

## Minutes of a Joint Meeting of the AUDIT & RISK/FINANCE & RESOURCES COMMITTEE held on 27 November 2024 at 4pm Online Via Teams

### **71/24 APOLOGIES AND WELCOME**

Apologies were received from Mr Chris Goddard and Mr Martyn Pearl. The Chair welcomed Members to the meeting.

### **72/24 DECLARATION OF INTEREST**

There were no declarations of interest.

With the permission of the Chair the agenda was taken out of order.

### **73/24 RISK AND ASSURANCE PROGRESS REPORT**

Mr Paul Goddard, Scrutton Bland provided a verbal progress report on internal audit. Two pieces of work had already been completed and he was delighted with how well management had engaged. Feedback was currently being processed on the audit of Student Recruitment. There were no findings of significance to bring to the Committee's attention at this stage.

The Committee NOTED the report for ASSURANCE to Corporation.

The agenda returned to order.

### **74/24 APPROVAL OF THE NON-CONFIDENTIAL MINUTES OF THE MEETING OF 16 OCTOBER 2024**

The non-confidential minutes of the meeting of 16 October were approved as a true record.

### **75/24 APPROVAL OF THE CONFIDENTIAL MINUTES OF THE MEETING OF 16 OCTOBER 2024**

The non-confidential minutes of the meeting of 16 October were approved as a true record.

### **76/24 MATTERS ARISING FROM THE MEETING OF 16 OCTOBER 2024**

The Director of Governance reported on Matters Arising with actions reported as completed or ongoing as detailed in the report.

A Member commented on the action related to catering provision at CECAMM. She suggested that it would be more helpful to hear of feedback from the students regarding the catering provision rather than Governors visiting the site. The Committee agreed to this change to the Actions Log. The Director of Governance would amend the Log and seek feedback from the senior leadership team regarding student views of the catering provision at CECAMM for the Committee's assurance.

There were no further questions.

The Committee NOTED the report for ASSURANCE to Corporation.

With the permission of the Chair the agenda was taken out of order.

### **77/24 AUDIT COMMITTEE ANNUAL REPORT**

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.

The Director of Governance noted the following amendments to be made to the report: 2.1 T Nicholas resignation should read September 2023 and C Messenger resignation should read October 2023; and 6.1 the Internal Audit Service Annual Report was received at the October 2024 meeting as referenced in 6.3.

Mr Goddard referring to the Audit Code of Practice suggested an amendment regarding the wording of the opinion of the Audit Committee. The Director of Governance drew attention to where in the report the matters were covered but would amend the report accordingly at 12.1.

The Committee APPROVED the Annual Report of the Audit Committee subject to the above amendments.

#### **78/24 STATEMENT OF THE INTERNAL CONTROL AND CORPORATE GOVERNANCE**

The Interim Director of Finance presented the Statement of Internal Control and Corporate Governance. He advised that as part of the preparation of the Financial Statements the Board must satisfy itself that it had an adequate system of internal controls over the period to prepare the Financial Statements and to ensure the regular use of funds. The report provided the evidence base for the Statement.

A Member commented that the report was well captured and provided assurance.

The Committee NOTED the report for ASSURANCE to the Corporation and RECOMMENDED the report for APPROVAL by Corporation.

#### **79/24 REGULARITY SELF ASSESSMENT QUESTIONNAIRE (SAQ)**

The Interim Director of Finance presented the Regularity SAQ. He reported that there were no matters of note within the SAQ and that the College has a strong process for ensuring regular use of funds during the year. He added that this Committee had a strong view of *Managing Public Money* (MPM) as a report to the Committee regularly monitors and reports on compliance with MPM. A Register of Interests was also maintained and reported to the Committee.

Mrs Jessica Garbett joined the meeting at this point.

The Committee NOTED the report for ASSURANCE to the Corporation and RECOMMENDED the report for APPROVAL by Corporation.

#### **80/24 COLLEGE ACCOUNTING POLICIES**

The Interim Director of Finance presented the College Accounting Policies. There were two areas of note highlighted in the cover paper: 1) Income from tuition fees is stated as when earned rather than when received with the fees applied for future years being deferred until the activity takes place; and 2) The College has a potential liability for expenditure which is for non-charitable purposes (the write off of the Delamite Ltd loan). This would give rise to a corporation tax liability. There were no other significant changes.

