AUDIT COMMITTEE MEETING MINUTES	
Date:	Thursday 3 December 2020
Venue:	Online
Time:	5.30pm

NEW CITY COLLEGE

Chair	Neil Yeomans
Corporation Members	Gareth Wall
Co-opted Member	Thana Nathan
Auditors	Leisyen Keane - Internal Auditors (Scrutton Bland) Paul Goddard - Internal Auditors (Scrutton Bland) Joanne Lees – External Auditor (KPMG) Stephen Lucas - External Auditor (KPMG)
Officers	Gerry McDonald: Group Principal & CEO Suri Araniyasundaran: Deputy CEO
Minutes	Elsa Wright – Director of Governance

Item No	Item of business
3.	**Audit matters for consideration - members and auditors only** The members met with Auditors and this item was minuted separately.
1.	**Chairs welcome and opening remarks** The Deputy CEO and CEO joined the meeting
2.	**Apologies for absence** Cynthia Griffin had sent her apologies.
4.	**Declaration of Interest** There were no declarations made.
5.	**Minutes of the Last Meeting Held on 24 September 2020** The minutes were agreed with the clarification below (item 5)
6.	**Matters Arising and Action Points from the Meeting** The action points would be addressed in the meeting or had been completed. The reference to the committee having sight of assurance reports related to assurance offered elsewhere from within the college and was not for the IA to prepare.
	ITEMS FOR DISCUSSION, DECISION OR ACTION
7.	**Year end 2019/20** **7.1 Internal Audit Assignment Reports** There was one outstanding report for 2019/20 with the work spanning the summer. The report gave a Reasonable level of assurance for apprenticeships. The CEO had asked for the actions to be reviewed at the end January. It was not critical but it was important to get the them cleared as it could impact on funding. There were no concerns going forward. The Deputy CEO gave the context with the income stream standing at £2.1m in 19/20 with a forecast for the year of £2.3m forecast. Paul Goddard explained that there was one high risk area. Leisyen Keane gave the details and explained that funding could be clawed back if the number of hours per week not been captured correctly. The Deputy CEO drew committee members attention to the management response. Covid had impacted on hours for last term and planned hours were in place. Enhanced monitoring was now in place across the provision and ProSolution was being used to

Item No	Item of business
	record hours correctly. SMT had discussed it this week to ensure that this was covered in the timetabling system. In response to questions, the Deputy CEO confirmed that it was a case of process improvement rather than human error. There were other areas for improvement noted in the report but the CEO confirmed that the work was now centralised under one team. The College took this very seriously and it would be reviewed in January. The IAs confirmed, in response to questions, that more details were set out in the full in report. **7.2 Internal Audit Annual Report – NCC** The Chair explained that he took comfort from the reduction in the number of high risk items rather than in the overall volume. He thanked the IA for their report and the Finance team for their work in supporting the audits over the year. **7.3Financial Statements, External Audit Management Letter and Regularity Report - NCC** The Deputy CEO explained that F&GP and Audit had both received the draft set of financial statements and that there were some changes to make to reflect the discussion at F&GP in relation to the commentary section and on the notes but this would not change the figures materially. A final set would be submitted to Corporation. Joanne Lees explained that the findings were set out in relation to the significant risks identified as part of the audit planning. The report was substantially complete. It had been an unusual year, with the audit being completed remotely and additional risks in year to monitor as well as the impact of the merger. The EA made a positive statement in terms of completion. It had run smoothly and the staff had been helpful and there was a good relationship. Joanne Lees confirmed KPMG's independence as external auditors. Stephen Lucas stated that good progress had been made and they were further ahead than at this point last year – Page 3 listed a number of items that they were working on, with payroll now complete and there would be some minor work on the cut off of income but he did not expect adjustments. Salaried staff would be banded in 5k bands. There was a small change to audit fee as an additional fee paid was paid by HSFC to Grant Thornton but this had no effect on the bottom line. The Audit plan had identified areas of significant risk and there had been detailed testing. The valuation of the pension assets and liabilities and the actuarial assumptions made had been reviewed by the EA's expert. Individually they were within the range but added together they were slightly outside the range. This was a case of two sets of professional views and the EA did recommend that the committee look at the detailed review of assumptions from actuary. The Committee Chair confirmed that this was annual exercise to feed into published accounts. The EA confirmed that this was the case but if the College wanted to take any external loans, an assessment would be made of the balance sheet. It did not affect cash flow. With the pandemic, the issue of going concern had been raised and the financial regulator had issued new standards for next year. There was adequate disclosure in the accounts and the Deputy CEO had updated the wording in the accounting policy. The cash flow forecast was good and the EA had looked at impact of a 5% decrease in income. There was nothing to report on the work on income and cut offs. Management override of controls had been reviewed and the journals examined and the EA was satisfied that there was no evidence of this. A key estimate was of the land and buildings. The HSFC asset had been revalued and the KPMG expert was satisfied with the assumptions. The value brought into the accounts was consistent with the valuation of existing land and buildings.

