting an updated cash forecast later this week which has to be submitted to the ESFA and which will give the latest set of figures to be taken into account in this assessment. KPMG expect to be able to provide a reassuring commentary in this regard.
- The Chair asked KPMG if any areas of focus are problematic and it was confirmed that all areas have had initial discussions and reviews and KPMG are comfortable that they had no issues going forward and that they are currently going through the final processes.

The Committee returned to the timetable for review and confirmation of the accounts and the following was agreed.

- 1-3 December – it was agreed that Martin Colbourne will circulate the updated reports to all Committee members to feedback any comments before the next Business Committee Meeting.
- 8 December – Business Committee review.
- 15 December – full CCN Board review.
- 19 January 2021 – additional A&R Committee Meeting to formally agree the accounts, memo of understanding and letter of representation
- End of January 2021– submission to ESFA.

The Chair thanked Liandi Venter for her full and comprehensive report. The content of the KPMG Update was noted.

Philp Richardson and Liandi Venter left the meeting at 9.45 am.

**Action 1: Martin Colbourne to forward the updated annual report to all Audit and Business Committee members for feedback before the Business Committee Meeting on 8 December 2020 (MC).**

### **6.3 College Self-Assessment Regularity Questionnaire** (Paper 07)

It was confirmed that the questionnaire is very similar to the version viewed by all Governors at a recent Board Meeting and the management agreed at the CCN Board Meeting and it was confirmed that there is nothing by exception to be brought to the Committee's attention today.

It was suggested that all acronyms within the document could be written out in full at their first reference and it was also suggested that a stronger comment regarding COVID could be included as referenced in the annual report and financial statements.

When confirmed, the document will be signed by both the Chair of the Board and the Principal of CCN, as the Accounting Officer.

### **6.4 EOC Stub Accounts** (Paper 08)

The EOC Stub Accounts, previously distributed, was discussed at the meeting and the following noted:

- It was noted that the EOC Stub Accounts have been finalised by CCN and have been submitted to Suffolk New College for agreement by the end of December. Suffolk New College have their Audit and Board Meetings on the 19 November and 10 December 2020, respectively. The accounts can then be reviewed and signed off by the CCN Board at their meeting on 15 December 2020, if formally agreed by Suffolk New College Governors.
- It was confirmed that the full set of accounts have been reviewed by Larking and Gowan and audited by KPMG and will be signed off by Stephanie Beavis for continuity.

### **6.5 EOC KMPG Letter of Representation** (Paper 09)

The standard Letter of Representation was agreed, and the full content noted.

### **6.6 EOC Audit Memo** (Paper 10)

The standard Audit Memo was agreed, and the full content noted.

### **6.7 Audit Committee Report 2019/20** (Paper 11)

Martin Colbourne went through the document previously circulated and advised the Committee that this report provides a summary of what has been done throughout the year. Following discussion, the following amendments were agreed:

- It was noted that the KPMG accounts feed into the report and they will be submitted to the ESFA when finalised and agreed.

- Following discussion, it was agreed that the word endeavours in the following sentence: “The Corporation endeavours at all times to comply with the Financial Memorandum between the Education Skills Funding Agency and colleges...” should be changed to indicate a stronger commitment to comply with ESFA regulation, particularly given the extensive efforts made by everyone during the pandemic.

It was noted that the document will be finalised at the additional meeting taking place in January 2021.

## **6.8 Final IAS Annual Reports for 2019/20**

(Papers 12&13)

The IAS Annual Reports for 2019/20 from Scrutton Bland, for both CCN and NES, previously distributed, were discussed at the meeting and the following noted:

- Paul Goddard took the Committee through the Report, advising that he had no caveats on the reports. For CCN five audit reports and one follow-up report have been completed in the year and they provide three significant and two reasonable assurance opinions. It was noted that the Lecturer Deployment report contained an interim reasonable assurance level given that it had been agreed to return to this area once Easton had been assimilated into CCN.
- NES had received Strong assurances on the three audits and one follow-up that had been conducted in the year. It was agreed that the report on the Payroll will be brought to the next A&R Committee meeting for review.
- One medium and 12 low risk recommendations were raised through the reports during the 2019/20 audits but there were no high-risk recommendations raised.
- There were no recommendations carried over from last year, which is positive and shows that management have addressed the recommendations made.
- It was noted that all reports had been included in the papers for the Board Meeting on 21 July 2020 but had not been discussed in detail. It was suggested that all reports are uploaded onto the Audit and Risk Committee papers within Passageways for reference and completeness, throughout the year.
- It was agreed that all five reports will be formally reviewed at the next Audit and Risk Committee Meeting.