The Committee RECOMMENDED the College Accounting Policies for APPROVAL by Corporation.

#### **81/24 LETTERS OF REPRESENTATION**

The Interim Director of Finance presented the Letters of Representation. He stated that there was nothing contentious and that it was reasonable to sign.

A Member asked for comfort on the uncorrected misstatements. He noted that this was similar to previous years and enquired whether there was anything to be concerned about. The Interim Director of Finance advised that there was nothing to be concerned about. There were some technical points regarding historically held liabilities that were unlikely to come to fruition but that these would be replaced in future years by two provisions that were not listed. He assured the Committee that there was nothing indicating pressure or misrepresentation of the position.

The Committee NOTED the Letters of Representation for ASSURANCE to the Corporation and RECOMMENDED the Letters of Representation for APPROVAL by Corporation.

#### **82/24 DRAFT FINANCIAL STATEMENTS 23/24**

The Interim Director of Finance presented the Draft Financial Statements for the Isle of Wight College to 31 July 2024. He reported that there was one correction regarding Delamite Ltd and a final review of page numbering, concluding that there was nothing contentious to report. In response to queries from Members, he confirmed that the page numbering would be checked for any duplication and highlighting removed.

A Member asked for an update on Delamite Ltd. The Interim Director of Finance reported that a quote had been sought from RSM UK Audit LLP to undertake work in relation to the taxation position. There was a potential loss on corporation tax liability but this was similar to the liabilities held that were unlikely to occur.

A Member raised a query regarding increase in fixed assets and whether there was a funding flow to help offset depreciation. The Interim Director of Finance responded that building replacement was funded by the Education and Skills Funding Agency (ESFA). The College as a whole had a high level of space in comparison to turnover however assets were maintained on an ongoing basis. The deferred capital grant level was asset based compared to turnover. It was challenging to maintain the asset base and breadth of curriculum but the College was in a strong position compared to other colleges, he concluded.

A Member commented on a strong performance and paid tribute to the team's diligence and hard work in preparing the accounts.

The Committee RECOMMENDED the Draft Financial Statements for the Isle of Wight College to 31 July 2024 for APPROVAL by Corporation.

#### **83/24 FINANCIAL STATEMENTS MANAGEMENT LETTER**

Ms Frances Millar, RSM UK Audit LLP presented the Financial Statements Management Letter. She confirmed that the audit had been completed subject to some tidying up in the coming days. She drew attention to unadjusted misstatements and key risks including useful economic lives of intangible assets, impairment of fixed assets, and assumptions used within the defined benefit pensions schemes valuation. She was satisfied with the judgments made. Ms Millar outlined control recommendations in relation to historic accruals, payments in advance, and off-the-job logs. She was satisfied that where anomalies were found they were highly immaterial.

Referring to Delamite Ltd she concluded that there was a potential tax liability but that this netted out to an immaterial amount.

Ms Millar thanked the Interim Director of Finance and the Acting Finance Manager for allowing audit work to run smoothly. She concluded that there was a positive outcome with no adjustments in the figures presented. The Interim Director of Finance thanked Ms Millar for the professionalism of the audit.

The Committee thanked Ms Millar for her clear report.

The Committee NOTED the Financial Statements Management Letter for ASSURANCE to the Corporation ALERTING Corporation to unadjusted misstatements and key risks.

#### **84/24 EDUCATION AND SKILLS FUNDING AGENCY (ESFA) FINANCE RECORD**

The Interim Director of Finance presented the ESFA Finance Record. He informed Members that the return was to be completed by 31 December 2024 and drew attention to the spreadsheet provided.

A Member raised a query that had been discussed at an Association of Colleges (AoC) Finance Directors' Network Meeting regarding a potential error or misinterpretation related to the EBITDAR (earnings before interest, taxes, depreciation, amortisation and restructuring or rent costs). The Interim Director of Finance responded that he had reported this to the ESFA and had been informed that the calculation was intended.

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

#### **85/24 DELAMITE LIMITED DRAFT FINANCIAL STATEMENTS 23/24**

The Interim Director of Finance presented the Draft Financial Statements for Delamite Ltd to 31 July 2024. He noted that for tax purposes the administration costs had been included in the College accounts. He outlined the historic, current and future position regarding Delamite Ltd in his cover report. He stated that there was nothing of note in the Draft Financial Statements to 31 July 2024.

