

MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 20TH NOVEMBER 2023 AT 5PM AT THE KINGSWAY CAMPUS

Present:	Karen Banks	External Governor
	Andrew MacManus	External Governor
	Rachael Owen	External Governor
In Attendance:	Jason Burgess	Audit Manager, Beever & Struthers
	Jonathan Creed	Associate Director, ICCA (Internal Audit)
	Julie Holland	Deputy Principal (Finance & Resources)
	Chris Jones	Independent Board Reviewer
	Catherine Shaw	Clerk to Governors

The Committee met with the Auditors in the absence of the College's senior managers to ascertain whether there were any matters they wished to raise. The Auditors advised they had no issues of concern and reported very good working relationships at the College.

Julie Holland (Deputy Principal, Finance & Resources) joined the meeting. The Chair welcomed all attendees to the meeting and introductions were made.

1. **APOLOGIES FOR ABSENCE**

Apologies for absence were received and accepted for Jayne Edwards (External Governor) and Sue Hutchinson (Partner, Beever & Struthers). The meeting was declared quorate.

2. **DECLARATION OF INTERESTS**

None declared.

3. **MINUTES**

3.1 **To approve the minutes of the previous meeting held on 25th September 2023**

(previously circulated)

The Committee reviewed the minutes from the previous meeting.

Resolved - The minutes of the meeting held on 25th September 2023 were **approved** as a correct record.

3.2 **To review the action log and to consider any matters arising from the minutes**

(previously circulated)

The action log was reviewed and the Committee noted that all outstanding actions had been completed.

Resolved: The Committee **noted** the contents of the report.

4. FINANCIAL STATEMENTS 2022/2023

4.1 Management Letter 2022/2023 *(previously circulated)*

The External Auditor from Beever & Struthers referred to the Audit Management Letter dated 9th November 2023 which had previously been circulated and advised that the audit of the Financial Statements had been substantially completed. Mr Burgess summarised the key audit issues that had been identified as requiring specific consideration and the audit procedure undertaken in relation to them. These included:

- Revenue Recognition – the audit was designed to provide reasonable assurance that the accounts were free from material misstatement. Revenue recognition and management control override had been reviewed. Income testing work remained on-going and there were no matters to draw to the Committee’s attention based on the work completed to date.
- Recognition of Grant Funding and Other Income – testing of each income stream had been undertaken with reference to source documentation. Work in this area was to be updated to include a review of the final funding reconciliations. These were expected to be received from the Education Skill Funding Agency (ESFA) and Liverpool City Region (LCR) in December in respect of the main funding for 16-18 and the Adult Education Budget.
- Regularity – testing had been undertaken as set out in the Post 16 Audit Code of Practice. This area of work had been concluded satisfactorily.
- Going Concern – the Auditors’ work would remain on-going in this area upto the date the audit report was to be approved and signed, in accordance with the International Standards on Auditing. To date, the Committee was advised that the Auditors had not identified any matters to be drawn to Governors’ attention.
- Valuation of the Pension liabilities – the Auditors had reviewed the valuation of the College’s scheme assets and concluded that the information provided by the actuary was reliable and consistent with the results reported in the Cheshire West and Chester Pension Fund accounts. The judgement of College Management was to account for the pension position as £nil, which was in line with the requirements of the Financial Reporting Standard (FRS) 102. Overall the Auditors’ work in this area had been concluded satisfactorily.
- Loan Covenants and Treasury Management – the bank loan had further repayments in accordance with the loan agreement and the outstanding balance totalled £200k at 31st July 2023. Work in this area had been concluded satisfactorily.
- Capital Investment – Total capital additions for new developments in the year amounted to £3.2m. Substantive testing over the capitalisation of expenditure on capital schemes indicated that they were appropriate and in line with the requirements of FRS102 and the Statement of Recommended Practice (SORP). The review of the depreciation charge for the year of £1.35m confirmed that the assets had been depreciated at their respective depreciation rates as set out in the Accounting Policy. Work in this area had concluded satisfactorily.
- Events not driven by the financial records – review of Board and Committee meeting minutes, review of declaration of interest forms for all Governors and key management personnel in respect of any related party relationships and general consideration throughout the audit process of items that required disclosure in the Financial Statements. The legal case of Hapur Trust v. Brazel and also any matter relating to reinforced autoclaved aerated concrete (RAAC) had been

discussed with Management and the Auditors had corroborated no material provisions were arising in either matter. This area of work had been concluded satisfactorily.

