



Minutes of the Meeting of the Audit Committee
held on Monday 28 November 2022

Present: - Jennette Arnold OBE (Chair)
Judy Balderson (Co-opted Member) via Teams
Joe Hedges
Kay Sandford-Beal (Co-opted Member)

In attendance: - Tim Williams (Finance Director)
Jane Simons (College Accountant)
Linda Watkins (Clerk to the Governors)
Abigail Appleton (Principal)
Louise Tweedie (RSM) via Teams
Karen Gentles (RSM) via Teams
Helen Cargill (TIAA) via Teams
Jon Marchant (Mazars)
Carol Davey (Mazars)

The meeting was quorate as four members of the Audit Committee were present. The Chair welcomed everyone to the meeting.

1. Apologies for Absence
There were no apologies.

2. Declarations of Interest
There were no declarations.

3. Confidential discussion with Auditors without Officers present
The Chair asked the Auditors if there were any issues of concern. Mazars reported that there were no issues and that the audit had worked effectively which was completed remotely with congratulations recorded to the Finance Director and College Accountant for managing the process.

RSM had no issues of concern and confirmed that this had been a positive year with a higher level of assurance issued in the annual report reflecting an overall improvement.

TIAA have met the Finance Director who had been extremely helpful.

4. Minutes of the Last Meeting
The Committee agreed that the Chair should sign the minutes of the meeting held on 13 June 2022 as a true record with minor typographical error amended.

Matters arising from the Minutes

- I. The Principal confirmed that completion of mandatory safeguarding and KCSIE training by staff is reported to the Talent Management Committee. The single central record (SCR) will be monitored termly by the Designated Safeguarding Governor. **ACTION: CHAIR**
- II. The majority of SLT members have completed the bank mandate with the exception of one who has been asked to complete this as a priority.

The Committee agreed: -

- To approve the minutes

5. Value for Money Annual Report to 31 July 2022

The report evidenced processes to ensure value for money. This showed the College had satisfactory arrangements to promote economy, efficiency and effectiveness. There was a question why the College is only judged as good despite results in FE being above the national averages; this was due to variations on programmes which also provided assurance that course performance is being monitored closely. The F&GP Committee closely monitor finance including the recent significant issue regarding increases to utilities costs. SLT have introduced a monthly finance meeting to evaluate expenditure and value for money. A Governor asked who reviews expenditure noting that the College Accountant has operational control who also attends the SLT finance meeting to challenge.

The Committee agreed: -

- To recommend that the Board note the value for money annual report to 31 July 2022 which provided assurance of practices

6. ACOP Regularity Self Assessment

The ACOP requires completion of the self assessment to provide clarity of the accountability framework, key requirements and evidence to support the statement of regularity, propriety and compliance in the financial statements. Mazars have reviewed the document as part of the process before the financial statements are signed off.

The Committee agreed: -

- To recommend that the Chair of the Corporation and Principal sign the regularity audit self assessment which Mazars had reviewed

7. Annual Report and Financial Statements to 31 July 2022 and assurance

- I. RSM presented the annual report for the year ended 31 July 2022 which provided an overall positive opinion with the second level opinion on a scale of 1-4. Governors recorded appreciation to the Finance Director and staff on the positive audit opinion. The opinion was broken down into three areas: risk management, governance and internal control. Management will focus on timely management of actions.

- II. Mazars' Audit Completion Report for the year ended 31 July 2022 was presented with confirmation that most of the audit had been completed with acknowledgement to the team for their assistance.

The report was outlined covering the purpose of the financial statements audit, financial performance, significant findings, internal control recommendations and a summary of misstatements to provide assurance for the Corporation to sign off the financial statements to 31 July 2022.

Significant risks and key judgement areas were tested including that management did not override controls, revenue recognition and that the College is a going concern; final work was required to confirm the College is a going concern. This was a clean audit following robust and numerous questions to management and challenge regarding cost increases, inflation on LGPS increases, salary increases, utilities and student recruitment.

Pensions has taken a disproportionate part of the report. The pension asset is reasonable and correct conforming to 2% revenue for materiality. A benchmarking graph showed CPI and salary assumptions with no issues of concern.

Audit risks were raised on management override of controls or bias had been checked to ensure that management have not made changes, journals did not evidence fraudulent transactions. No issues were identified. The ILR return is completed and submitted to ESFA each year which is tested by the auditors to ensure students are eligible for funding.

In July 2022 there has been a supreme court judgement on the Harpur Trust v Brazel case confirmed that workers who only work part of the year, but who are on permanent contracts, are effectively entitled to the same holiday allowance as workers who work all the year. This case has been discussed with management, who consider that it impacts only term time staff, not those employed on a part time contract. The liability for colleges is unknown at this stage. The Finance Director confirmed that the potential impact of this is being costed with relatively small numbers; however, limited guidance has been provided following the case.

CPI inflation assumption was calculated based on 3% which has increased to 10.1% regarding pension schemes. Mazars' view is consistent with the pension scheme actuaries that as the increase has not yet been enacted, this is not reflected in the figures. The change in the salary rate increase is a post-balance sheet event.

Regularity is in line with Government spend expectations with ESFA funding applied in accordance with rules.

Control weaknesses were tested with one low risk identified regarding in-year joiners employed for short term work who require a letter of appointment. Management had supported this recommendation.

