

Minutes of a Meeting of the AUDIT COMMITTEE held on

Wednesday 29 November 2023 at 1.00pm

College Business Centre

57/23 APOLOGIES AND WELCOME

Apologies were received from Mrs Tracy Bull and Ms Karen Shaw.

The Chair welcomed the Chief Operating Officer and Senior Management Accountant to the meeting who were attending in place of Mrs Bull. The Chair also welcomed Ms Fiona Chalk of Governance4FE who was observing the meeting as part of the External Governance Review. The internal and external auditors were also welcomed to the meeting alongside Members.

The Chair expressed thanks for the inclusion of direct links to board papers in the agenda.

58/23 DECLARATIONS OF INTEREST

There were no declarations of interest.

59/23 APPROVAL OF THE NON-CONFIDENTIAL MINUTES OF THE MEETING OF 18 OCTOBER 23

The non-confidential minutes of the meeting of 18 October 2023 were approved as a true record.

60/23 MATTERS ARISING FROM THE MEETING OF 18 OCTOBER 2023

The Director of Governance reported on Matters Arising. The following items were in progress: a schedule of amendments to be added to the Annual Review of Risk Management Policy is due for reporting in February 2024; the level of potential General Data Protection Regulation (GDPR) fine will be stated in pounds sterling going forward; staff responsibilities will be updated in the Audit Issues Log due for reporting in February 2024 following recent staff departures and changes; the Director of Finance would update the Committee on the suggestion to match employee account details against suppliers. All other actions had been completed.

A Member raised a query regarding the suggestion to conduct a 'deep dive' at the first Audit Committee meeting of the academic year. The Director of Governance confirmed that this was recorded in the minutes and tabled accordingly.

61/23 INTERNAL AUDIT SERVICE ANNUAL REPORT 2022/23

Ms Melanie Weston, Southern Internal Audit Partnership, presented her report. An Annual Plan had been drawn up and was risk-based and drawing on any areas of concern. The Plan had been carried out. The College were very receptive and there was good staff awareness and effective controls in place. She reported good relationships at all levels. There had been reasonable audit testing and where weaknesses had been identified staff were receptive to feedback and management controls were put in place. There were no concerns and all areas reviewed had received reasonable or substantial assurance. The subcontracting review confirmed that the College was compliant. There had also been a review of progress against actions raised in 2021/22 and Ms Weston confirmed progress in implementation.

A Member queried a phrase used by the internal auditor: 'generally working well'. Ms Weston confirmed that by this she meant that controls were working effectively; there had been a few issues identified during audit testing but nothing that was concerning.

A Member commended that of the 11 areas reviewed all had received reasonable or substantial assurance and the College was compliant with subcontracting standards.

The Chief Operating Officer informed Members that the subcontracting report is submitted to the Education and Skills Funding Agency (ESFA) who make a judgment as to whether the College is meeting the requirements. The outcome was awaited but she did not anticipate any problems. The outcome would be reported to Corporation.

A Member raised a question on regularity of reporting and the Chief Operating Officer confirmed that requirements had changed under the subcontracting reforms. There were now 91 criteria to test against.

The Chair praised the coverage throughout the year, progress made, and the ability to adapt to pick up new areas for testing. She queried whether the number of audit days felt appropriate. Ms Weston responded that the number of audit days were appropriate and that there had been good coverage with quite a number of audits in a wide range of areas. She thanked the College for its assistance in completing the reviews. The Chair also praised the structure of reports.

A Member raised a question on the balance between on-site and remote work. Ms Weston responded that all work had been conducted remotely via documentation sharing and Teams meetings.

Following a question, Ms Weston confirmed that there was nothing that she wished to bring to the Committee's attention or raise with Members.

The Chair thanked Ms Weston and stated that she was welcome to stay or leave the meeting. Ms Weston departed the meeting.

The Committee RECEIVED the report.

62/23 ANNUAL REPORT OF THE AUDIT COMMITTEE 2022/23

The Director of Governance presented the Annual Report of the Audit Committee. This had been reviewed by the Chair and Vice Chair and it was important that the Committee has ownership.

A Member raised a question regarding the role of the Principal. The Director of Governance responded that the Principal is an attendee at Audit Committee but is not a Member of the Committee.

The Director of Governance noted the following amendments to be made to the report: 2.1 typo Barnetson; 2.1 appointment date of T Nicholas amend to December 2022; 6.3 all three visits reported in reporting period; 6.4 word 'Committee' missing; 10.1 amend reference to Clerk.

