



Minutes of the Audit Committee

Date: 23 November 2021

Present: Nigel Hainsworth (Chair)
James Parker (Vice Chair)
Paul Webley
Steph Tinsley
Jonathan Curtis

In attendance: Lorraine Swift Vice Principal Finance & Planning
Richard Bott Audit Partner, Mazars
Michael Speight Senior Audit Manager, Mazars
Jeremy Stott Clerk
Diana Bird Vice Principal Curriculum
Susanna Butler Minutes Secretary

Apologies: Mohammed Hussain

Meeting commenced: 18:00

Meeting closed: 20:00

15/21 Disclosure of financial and/or personal interest

There was no disclosure of financial and/or personal interest.

16/21 To agree agenda and order of business as circulated

As R Bott from Mazars was unable to attend until later, it was agreed to discuss items 1-5 first, then jump to item 11, returning to item 6 to 10 later in the meeting.

17/21 To approved the minutes of the meeting held on 15 June 2021

The minutes were approved as a true record.

18/21 Matters arising

There were no matters arising.

19/21 To consider the Regularity Self-Assessment Questionnaire and Annexe

The Vice Principal Finance & Planning (VPFP) explained that the Questionnaire is attached to the Audit Code of Practice and is something we need to complete each year. Blue text indicates changes to the responses from the previous year. Overall there is nothing significant to highlight with responses very similar to previous years. To note the Annex is slightly different this year due to Covid. A few things have been added such as some job retention payments to staff and we received income for the mass testing of students. We were able to utilise some of

our care students who needed work experience which worked very well. We have achieved the Cyber Essentials accreditation and have been through some good **penetration testing, and governors' meetings have successfully continued on-line** throughout the pandemic.

It was agreed to recommend to the Corporation the signing of the Regularity Self-Assessment Questionnaire and Annexe

20/21 To receive a copy of the letter from the ESFA regarding the outcome of their review of the financial plan and consider the related Financial Dashboard

We receive a letter from the ESFA twice per year and the latest shows that they agree with our assessment of Good based on the Financial forecasts and there is no follow up on interventions as expected. They have also provided a dashboard which shows the financial health of all colleges which is useful to see where we sit against benchmarks. A member commented that the only element where we are below the national average is on profitability. The VPFP explained that this is in part due to the figures shown the EBITA surplus which is before interest and that **we do not have any loans so don't pay after interest She believes we would sit** much closer to the benchmark of the operating surplus after interest charges. College income table reflects the drop in 16- 18 students in 19/20. Staff costs are always challenging due to our large number of high needs students requiring Learning Support Assistants and we have no HE income or subcontracting which impacts staff costs as a percentage of income. The costs as a percentage of income tend to go in the forecast years but reduce when the income target is met. The dashboard is useful to keep an eye on the trends in this format.

Members agreed this provided assurance and the ESFA letter was received.

21/21 To consider the Audit Committee's Annual Report 2020/21 to the Corporation and the Principal, including a review of the terms of reference

The Clerk highlighted we have full membership on the Audit Committee with 100% attendance at meetings in 20/21. The Terms of Reference were updated and agreed in June of this year. Section 2 sets out the work undertaken by the committee over the last 2 meetings and section 3 shows that no significant issues were found or arose during the preparation of the report up to today. The **Audit Committee's Opinion which is presented to the Corporation is shown at section 5** and members agreed for the Chair to sign this off.

The Chair noted in para 5 that it talks about internal and external auditors but that it is some time since we appointed internal auditors and if we therefore need to consider a change of wording as we make sure independent people undertake some testing instead. For example `..... external auditors **and internal assurance exercises**`.

ACTION: The Clerk to update the wording and send to the Chair for agreement and signing,

22/21

To:

i) Receive a progress report on the Risk Register

The VPFP presented the Risk Register which has been through a thorough update with some of the mitigations and scores having been changed. She focussed on the 3 main areas of risk:

2a) Failure to improve the financial base of the College and achieve the financial plan performance indicators including the achievement of the income. This is red due to the break even budget for this year, though we are getting close to meeting our Income target so should eventually be looking at a surplus.

5b) Virus and/or spyware infection leading to unavailability of systems across College. This area is a high risk in the current environment. Our RAG rating is amber as we feel comfortable as we can be that we are keeping on top of things. We achieved Cyber Essentials and are working towards Cyber Essentials Plus. We had a powercut back in September during which we managed to maintain our systems which was reassuring.

8c) The impact of new 14-19 and/or 19+ national and local level policy. There have been challenges since we moved into devolution which means we now have more funding contracts and ring fenced pots of money to manage. The ESFA and WYCA rules are also slightly different. Plus the emergence of T Levels.

Two areas remain amber. One is at 1c) on the failure to manage 19+ and apprenticeship targets within allocations. We are monitoring early and on a regular basis and have plans to try and come up with how to use those contacts.