The External Auditor outlined the firm's independence in carrying out this audit and also drew the Committee's attention to the qualitative aspects of Accounting Practices and Financial Reporting; in particular the requirements of FRS 102 and ISA 580.

A discussion ensued with several questions being raised by Governors and responded to by the External Auditor. In response to a question raised, the valuation of the pension liabilities was explained in greater detail and welcomed by the Committee. The External Auditor also advised of anticipated timings as to when the outstanding work would be completed.

In conclusion, the Auditor informed the Committee that unqualified/unmodified opinions were anticipated in respect of both Regularity and the Financial Statements audits.

Resolved: The Committee **noted** the contents of the reports and that these items were to be presented at the next Board meeting for approval.

On behalf of the Committee, the Chair thanked the External Auditor for his report.

4.2 **Financial Statements 2022/2023**

To receive the draft Financial Statements for 2022/2023 (*previously circulated*) The Deputy Principal and External Auditor drew the Committee's attention to the following key aspects:

- The underlying operating surplus of £3,958k was in line with the forecast (£3,909k as per the July 2023 management accounts) prior to the inclusion of pension costs (£180k). After accounting for these adjustments, the surplus for the year was £3,848k (before actuarial pension gains of £110k) compared to a surplus of £1,843k in 2022/2023.
- During 2022/2023 the College received £3m in grant income and spend £3,154k on fixed assets. It increased turnover by £695k and expenditure by £395k (from the original budget) predominantly as a result of interest earned, revenue grant income and spend, and a cost pressure payment to staff.
- Unqualified opinions on both regularity and financial statements audit were the anticipated audit outcomes given that the audit had been substantially completed.
- Cash balances remain high at £7,646, with a further £14,120k invested, and bank covenants were well satisfied.
- The College's financial health, as rated by the ESFA was outstanding.
- There was a requirement for the Financial Statements to be submitted to the ESFA, along with the College Financial Forecasting Return (CFFR), by the 31st December 2023.

Numerous questions were asked by Governors and responded to by the Deputy Principal. In doing so, the Deputy Principal clarified the respective positions relating to (i) investment income and more favourable interest rates, (ii) accruals and grant funding received in-year, (iii) costs relating to examinations and end point assessments, (iv) reasons for the rise in central costs, (v) increase in reserves and reference to this in

the accompanying notes and (vi) rent and lease costs, largely in association with the new builds that had been completed at the Cronton campus.

Resolved: The Committee

- (i) **noted** the contents of the reports and that following Board approval the Financial Statements together with the Finance Record were to be submitted to the ESFA by the 31st December 2023.
- (ii) **Noted** the Letters of Representation and Assurance 2022/2023.

5. AUDIT COMMITTEE'S ANNUAL REPORT 2022/2023 (*previously circulated*)

As required by the Post-16 Audit Code of Practice (ACOP), the Committee received the draft Annual Report for 2022/2023 for approval prior to its submission to the Board at its meeting on 11th December 2023. The Clerk advised that the ACOP prescribed a number of mandatory elements for inclusion and these were listed within the briefing note which accompanied the report.

Resolved: The Committee **approved** the Annual Report 2022/2023 subject to a reference to the annual calendar of business being included.

6. RISK MANAGEMENT (*previously circulated*)

6.1 The Deputy Principal outlined the risk management activity that had taken place since September 2023 and highlighted the following aspects from her report:

- The Key Strategic Risk and Assurance Mapping reports were reviewed at the Risk Management Group (RMG) meeting on 31st October 2023. The RAG rating for Key Risk 1 (achievement of planned student numbers and funding target) had been changed as all main funding streams had increased recruitment for 2023/2024. Recruitment would continue to be monitored throughout the year via attendance at Open Events, school liaison and student applications.
- The Disaster Management and Business Continuity Plan had been reviewed and a simulation exercise that had been procured for the College Management Team (CMT) in July 2023; this had been successfully carried out. As part of this exercise the training providers (Eversheds Sutherlands LLP) reviewed the Disaster Management and Business Continuity Plan and there were no recommendations made for amendment.
- No material non-compliances had been brought to the Management's attention.