The Committee RECOMMENDED the Annual Report of the Audit Committee 2022/23 for APPROVAL by Corporation subject to the above amendments.

63/23 COLLEGE ACCOUNTING POLICIES

Mrs Kiss presented the College Accounting Policies. She reported that they are reviewed on an annual basis, presented to Corporation as part of the Annual Financial Statements, and audited externally.

A Member raised a question regarding the Local Government Pension Scheme stating that given that the surplus had not been taken into account should the policy be amended to reflect that. Mrs Kiss responded that this had already been included in the Financial Statements as a late adjustment and was not a change in policy rather a prior adjustment. Ms Millar, RSM Audit UK, responded that she would check this and confirm.

A Member asked if this was broadly similar year on year and the Chief Operating Officer responded that there were no changes to financial reporting standards that would require any change to the College Accounting Policies. The Member asked that if there were changes it would be helpful to note this in the cover paper and chronology.

The Committee RECOMMENDED the College Accounting Policies for APPROVAL by Corporation subject to the above clarification regarding the pension scheme.

64/23 STATEMENT OF INTERNAL CONTROL AND CORPORATE GOVERNANCE

Mrs Kiss presented the Statement of Internal Control and Corporate Governance.

The Chair suggested that Governors give more focus to the asset register in 2023/24. She stated that this and capital maintenance plans were highlighted in the internal audit report as areas to maintain focus on.

The Committee CONSIDERED the Statement on the System of Internal Financial Control and the evidence used to produce it.

65/23 LETTER OF REPRESENTATION

Mrs Kiss presented the Letter of Representation. The letter confirms that the information provided to the auditors is complete and has been accurately reported.

A Member raised a question regarding an assessment of the College as a going concern. There was some discussion on this with Members concluding that the evidence base for this is the 3-year projection, 2-year forward cash flow, outcome of accounts this year, and external audit providing an opinion on going concern.

The Chair queried the date on the engagement letter. Ms Millar confirmed that this was a standard letter and only issued every 3 years.

The Chair drew attention to the note of unadjusted misstatements of £296k. Ms Millar responded that this was consistent with previous years and the majority was due to old accruals carried forward on the balance sheet.

The Committee CONSIDERED the Letter of Representation and RECOMMENDED it for APPROVAL by Corporation.

66/23 2022/23 DRAFT FINANCIAL STATEMENTS

Ms Millar presented the Draft Financial Statements for 2022/23. They were consistent with previous years and included two audit opinions: an unqualified opinion and a regularity opinion. She drew Members attention to the following: there had been no adjustments impacting FRS102 and the impairment on A and E blocks which have now been vacated is shown as a separate row. The College was continuing to generate a healthy cash level.

A Member commended the inclusion of the recent Ofsted inspection in the Statements and congratulated the College and the senior leadership team (SLT) on the result. He commented that this was the result of hard work as was the overall financial performance. Another Member queried whether the inspection result should be included as it took place after financial year end. The Committee were advised that this should be included as it took place within the period up to which the Statements are submitted and would be included in the 'Events after reporting period' section.

A Member queried what land and buildings had been acquired to the value of £2 million.

The following required amendments were noted: a grammar error with the word 'and' not required on page 6 where referring to the pension asset; the name of the Chair at the 'Accounts to be signed' reference; the departure date for David Hodgkinson within the 'Senior management table'; and the appointment date of T Nicholas.

The Chair welcomed the impact of emissions reductions.

The Committee CONSIDERED the draft Annual Report and Financial Statements for the year 2022/23 and RECOMMENDED for APPROVAL by Corporation subject to the above amendments and clarifications.

67/23 FINANCIAL STATEMENTS MANAGEMENT LETTER

Ms Millar presented the Management Letter. She confirmed unqualified opinions had been issued for the Financial Statements and the Regularity Audit. She also confirmed that audit work was substantially complete. She outlined key risks. She confirmed that Education and Skills Funding Agency (ESFA) grant income was in line with Statements and outturn with each stream being tested. There had also been detailed testing of the individualised learner record (ILR) as the ESFA no longer give assurance on this and subject specialists had been used. She was satisfied that ILR data was correct and was supported by documentation. With regard to the pension scheme, changes had been reported across the sector with the impact of discounted interest rates turning into an asset. An asset had also been recorded in the previous year. With regard to going concern the combined cash holdings and guaranteed 16-18 year old income was sufficient. The Bank Covenants had also been considered and there were no issues to report. She outlined the scope of regularity work in relation to reclassification and there were no issues to report under borrowing and severance payments. She confirmed that she had received advice confirming that the Letter of Support in relation to Delamite Ltd could continue. With regard to A and E blocks she recommended recording impairment declaring not in use and therefore excluded from the Bank Covenants. This had been raised as an adjustment in the Financial Statements. She confirmed that there were no issues to report in relation to the subcontracting standard. She thanked the Director of Finance, and Mrs Kiss for their cooperation.