The Chair queried at 2a) if we always start with a red rating. The VPFP confirmed the risk was increased from amber to red in July due to our break even budget this year and the fact that, if we came out any worse than forecast, it could impact highly.

There was another query on 1b) Failure to achieve 16-18 student numbers with lower recruitment this year and if it would sit better at amber. It was agreed this was a good point and the VPFP will take this back to the Principal to discuss.

The progress report was received.

ii) Consider the scope of work of Audit Committees and Internal Auditors

The VPFP said the good practice guidance in the document does seem to say we should have a traditional internal audit. We have been happy with the assurance work that has been carried out, but it may now be time to look at an internal audit of our financial controls with systems having changed due to Covid. On our financial controls, we are comfortable we have maintained our integrity but it would be good to check. She then talked through the areas of risk against the risk register and proposed she undertake a mini- tender through the CPC

Procurement Service who have a list of verified suppliers, including TIAA. The tender is carried out electronically which is a benefit and it would be interesting to see what could be offered. We can be quite prescriptive in what we want, but it was agreed to leave it fairly open to see what offers come back. Guidance states internal audits should be regular, so we would ask for a 3 year rolling plan.

The Members were asked to:

- Consider if the proposed Audit assurance plan gives them the level of assurance they require.
- Agree for a mini tender of CPC suppliers to provide quotes for the high level review of the key financials to be discussed at the February meeting where a supplier is selected.

Members agreed for a mini tender of CPC suppliers to be carried out for discussion in February and consideration whether this provides a suitable level of assurance.

- Agree for the VPFP to identify a suitable supply of an Apprenticeship audit which may, in fact, be undertaken by herself.

Members agreed for the VPFP to identify a suitable supply of an Apprenticeship audit or undertake the Audit herself

Members agreed the scope of the work

23/21 To consider Shipley College Developments end of year accounts and recommend to the Corporation

The VPFP confirmed that this account had remained dormant over the last year with no transactions. She reminded members that we are required to keep the account live for 10 years due to the warranty on the Jonathan Silver Building. Also, if we push forward with the new build project, it could be a good vehicle for the VAT.

It was agreed to recommend to the Corporation agreement of the accounts.

Richard Bott from Mazars arrived at the meeting.

24/21 To receive

i) the Audit Completion Report from Mazars

Audit Partner R Bott stated that the College's accounts are very concise, setting out all the right things, and that it was a pleasure reading them. On the balance sheet he said it is hard to form a view as to what it shows us as pensions always just show a snapshot. The more important number on the balance sheet is whether the College is generating cash. He highlighted changes to the ESFA

Audit Code of Practice and in particular the emphasis on assessment of the Colleges Going Concern status.

Senior Audit Manager M Speight then went through sections of their report. At Section 3 on risk, they had flagged up at the planning stage those areas they feel they need to do an additional level of testing. In most cases, the significant risks are either there because they are mandated or, as with the assessment of the **College's Going Concern status, are included on every FE audit they carry out.**

They are happy with Going Concern status and have concluded that there are no material uncertainties that need disclosing in the financial statements. The process includes looking at the budgets to see that they are prudent and sensible. On the 2nd risk on management overriding controls they have to carry out a programme of works to satisfy there is nothing to suggest management are overriding controls and they found nothing there. The 3rd risk which applies to most clients, is the risk of recognising the revenue in the wrong financial year and they have found no issues here either. The 4th risk is about the pension assumptions. These have been assessed by their in-house actuary and they are happy with the combinations that have been used. It was queried if the McCloud Judgement has hit the local government pension scheme and confirmed that it was built in last year.

It was noted that the agency relationship with Salt foundation is now disclosed in the accounts. Although this is a long standing relationship it had not been disclosed previously. Those employed by Salt Foundation are classed as employed by Shipley College, but acting as an agency so not included in staff costs. Mazars are happy there are benefits for the College from this relationship which outweigh any risks.

Mazars have looked at Regularity but have not spotted anything to bring to our attention on internal controls. At section 4, Internal Control recommendations, key to point out is that there is a summary that says there are no high level points, 1 medium and only 1 low - across the sector that is very good. Additional testing had to be carried on the Funding income streams as they can no longer assume the College is entitled to the funding it receives. There is a review of any points raised in 5 years and these are all satisfactory.

R Bott finished by saying their focus this year was on trying to understand the rules and regulations the College should be following and to see if the front section is consistent with the back section, which is why the audit report is longer this time.

The Audit Completion Report was received.

ii) the draft letters of representation to Mazars

These are included separately as a reminder they need to be signed but are in the annexes of the Audit Completion Report.

It was agreed to recommend to the Corporation the signing of:

- a) the draft Management Letter of Representation to Mazars, and
- b) the draft Regularity Management Letter of Representation to Mazars

The draft letters of representation were received.

