



MINUTES
of the Audit Committee
held remotely on Monday 28 November 2022

- Present: - Tony Ford (Chair)
Tony Bramley
Liz Quinn
- Governors: - Barry Hansford
(Item 3) Alan Layng
Jeremy Nicholls
- In attendance: - Edward Gwillim (Director of Finance)
Clare Perez (Head of Finance)
Linda Watkins (Clerk to the Corporation)
Louise Tweedie (RSM)
Helen Cargill (TIAA)
Carol Davey (Mazars)
Jon Marchant (Mazars)

Governors were invited to join item 3 to receive a presentation of the financial statements. The Audit Committee was quorate as three members were present.

- | | Action |
|---|---------------|
| <p>1. Apologies for Absence
Kevin Tong (Co-opted Member). Cllr Bowen did not attend.</p> | |
| <p>2. Declarations of Interest
There were no declarations of interest.</p> | |
| <p>3. Annual Report and Financial Statements to 31 July 2022 and assurances</p> <ul style="list-style-type: none">I. RSM presented the annual report for the year ended 31 July 2022 which provided a positive opinion with the second level opinion on a scale of 1-4. Governors recorded appreciation to the Director of Finance and staff on the positive audit opinion. The opinion was broken down into three areas: risk management, governance and internal control, the opinion for internal control was marginally weaker.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.

The pension asset is reasonable and correct conforming to 2% revenue for materiality. Judgements and assumptions have not been used to manipulate data. There was a minor point on journals which was £85K below materiality. A benchmarking graph showed CPI and salary assumptions with no issues of concern.

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. Management is calculating the potential impact on them and are also waiting for relevant comment from their legal advisers. A Governor asked if this judgement was likely to be material for the College. The Director of Finance responded that £50K has been allocated in the accounts which may increase slightly based on work completed by personnel. This was unlikely to be resolved in this year's accounts. There was discussion if a note should be added to the financial statements, this will be brought to the Board's attention.

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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.

Two control weaknesses were identified with changes implemented to address. Journals did not always have

authorisation and a minor reference number had been transposed when manually entered; to address this, documents will be scanned in future.

Previous issues included an outstanding declaration of interest from a Governor which had been followed up by management several times.

The headcount of 0.5 person had been counted as a full person but subsequently corrected.

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 Annual Risk Management Report to 31 July 2022 showed that the College had a robust system of updating and reporting its risk management operations which involved CMT, Audit Committee and the Corporation. Processes are adequate to discharge the Corporation's duties and include a statement in the annual accounts that meets the requirements of Turnbull. The risk of Covid-19 has deteriorated; however, risks of financial issues have increased. Further work will be undertaken on progressing the Board Assurance Framework following the draft presented at the last meeting. The College is a risk averse organisation endeavouring to minimise risk where practicable and reasonably possible.
- IV. 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. A Governor commented about the case using the Whistleblowing policy asking if these are reported to Governors. This would be ascertained outside of the meeting and the policy sent to the Committee. The ACOP requires incidents of whistleblowing to be reported to the Board.
- V. 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.
- VI. 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

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L Watkins

discussed by the F&E Committee. The triannual review of the pension funds with Shropshire and Worcestershire will confirm the pension fund.

- VII. 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 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 recommend that the Chair of the Corporation and Principal sign the regularity audit self-assessment which Mazars had reviewed
- To note the management letter confirming that Mazars had given the college an unqualified audit opinion
- To recommend the Board approve the Members' Report and Financial Statements to 31 July 2022
- To approve the letter of representation
- To thank the Director of Finance and Head of Finance for their role to prepare the financial statements and congratulate them on the outstanding achievement of a management letter which had no recommendations

4. Approval of the Minutes of the Meeting

The Chair signed the minutes of the meeting held on 28 March 2022 as a true and accurate record. There were no matters arising.

The Committee agreed: -

- To approve the minutes

5. Sub-Contracting Provision Report from RSM

RSM have reviewed provision and provided an independent report of practices embedded which is a requirement by ESFA for all FE colleges with subcontracting funding exceeding £100K. This was a positive report with a certificate issued. The College has one sub-contracting partner. Nine actions were identified; however, the audit has been superseded by the new ESFA standards with the scope and extent of the work changed. The Director of Finance confirmed that the policy has been updated and actions addressed. A further policy will be presented to the F&E Committee matching the new standards.

A Governors asked if the contract went to tender. The Director of Finance responded that The Skills Network provides high quality provision to students. There was a suggestion that tendering would ensure if the College is getting the best deal for the service to students compared to another provider. The Chair

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The Committee agreed: -

- To note RSM's audit report and certificate issued for subcontracting provision and the report from the Director of Finance evidencing robust practices have been embedded to management subcontracting
- The Chair thanked RSM for their service and personally thanked Louise Tweedie and the team who had worked closely with the Audit Committee Louise Tweedie responded that it had been a pleasure working with the College. [Louise Tweedie left the meeting]
- The Chair will write to Louise Tweedie
- To discuss the contract with The Skills Network and consider if this should be retendered at the Board meeting

T Ford

6. Internal Auditor's Annual Plan 2022/23

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 and risk register.

The draft plan was presented which could be changed. Sub-contracting audit was required and would be added with other areas changed, revised plan to committee then Board.

The Committee agreed: -

- To recommend the internal auditor's plan to the Board

7. Value for Money Annual Report to 31 July 2022

The value for money policy requires the Corporation, through its committees, to give assurance that value for money is achieved throughout the College and that satisfactory arrangements are in place to promote economy, efficiency and effectiveness. Procurement and collaboration practices adopted by the College were outlined. The College is part of a joint purchasing consortium for utility costs. These have increased, albeit less than other organisations. The current contract finishes in April when there are likely to be increases. A Governor asked if there was a plan if this increased significantly noting this was in place. It is anticipated that student enrolment levels will be the new normal with planning to address this. The College is in a solid position. The College sets a balanced budget and regularly reviews in-year savings.

The Committee agreed: -

- To endorse the value for money annual report which would be presented to the Board.

8. Audit Recommendation Tracking Report

This showed recommendations which have been completed and those which remain ongoing.

The Chair thanked the Director of Finance and team for implementing numerous recommendations.

TIAA will provide a RAG rated recommendation tracker on their portal which will be regularly updating showing outstanding actions. A Governor asked if these could be rated in order of

impact noting that these could be filtered showing high impact recommendations.

The Committee agreed: -

- To note the tracking report

9. Risk Management Register

The Director of Finance explained that an additional column 'L' had been added identifying any movement from the previous report. Key changes included the impact of covid-19 reducing, the Ofsted risk has reduced following the recent inspection. Funding not achieved, inflationary pressure and recruiting sufficient and suitably skilled staff have increased.

The Committee agreed: -

- To note the risk register
- The Director of Finance will liaise with TIAA and Tony Bramley to further develop a BAF

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11. Any Other Business and comments

The Chair thanked the Auditors for their reports commenting that it was encouraging that there have been improvements. He also recorded appreciation to the Director of Finance and Head of Finance on behalf of the Committee and Board.

12. Date and time of next meeting

The next meeting of the Audit Committee was arranged for Monday 27 March 2023 commencing at 4.00 pm.

Signed as a true record of proceedings

Chair: **Date:**