Follow up from last year's report identified that the Land Registry issue has been resolved with the property confirmed as registered.

Misstatements included fixed assets and accruals completed after the year end which would not have a depreciation charge.

The current lease for CRC will expire in August 2023, plans are in place to manage this.

The audit completion report was provided for completeness which is a clean audit report with no matters arising.

Independence of Mazars was confirmed.

- III. The Audit Committee's Annual Report to 31 July 2022 ensured that the Committee met its requirement to advise the Board on the adequacy and effectiveness of the College's internal control systems in accordance with the Audit Code of Practice. This was a factual report detailing the work of the Committee to 31 July 2022. It would be submitted to ESFA with the financial statements.
- IV. The draft annual report and financial statements to 31 July 2022 were noted. It was not anticipated that there would be any changes to financial data which had been discussed by the F&GP Committee who proposed adding the cost of living and inflation as a risk and removing risks associated with Brexit.
- V. The letter of representation was in a standard format for the finance and regularity opinion which was presented for approval to be signed by the Chair of the Corporation.

The Chair of Audit Committee and Chair of Corporation would meet Jon Marchant, Partner at Mazars, to provide an additional layer of assurance before the Board are required to endorse the financial statements in order to meet ACOP. **ACTION: CLERK/CHAIR**

The Committee agreed: -

- To note RSM's annual report which would be presented to the Board which provided independent assurance

- To recommend that the Board endorse the Audit Committee's Annual Report which would also be submitted to ESFA along with the Members' Report and Financial Statements.
- To note the management letter confirming that Mazars had given HCA an unqualified audit opinion
- To recommend the Board approve the Members' Report and Financial Statements to 31 July 2022 subject to receipt of the final version for circulation to the Committee and Chair of the Corporation
- To approve the letter of representation
- To thank the Finance Director and College Accountant for their role in preparing the financial statements

8. Internal Auditor's Reports

- I. Louise Tweedie, RSM, presented the cyber security audit report which was given reasonable assurance. It was proposed to add IT related risks were added to the risk register. **ACTION: FINANCE DIRECTOR.** Several cyber-attacks have occurred over night or during holidays which is an increased risk in education institutions. Use of memory sticks can transfer viruses; however, students frequently use memory sticks to transfer their work from home to College. JISC advice and lessons learned by Colleges are often shared. Training on cyber systems is crucial as c95% have a human element. The College is investing in more equipment and has undertaken Cyber Essentials and will be implementing changes to ensure it is compliant. There was discussion about use of the Cloud for students which would prevent the requirement to use memory sticks; this could be introduced as standard practice. A mock phishing email will be sent to staff which is being set up.

- II. Helen Cargill, TIAA presented the draft plan which had been prepared in discussion with the Director of Finance and Head of Finance, reviewing RSM reports, strategic plan, risk register and recommendation tracker. The plan is flexible and could be changed. This proposed performance management, risk management, key financial controls reviewing pay roll and creditor payments, student recruitment, follow up audit. A Governor asked if the auditors considered the timing of visits and reports to achieve the most suitable outcome, particularly the timing of the student recruitment audit. Dates for audits would be confirmed with the officers once the plan was agreed to avoid any pinch points. RSM had provided a schedule of information to be tested and required for each audit; this could be provided in advance of the audit. Scopes with details will be issued once the audit plan has been agreed. A Governor asked if the student recruitment audit should be replaced with a cyber-security audit. Following debate, it was agreed to review whether student recruitment should be replaced with an alternative audit. Prevent was suggested by

the Principal. There are only two terms remaining to progress the audit plan which needed to be implemented.

The Committee agreed: -

- To note the Internal Auditor's useful report and thank them for their professional support and guidance to the Audit Committee
- To arrange for the Digital Manager to address Governors at a future Board Meeting. **ACTION: PRINCIPAL/CLERK**
- To recommend the Board approve TIAA's internal audit strategy

9. Risk Management Register and Report

The risk register which had been presented to the Board in October was noted. The score for item 6 relating to staff leaving critical roles and staff recruitment would be increased. Increases to the minimum living wage in April will have cost implications but could improve staff retention of lower paid staff. The risk of IT systems being hacked and its implications would be increased.

The Committee agreed: -

- To note the risk register which would be updated for the Board based on the Committee's discussion. **ACTION: FINANCE DIRECTOR**

10. Whistleblowing Policy

The Clerk reported that there was only a change to a job title in the policy with no other changes proposed.

The Committee agreed: -

- To approve the Whistleblowing Policy

11. Recommendation Tracking

The Finance Director outlined specific recommendations which have been implemented. TIAA confirmed that they will follow up to test if these have been completed. New guidance has been published to prepare Estates strategies. Previous guidance was from 2003. IT controls will be updated with several documents and policies which SLT will approve. The Finance Director and College Accountant control temporary staff confirming that they are longer paid from petty cash.

The Committee agreed: -

- To note the tracker and progress and agree that items 1, 17, 18, 19, 20, 23, 27 and 33 be removed.

12. Any Other Business

There were no items.

13. Date and Time of the Next Meeting

The next meeting was arranged for Monday 27 March 2023 commencing at 2.00pm.

Signed as a true record of proceedings:

Chair: **Date:**