The Deputy Principal concluded that the Risk Management Plan continued to be monitored by the RMG and updated, as appropriate. She invited any questions from the Committee.

A Governor referred to the Key Risk 2 (achievement of outstanding learner success) and queried whether the College continued to participate in the Teaching Excellence Framework (TEF) led by the Office for Students (OfS) relating to Higher Education (HE) provision. The Chair advised that she had recently raised the same query with the Assistant Principal (Quality). She clarified the rationale as to the reasons the College had not participated, despite the excellent HE student experience and the previously awarded TEF Gold rating.

Resolved: The Committee **noted** the contents of the report.

- 6.2 **Disaster Management Recovery & Business Continuity Plan** *(previously circulated)*
The Clerk referred to the Disaster Management Recovery and Business Continuity Plan, as referred to in the preceding agenda item. She advised that historically this plan had been reviewed by the Finance & Resources Committee and recommended that future reviews be undertaken by the Audit Committee, in line with its terms of reference within its risk management function.

A discussion ensued. Clarification was sought regarding the reference to local schools and other community education facilities on page 6 of the document. The Deputy Principal advised that whilst the College worked in partnership with surrounding schools, each educational establishment was responsible for the approval and implementation of its own disaster management recover procedures.

Resolved: The Committee **agreed** to the Clerk's proposal and the future calendar of business and scheme of delegation to be amended accordingly.

7. **VALUE FOR MONEY (VfM) ANNUAL REPORT**

The Deputy Principal referred to the three priority strategic objectives of the College which linked directly to the Strategic Plan 2023/2024 (i) Quality, (ii) Efficiency (iii) Growth and the associated QEG performance report that was regularly monitored by the Board and also incorporated VfM. In considering the Audit Committee's responsibility to provide the Board with assurance that VfM was being delivered, Governors considered the activities contained within Appendix 1 which evidenced source documentation, policy processes and reporting mechanisms throughout the governance structure.

A discussion took place. In response to a question raised by a Governor, the Deputy Principal advised that relevant dashboards were presented to the Quality & Standards Committee and Finance & Resources Committee, respectively. She also referred to the established benchmarking exercises that took place against national averages, with all College targets being set above national averages.

The Committee agreed that the report demonstrated that a sound cultural approach towards VfM was embedded at the College.

Resolved – The Committee **noted** the Value for Money Annual Report.

8. **AUDIT COMMITTEE TRAINING**

Andrew MacManus and Rachael Owens confirmed their recent attendance at an 'Audit Committee Masterclass' training session which had been hosted by the Association of Colleges (AoC) in conjunction with Stone King and RSM. The feedback provided was similar to that provided by Jayne Edwards following her attendance in 2022. General practice was shared by governors from other colleges, which provided assurance that Riverside College was in a strong position through constructive working relationships between the Board and senior leaders.

The Clerk confirmed that the slide deck from the training session had been shared with all Board members via GovernorHub.

Resolved – the Committee **noted** the report.

9. **ITEMS TO BE REPORTED TO THE BOARD**

A discussion took place:

Resolved – the following reports were to be presented to the Board at its next meeting on 11th December 2023 together with an overarching summary report:

- Audit Committee Annual Report
- Financial Statements 2022/2023
- Value for Money Annual Report

10. DATES OF FUTURE COMMITTEE MEETINGS

Resolved - The Committee **noted** the following meeting dates:

- Board – 11th December 2023
- Audit Committee – 4th March 2023

The Chair thanked all attendees for their attendance and contribution at the meeting. The meeting was closed at 6.00pm.

Signed: ...Office Copy signed by Karen Banks...

Chair of Audit Committee

Date: ...4th March 2024.....