

MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 28TH NOVEMBER 2022 AT 5PM AT THE KINGSWAY CAMPUS

Present:	Karen Banks (Chair)	External Governor
	Jayne Edwards	External Governor (<i>remote attendance</i>)
	Andrew MacManus	External Governor
In Attendance:	Thalia Bell	Deputy Principal (Curriculum)
	Jason Burgess	Audit Manager, Beever & Struthers
	Patrick Clark	Head of Internal Audit, ICCA
	Gordon Holmes	Head of Finance and Estates
	Catherine Shaw	Clerk to Governors

The Committee met with both the Internal Auditor and External Auditor to ascertain whether there were any matters they wished to raise in the absence of the College senior managers. The Auditors advised they had no issues to raise and commended the College officers on their continued openness and prompt responses to any queries that were made by them.

Thalia Bell (Deputy Principal, Curriculum) and Gordon Holmes (Head of Finance and Estates) joined the meeting which was then opened by the Chair of the Committee.

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Julie Holland (Deputy Principal, Finance and Resources). The Deputy Principal and Head of Finance/Estates were in attendance on behalf of the Deputy Principal, Finance and Resources). The meeting was quorate.

2. DECLARATION OF INTERESTS

None declared.

3. MINUTES

3.1 To approve the minutes of the previous meeting held on 28th September 2022 (previously circulated)

The Committee reviewed the minutes from the previous meeting.

Resolved - The minutes of the meeting held on 28th September 2022 were **approved** as a correct record and signed by the Chair.

3.2 To review the action log and to consider any matters arising from the minutes (previously circulated)

The action log was reviewed and a discussion took place.

Unconscious Bias Training - the Clerk advised that enquiries remained on-going with a view to securing a combination of internal (relating to the disability strand of unconscious bias) and external training. It was anticipated that proposals could be presented to the Board at its meeting on 12th December 2022 for further progress to be made.

Risk Management Training – this had been placed on hold until this area had been reported on by the Internal Auditors, in accordance with the Internal Audit Plan 2022/2023.

Risk Management Review, Agenda item 7.1 - The action points relating to risks 3-6 (inc) and 10 were responded to by the Deputy Principal. She advised that sub-contracting was subject to strict monitoring and no additional risks had been identified in this area. IT security testing continued to take place and the College was satisfied that its systems were robust. The Committee was informed that equality, diversity and inclusion (ED&I) quality assurance reports were to be presented to the Quality and Standards Committee at its meeting on 29th November 2022 for scrutiny.

Resolved - The Committee **noted** the progress made on all matters contained within the action log.

4. FINANCIAL STATEMENTS 2021/2022

4.1 Financial Management Report 2021/2022 *(previously circulated)*

The External Auditor from Beever & Struthers referred to the Audit Management Letter dated 18th November 2022 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:

- 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. This area of work had been concluded satisfactorily.
- Recognition of grant funding and other income – testing had been undertaken of each income stream; this included the Education Skills Funding Agency (ESFA), Liverpool City Region Combined Local Authorities (LCRCLA), Office for Students and Tuition fees. This work was to be updated to include a review of the final funding reconciliations from the ESFA and LCRCLA in respect of the main funding for 16-18, and the Adult Education Budget which included 19+.
- Going Concern – a review of the budget setting process and procedures had been carried out. The Auditors' work would remain on-going in this area to 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 their attention.
- Regularity – testing had been undertaken as set out in the Post 16 Audit code of Practice. This area of work had been concluded satisfactorily.
- Valuation of the Pension liabilities – the Auditors had reviewed and agreed the information in the report to the Financial Statements, note 16. The pension liability in the LGPS scheme had moved from a balance at 31st July 2021 of

£11,631m to an asset position of £2,109m at 31st July 2022. In accordance with the Financial Reporting Standards the asset had not been recognised on the Balance Sheet. Overall the Auditors' work in this area had been concluded satisfactorily.