**Action 2: Final Payroll Internal Audit Report to be presented to the next A&R Committee Meeting for formal review (CJ).**

**Action 3: Clare Johnson to upload all Scrutton Bland reports, including the final Payroll report, to Passageways for information and completeness (CJ).**

**Action 4: Five Internal Audit Reports to be formally reviewed at the next A&R Committee Meeting taking place in January 2021 (CJ).**

## **6.9 Final IAS Audit Plan for 2020/21**

(Papers 14&15)

The Final IAS Audit Plan for 2020/21 for CCN and NES, previously distributed, was discussed at the meeting and the following highlighted:

- Paul Goddard informed the Committee that they need to consider which particular risks they would wish to have more reassurance on, and he suggested some areas that could be considered for 2020/21.
- In response to a suggestion could be audited in 2020/21, the Principal confirmed that Apprenticeships had been audited in the current year. It was therefore agreed to carry this forward into 2021/22.

- With regard to a suggested audit of Student Retention and Recruitment, Jill Lanning, the Chair of the C&S Committee said that due to the unusual recruitment process in 2020 would reduce the value of an audit in this area in 2020/21.
- It was agreed that in the current climate, it would be useful to have an objective review of Business Continuity, GDPR and Cyber Security and the Gatsby Career Plan. It was also agreed that an audit on Lecturer deployment may be best delayed. An audit of Governance was agreed but the scope needs to be defined. An audit of HE should be considered for 2021/22.
- All other areas for audits could be considered later in this year as circumstances change. Possible areas include Culture, Risk Management (for NES), Learner records, Management Information and Procurement.

It was agreed that the audits for 2020/21 will be reflected upon and finalised at the next meeting.

The Chair thanked Paul Goddard for his full and comprehensive reports, and he left the meeting at 10.30 am.

**Action 5: Internal audits for 2020/21 will be reflected upon and finalised at the next meeting (CJ).**

#### **6.10 Funding Assurance Audit**

It was noted that the college was notified of another ESFA Financial Assurance audit last week and the necessary evidence is being gathered for the audit which will commence on Monday 30 November 2020.

#### **6.11 Risk Management Update**

The Principal advised that a complete review of the COVID Risk Register took place at the end of October and was discussed at a CCN Board Meeting. The Risk Register and Risk Management has been streamlined with NES and it was noted that the NES Risk Register will be presented to the NES Meeting taking place on 7 December 2020.

### **7. SECTION B**

#### **7.1 Sector Updates**

There was no update submitted under this agenda item.

#### **7.2 Fraud Discussions**

Martin Colbourne informed the Committee that the IT department and all staff are aware of attempted / potential fraud risks and it was agreed that these should always be in the front of people's minds whilst working at home.

### **8. SECTION C**

There were no items tabled in this section of the meeting.

### **9. Any Other Business**

The Chair asked for her formal thanks to be passed to Martin Colbourne and Corrienne Peasgood for their hard work and commitment during what has been a difficult time and that

all Governors are appreciative of their, and everyone's efforts. It was noted that the work commitment of all staff gives Governors reassurance.

## **10. Confidentiality**

It was agreed that agenda items 11.1 and 11.2 would remain confidential.

### **11.1 Assessment of Auditors Performance Indicators for 2019/20**

Please see confidential minutes.

### **11.2 Approval of Auditors Performance Indicators for 2019/20**

Please see confidential minutes.

### **11.3 Review of SPH Expenses Claims including Credit Card Data**

There were no items tabled under this agenda item of the meeting.

## **11. Date of Next Meeting**

- Additional Audit and Risk Committee Meeting – Tuesday 19 January 2021 – time to be agreed.
- Audit and Risk Committee: Tuesday 02 March 2021 at 4.00 pm.

All business having been concluded; the meeting closed at 10.45 am.

Signed ..... Date .....

(Chairman)