25/21 To consider an update of the Colleges assessment of use of the 'Going Concern' principle

The VPFP asked members to consider the appropriateness of the use of the Going Concern principle in the Financial Statements. The key to an assessment of going concern is whether or not there will be sufficient cash to support the continued activities for the next 12 months. The report sets out all the considerations for making that assessment.

The Chair stated that, based on what has been read and heard today, the Going Concern principle could be agreed.

Members agreed to the adoption of the principle in the Financial statements.

26/21 To consider the draft Financial Statements, including:

- i) Strategic Report
- ii) the Statement of Corporate Governance and Internal Control
- iii) **Governing Body's statement on the College's regularity, propriety and compliance with funding body terms and conditions of funding**
- iv) the Statement of the Responsibilities of the Members of the Corporation for the Financial Statements

Members were reminded that the Audit response is against the narrative part of the statements on pages 1-29 and not the numbers which go to F&R.

The Chair queried if the pension deficits are being addressed by increased contributions going forward and the VPFP confirmed that we have received increased contributions and expect to for the next 3 years. The deficit does go up and down each year. Underlying is that we are paying what the valuers say we should to meet that liability and we have not been asked to put in any lump sums over the last 3 years. The statements have been looked through very closely and members confirmed they had nothing of issue to raise.

It was agreed to recommend to the Corporation agreement of the statements i) - iv) above

27/21 To give Auditors the opportunity, if necessary, to go into a confidential session without Management/Observers in attendance

Mazars confirmed that they had nothing to say to members that required confidentiality and added that they would like to compliment the VPFP on her good accounting. The Chair also passed on his congratulations to the Finance team for their great work.

A member highlighted that this opportunity should be set out as a two way opportunity so that if members wanted to raise anything confidentially with Mazars they have the chance to do so, which was agreed.

The Chair thanked R Bott and M Speight for joining the meeting and they left at 7.31 pm.

28/21 To consider the reappointment of External Financial Auditors

The VPFP reported that we are aware there are a reduced number of audit firms who can handle College audits, particularly with the requirement to include the audit of achievement of ESFA funds. The quote from Mazars was significantly **lower than RSM in 2020/21 and they have the "in house" experience of funding audits for the ESFA.**

There was no increase in the fees for additional ILR work from Mazars and we have experienced a change of both partner and manager so have had some rotation.

After a short discussion, it was agreed for the VPFP to approach Mazars for a 2 year quote for consideration at the next meeting.

29/21 To consider the Annual Health and Safety Report

The VPFP confirmed we have seen fewer incidents over the last year with fewer staff on site so there is nothing of significance to highlight.

[It was agreed to recommend to the Corporation the Annual Health & Safety Report](#)

30/21 To consider the outcome from the 2020/21 Audit Committee Performance Review Questionnaire

The Clerk highlighted the slight reduction in scores on the previous year, though they all still came out high.

The Chair noted that in the recent strategic review, it asked what we are doing about succession planning and whether the fact he has been in position for many years is an issue. The VPFP said there was a meeting with the ESFA yesterday on the strategic conversation and, where a governor had been in place for more than 8 years, then a succession plan should be in place if and when required, rather than a requirement to replace that member. It is about the value of the skills we have on board.

A discussion then took place on each of the comments made. One was on training, and it was agreed a session on income would be useful. It was agreed something could be added to the February agenda to show members how the college manages funding streams. Also noted from the outcome of Ron Hill's report on the governance review was that we need to be more robust in our Strategic Plan, and if this committee needs to discuss its response to that. It was agreed this could also be added to the February agenda,

31/21 Any Other Business

i) To consider

a) The Acceptable Use Policy

The VPFP highlighted that the changes reflect the home working arrangements around cyber security.

It was agreed to recommend to the Corporation the Acceptable Use Policy

ii) Future Meeting Proposal

The VPFP explained that 6 items on the agenda are also on the agenda for F&R. She therefore proposed a joint meeting take place from next year as a trial at the 6 December 2022 meeting. F&R would start the meeting looking at the management accounts and Audit would join after to discuss the combined items such as Year End accounts, risk register and Going Concern. Audit would then finish on their own with their remaining items. This would allow more time to complete the Year end accounts after the final funding submissions in early November. It may extend the meeting from 2 hrs to 2.5 hrs and the meeting could be remote.

Members agreed to trial this method next year and the VPFP confirmed she would take the proposal to F&R at their next meeting.

iii) Recommendations to the Corporation

The Clerk highlighted the new format of producing a cover report which will be attached to the minutes to highlight which items are to be recommended to the Corporation.

iii) Dates of meetings to December 2021

- ❖ Tuesday 15 February 2022 at 6.00 pm **(NEW Meeting)**
- ❖ Tuesday 28 June 2022 at 6.00 pm
- ❖ Tuesday 22 November 2022 at 6.00 pm