- Wages and Salaries – Staff costs for 2021/2022 totalled £18,093k compared with £16,524k in 2020/2021. Testing had taken place in relation to the procedure for making amendments to the payroll each month and the associated levels of controls over this process. Work was concluded satisfactorily.
- Use of funds as required by the Office for Students – this had included a review of the accounting disclosure to ensure these were compliant with Annex E in the College Accounts Direction. Work was on-going in respect of the sample testing of expenditure transactions.
- Loan covenants and Treasury Management – The bank loan had further repayments in accordance with the loan agreement and totalled £0.45m at 31st July 2022. Work had concluded satisfactorily.
- Disclosure amendments – these were reported and processed in the financial statements. The Committee discussed the individual amendments in detail.

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 FRS102 and ISA 260.

A discussion ensued with several questions being raised by Governors and being responded to by the External Auditor. In response to a question raised concerning any available benchmarking data in connection with disclosure amendments, the Internal Auditor advised that comparatively the College was in a good position.

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 and the College Management Teams for their professional working relationships and timely responses to queries raised throughout the audit processes.

4.2 **Financial Statements 2021/2022** *(previously circulated)*

The Deputy Principal and Head of Finance/Estates presented this comprehensive documentation and highlighted the following key aspects:

- The underlying operating surplus of £3,407k was in line with the forecast (£3,443k as reported in the July management accounts), prior to the inclusion of pension costs (£1,562k). After accounting for these adjustments, the surplus for the year was £1,844k (before actuarial pension gains of £13,326k) compared to a surplus of £2,811k in 2020/2021.
- During 2021/2022 the College received £128k in grant income and spent £4,329k on fixed assets. The College increased its turnover by £1,634k and increased expenditure by £384k (from original budget) mainly as a result of in-year 16-18 growth funding, catch-up tuition funding and a cost pressure payment to staff.

- The College's total borrowing decreased by £250k to £4500k over the year as a result of no further loans and repayments of £250k having been made. Cash balances remained high at £16,924 and bank covenants were well satisfied.
- The College's financial health rated by the Education and Skills Funding Agency (ESFA) was graded as 'outstanding.'
- The Letters of Representation and Assurance 2021/2022 were considered.

A discussion took place regarding the key performance indicators in connection with (i) 'non-funding agency income' and the College's position in relation to the national average and (ii) 'achievement rates' targets (page 32 of the pdf). It was agreed that clarity would be sought by the Deputy Principal and reported at the next Committee meeting.

A Governor enquired as to whether pension contributions were an option in the Salary Sacrifice Scheme. The Head of Finance & Estates advised that this did not feature, though it would be reported back to College management for further discussion.

In response to a question raised by a Governor, the Deputy Principal provided examples of 'other income generating activities,' which included high needs funding, employer-led provision and school link programmes.

During lengthy discussions, a Governor queried the significant increase in operating costs relating to 'rents and leases' in 2022 compared to 2021. This was acknowledged by the Head of Estates and Finances, who advised of the on-going considerable monthly costs for porta cabin rental at the Cronton campus.

Resolved: The Committee 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 2022. Some typographical errors were noted for appropriate amendments to be made by College management prior to seeking Board approval of the Financial Statements.

5. INTERNAL AUDIT REPORTS

5.1 Health & Safety *(previously circulated)*

The Internal Auditor informed the Committee that a review had been undertaken of the College's health and safety management framework, in line with the approved Internal Audit Plan 2022/2023. As a result of the work carried out, the Internal Auditor was able to provide senior management and the Audit Committee with substantial assurance that the areas of the control environment tested during the audit were designed and operated effectively with no significant weaknesses. Two recommendations of a low priority nature had been made relating to application/compliance and one advisory recommendation relating to design. These aspects were discussed in detail. The recommendations made had been accepted by senior management and had been included in the action plan for future monitoring by the Committee.

In response to a question by a Governor regarding health promotion for staff and students, the Deputy Principal clarified those aspects which were classified and addressed within the College's 'safeguarding' remit.

During discussions it was noted that staff undertook mandatory training in (i) Health and Safety Awareness and (ii) Fire Awareness with the required completion date for 2022/2023 being 21st December 2022. It was agreed that the completion rate was to be reported at the next Audit Committee meeting. Some concern was expressed regarding the timely completion of Work Based Learning Risk Assessments. The Deputy Principal outlined the reasons for this and provided assurance to the Committee that this was being addressed by College management.