Item No	Item of business
	Audits were in progress on the subsidiaries which were loss making and there was nothing that the EA needed to bring to audit committee's attention. The EA expected to issue and unqualified reports by the end of year. There were two recommendations on pensions, as discussed and on the impairment of fixed assets. Impairments should be considered and it was good practice for the estates department to be involved and provide some kind of evidence for the Finance Director to share with either the Finance or Audit committee. The Chair of the committee acknowledged that this might be an issue for a large organisation but for NCC this was not a big risk. Senior managers worked across the campuses and they would know very quickly if there were significant issues which materially impacted on the value of buildings. There were two audit differences. The first on pensions as discussed and the second was the treatment of the Quarles lease. The management view was that this was part of a redevelopment and the lease had been capitalised. The EA explained that their view was that this was not appropriate and it should be treated as revenue as it was not directly linked to new building, but it was at a level that was below materiality. It was important to bring it to the attention of the committee but the accounts were unadjusted and it did not affect the opinion. There was one adjustment related to the timing of the actuary's estimate of the rate of return on pension fund assets as this had been made in early August. In October the actual rate was used and this gave a 2% difference in the value of around £2m. The EA was pleased to see that all 5 recommendations from the previous year were implemented. Governors asked about the materiality threshold and whether the best estimates were used at the time of valuation. The materiality threshold was £2m. The exact figure that the actuary had given had been used but this had changed over time. Governors also raised the issue of impairment and its definition. The Property Committee was looking at the Poplar campus which was often described as not fit for purpose but presumably this was a different definition. The CEO explained that the fixed asset valuation in the accounts did not represent the assets which would be given a completely different value if they were revalued. The buildings might be valued at a lower amount but the land would be considerably higher. It was also difficult to understand why three quarters of the value would be wiped out by the pension fund which the College had no control or influence over. It was one of the biggest numbers on the balance sheet but the College could not affect it. The Chair confirmed that the financial statements were dominated by fixed assets and Pension funds but all entities in the education sector had to carry the value on their books including universities and multi-academy trusts. The CEO's view was that these did not represent the College but they were what the Corporation and the CEO were held to account for and they did not reflect the business back. Covid had led to a £7m income loss and £5m was pension adjustments. Everyone had done a phenomenal job to get the statements and accounts ready when the deadline had been pushed back to 31 January. The Chair thanked everyone involved and stated that the production of the financial statements was largely one of compliance rather than reflecting the operations of the College. The Deputy CEO confirmed that there were no material changes to be made to the financial statements. He would finalise the commentary before it went to the Corporation. The committee endorsed the statements overall and both the Chair and the Finance Committee would review the papers again before they were sent to Corporation. Inter-company debt would be considered and, if necessary, would be disclosed as a separate item (page 45). Note 24 set out the property secured for the pension contribution discount.

Item No	Item of business
	The Committee approved the accounts and recommended them to Corporation subject the final sign off by the Chair in conjunction with F&GP **7.4 Audit Committee Annual Report** The Chair explained that the paper was from p 172 onwards in the pack. There were a couple of areas to update once the final report from KPMG had been received. The committee agreed that it reflected the work of committee over the year. There were some minor changes and it would be finalised for the Corporation papers. **The Committee agreed the report for the Corporation, subject to minor changes to be made by the Chair.**
8.	**Internal Audit Assignment 2020/21** One report had been completed on Anti-fraud procedures and whistleblowing which offered significant assurance. There were two recommendations with one for the committee to consider about management and staff understanding of the process. The recommendation was to raise the profile of policies to make sure all staff were aware of them and how they operated. The medium risk recommendation was around gifts and hospitality. It had taken some time to locate the register. There needed to be clear ownership and all staff should be aware of it and of what needed to be reported and recorded. Ownership had been clarified and work would take place to make all staff aware. The IA raised an added value point and asked whether the audit committee would consider having a standard agenda item on attempted fraud given the increasing number of fraud attempts in the sector. The Chair agreed that it make sense. Most attempts at the College were aimed at individuals, particularly the CEO, Deputy CEO and the Chair of the Corporation. **ACTION – Director of Governance to add to the meeting schedule** There was a discussion about raising the profile of whistleblowing and whether staff had training each year. There were some training programmes that were mandatory on entry and a few that needed to be done each year. The CEO would speak the HR Director about what was available through the training module. **Action – CEO to speak to HR Director** The Chair thanked External Auditors for their support and for getting the report ready for this meeting.
9.	**Any other business** There was a discussion about the impact of large capital projects on the accounts. The management accounts were key and it was important to understand the differences between the results reported in the management accounts and those in the financial statements. The CEO explained that the ratios on financial health would change and may be affected by the pension liability, management of which sat with the LGPS. The Committee thanked the Deputy CEO and the Group Finance Director for their work and for the clean bill of health which was excellent given the growth in the College and the impact of the pandemic. The Auditors left the meeting.

Item No	Item of business
10.	**Appointment of External Auditors** The Deputy CEO had spoken to the current EA about their fees. There had been a poor response to the tender and it was important to have a good field of potential providers. The proposal was to retender for February with the recommendation coming to the March meeting. The Deputy CEO confirmed that the audit partner had changed at KPMG and that the lead auditor was new this year. The Internal Audit contract was 3 years which ended this year with the option for an additional year. This would be on the agenda for the March meeting. **Action – Deputy CEO to circulate new dated to review the tender to committee members** **Action – Director of Governance to note for March agenda**
11.	**Date of Next Meeting** The next Audit Committee would be on 4 March 2021 The meeting ended at 6.47pm