A Member stated that he would expect to see the management responses and asked for these to be circulated.

The Chair requested that the Emerging Issues document is circulated to Corporation.

A Member stated that she had written to the Director of Finance to offer to meet with her regarding Delamite Ltd. The Chief Operating Officer responded that she would discuss this with the Director of Finance on her return.

The Committee CONSIDERED the report.

68/23 EDUCATION AND SKILLS FUNDING AGENCY FINANCE RECORD

Mrs Kiss presented the ESFA Finance Record. She reported that this was prepared and presented along with the Financial Statements but was not required to be externally audited. The record enables the ESFA to collect data on colleges, make comparisons and benchmark. It indicates financial health and must be submitted by 31 December 2023.

A Member expressed concern regarding the level of detail. She asked how could Committee members be confident in recommending for approval by Corporation without interrogating every spreadsheet cell. The Chair responded that Members rely on the cover paper to highlight key points and issues in summary form. She considered that the Governors role was to approve the high level overarching principles and that it was necessary to place reliance on the Finance Department. It was requested that Corporation receive a simple summary sheet setting out the key points regarding the ESFA Finance Record.

The Committee CONSIDERED the ESFA Finance Record and RECOMMENDED it for APPROVAL by Corporation.

69/23 SELF-ASSESSMENT QUESTIONNAIRE FOR REGULARITY AUDIT

Mrs Kiss presented the Self-Assessment Questionnaire for Regularity Audit. This had been circulated to Governors in advance and feedback had been incorporated.

The Committee CONSIDERED the Self-Assessment Questionnaire and RECOMMENDED it to Corporation for RATIFICATION.

70/23 DELAMITE LIMITED: FINANCIAL STATEMENTS 2022/23

Mrs Kiss presented the Financial Statements for Delamite Ltd.

A Member asked why the Principal was the sole director. Another Member stated that this had always been the case. The Principal also expressed her concerns. It was confirmed that there was insurance in place to cover the liability.

The Chair considered that a 'deep dive' would be prudent with consideration in the short term to give the Principal a level of comfort. The Principal confirmed that she had received assurance from the auditors but considered that the risks and liabilities of reclassification should sharpen the mind and that this was a matter to return to.

The Committee CONSIDERED the Financial Statements of Delamite Ltd for the year 2022/23 and RECOMMENDED for APPROVAL by Corporation.

71/23 DELMAITE LIMITED: LETTER OF SUPPORT

Mrs Kiss presented the Letter of Representation. The letter confirms that the information provided to the auditors is complete and has been accurately reported.

The Committee noted that a correction was required to the date of the letter to 13 December 2023.

The Committee CONSIDERED the Letter of Representation and RECOMMENDED it for APPROVAL by Corporation.

72/23 GOVERNOR SELF-REVIEW OF MEETING

The Chair led a Governor self-review of the meeting. She referred to the Terms of Reference (ToR) and the requirement to give an overall opinion of the adequacy and effectiveness of assurance arrangements. This meeting the Committee had reviewed audit work and plans, heard key issues and management responses. The Committee considered that they had met requirements and added value. The Chair welcomed the Emerging Issues document as helpful in developing Committee Members and ensuring the Committee was up-to-date. The Chair expressed her thanks to Mrs Kiss.

73/23 ANY OTHER BUSINESS

There was no other business.

74/23 DISCUSSION WITH AUDITORS WITHOUT MANAGEMENT PRESENT (IF REQUIRED)

No discussion required.

Ms Fiona Chalk and Mrs Beatrix Kiss departed the meeting.

75/23 INTERNAL AUDIT TENDER (CONFIDENTIAL)

76/23 ARAMARK CONTRACT – CECAMM (CONFIDENTIAL)

77/23 DATE OF NEXT MEETING

Wednesday 28th February 2024, College Business Centre