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

5.2 **Quality Assurance – Lesson Observations** *(previously circulated)*

The Internal Auditor informed the Committee that a review had been undertaken of the College's Teaching, Learning and Observation Framework, in accordance with the approved Internal Audit Plan 2022/2023. As a result of the work carried out the Internal Auditor provided senior management and the Audit Committee with substantial assurance that the areas of the control environment tested during the audit were designed and operated effectively with no significant weaknesses. One recommendation of a low priority nature had been made which related to design and was discussed in detail. This recommendation had been accepted by senior management and had been included in the action plan for future monitoring by the Committee.

A discussion took place. In response to a question raised by a Governor concerning statistical data, the Deputy Principal clarified that the lesson observations in question were carried out for either new staff members or where concerns had previously been identified during a lesson observation of an existing member of staff.

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

6. **AUDIT COMMITTEE'S ANNUAL REPORT 2021/2022** *(previously circulated)*

The Clerk advised that there was a requirement that the Audit Committee provided an annual report to the Board for its consideration prior to the approval of the statement of corporate governance and internal control in the annual Financial Statements being signed by the Chair and Principal. The Post -16 Audit Code of Practice (ACOP) published by the ESFA detailed a number of elements that must be included in the Annual Report and these were noted within the briefing note that accompanied the this document. A discussion ensued.

Resolved: The Committee **approved** the Annual Report 2021/2022 for submission to the Board at its meeting on 12th December 2022.

7. **RISK MANAGEMENT**

7.1 **To receive a report on risk management activities that have taken place since September 2022** *(previously circulated)*

The Committee reviewed the risk management activity and progress against the associated action plan. Out of the ten key strategic risks, one had moved from a green RAG rating to amber. This action had taken place in response to the on-going College pay dispute. The Committee was advised no material non-compliances had been brought to the Management's attention and that the Risk Management Action Plan continued to be monitored. A discussion took place with several questions being raised and responded to by senior managers. In response to one question raised, the

Deputy Principal (Curriculum) outlined the current position regarding the College pay dispute whereby the proposed non-consolidated payment in Summer Term 2023 remained in dispute. The Committee was advised that the College continued to take legal advice in connection with this.

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

8. VALUE FOR MONEY (VfM) ANNUAL REPORT *(previously circulated)*

8.1 Further to the Committee's request in 2021/2022, the Deputy Principal (Finance & Resources) had prepared a VfM report for consideration. It was noted that the Audit Committee must provide the Board with assurance that value for money was being delivered and should satisfy itself that effective arrangements were in place. The Board was advised that VfM was directly linked to the three priority strategic objectives of the College: Quality, Efficiency and Growth – with progress updates provided at each Board Meeting. A holistic approach to integrating VfM activities was presented within the Annual Report which was in keeping with the ESFA Good Practice Guidance for Audit Committees. A discussion ensued with Governors commenting on this helpful report which demonstrated a sound cultural approach across the College.

Resolved: The Committee

- (i) **noted** the contents of the report
- (ii) requested that an appendix be attached to the report to evidence source documentation and policy processes

9. AUDIT COMMITTEE TRAINING

9.1 Jayne Edwards provided feedback to the Committee following her attendance at an 'Audit Committee Masterclass' training session which had been organised by the AoC National Events Team in conjunction with Stone King and RSM. Jayne advised that it was an interesting session which covered the fundamental role and responsibilities of the Audit Committee. General practice was shared by governors from other colleges; this provided re-assurance that Riverside College was in a strong position through constructive working relationships between the Board and senior management.

Resolved: The Committee noted the contents of the report.

Thanks were conveyed to Jayne for her attendance at this training session and for the useful feedback received by the Committee.

10. ITEMS TO BE REPORTED TO THE BOARD

A discussion took place.

Resolved – the following items were to be presented to the Board at its next meeting on 12th December 2022:

- Audit Committee's Annual Report 2021/2022
- Financial Statements 2021/2022, including the Letters of Representation and Assurance
- Value for Money Annual Report 2021/2022

11. DATES OF FUTURE COMMITTEE MEETINGS

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

- 16th March 2023 at 5.00pm
- 19th June 2023 at 5.00pm

The Chair thanked all attendees for their attendance and contribution at the meeting.

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

Chair of Audit Committee

Date:14th March 2023.....

¹ Subsequently changed post-meeting to 14th March 2023