A Member reported that she had had some written correspondence with the Interim Director of Finance regarding the level of provision necessary noting that the contingent liability for Delamite Ltd could be higher than the figure stated.

In response to a query from a Member regarding timescale for unwinding Delamite Ltd, the Interim Director of Finance stated that he was in receipt of a quote from RSM UK Audit LLP to look at the issue with a view to wiping the loan and paying corporation tax, however this was a question for RSM to look at first, he concluded. Following further queries from the Member, the Interim Director of Finance confirmed that there was provision for tax liability, and that the College was not carrying the asset of the Delamite Ltd loan in the College accounts but rather the value of J block and the remaining loan had been provided against. He confirmed that if a formal write off was agreed the tax liability would be crystalized at that point.

The Committee RECOMMENDED the Draft Financial Statements for Delamite Ltd to 31 July 2024 for APPROVAL by Corporation ALERTING Corporation to the historic, current and future position of Delamite Ltd.

With the permission of the Chair the agenda was taken out of order.

#### **86/24 DRAFT 3As REPORT TO DECEMBER CORPORATION**

The Director of Governance explained that this would form the Committee's report to Corporation of those items that the Committee wished to alert Corporation to, assure Corporation on, and recommend for approval or action. The report would be drafted in consultation with the Chair and SLT lead and circulated to Members for comment and approval prior to inclusion in the board pack.

There was some discussion as to whether it would be more appropriate to take the approval of the Annual Financial Statements and Accounts by the Corporation at the meeting on 11 December rather than holding a separate meeting on 4 December for this. The Director of Governance provided background to the scheduling which had been undertaken at the request of Members and the former Director of Finance and with the approval of Corporation, however if Members were minded to amend this and Finance staff were satisfied that there was sufficient time to make all necessary submissions after the 11 December, the business could be taken at that meeting as a single item under the consent agenda with any changes highlighted. It was agreed that the Director of Governance would liaise outside of the meeting and confirm with Members.

Members of the Finance & Resources Committee only departed the meeting at this point as the joint part of the agenda had concluded and the remaining business was for Audit & Risk Committee only.

#### **87/24 ANNUAL REPORT: CREDIT CARD USAGE, GOVERNOR EXPENSES, AND FOREIGN TRAVEL**

The Interim Director of Finance presented the Annual Report to Governors on Credit Card Usage, Governor Expenses, and Foreign Travel. This report ensured that the Committee maintained oversight.

The Chair of Corporation (observer) raised a query regarding expenses she had submitted that were not included in the report. The Interim Director of Finance responded that he would follow up on this.

A Member sought assurance on best value when using credit cards. The Interim Director of Finance responded that credit card payments went through robust procurement and were subject to the Financial Regulations and Financial Procedures with reconciliation provided. The Chief Operating Officer and Deputy CEO added that there was a review of credit card statements by herself and the Acting Finance Manager and that amounts spent were low.

A Member queried the value of the listing of payments in the report. The Interim Director of Finance responded that under MPM the College needed to demonstrate that it was securing best value for money. By providing a list of items spent over £50k this provided the Committee with oversight. He added that under the Financial Regulations the Corporation was to be informed of expenditure over £100k. He acknowledged that there was some inconsistency in the Financial Regulations which he was clarifying but he considered this report to be a good part of the checking process.

The Committee RECOMMENDED the Annual Report to Governors on Credit Card Usage, Governor Expenses, and Foreign Travel for APPROVAL by Corporation.

#### **88/24 DISCUSSION WITH AUDITORS (WITHOUT MANAGEMENT PRESENT)**

Not required.

#### **89/24 ANY OTHER BUSINESS**

There was no other business.

#### **90/24 SELF REVIEW OF MEETING**

The Chair led Members in a self-review of the meeting. The Principal considered that the Committee could have provided more challenge on the Matters Arising. A new Member commented that she considered the meeting to have been clear. A Member commented that papers were well prepared and clear, and that the meeting had been well chaired. The Chair paid credit to the Interim Director of Finance, and Director of Governance. The Principal suggested a review of the timings of the meetings after the meeting. The Chair of Corporation (observer) confirmed that a meeting had been arranged for February with the Committee Chairs, Principal, and Director of Governance to review how the new governance structure was working.

#### **91/24 DATE OF NEXT MEETING**

Wednesday 12 February 2025, 1.30pm