

MINUTES



AUDIT COMMITTEE MEETING

Date: Monday 31 October 2022

Time: 5.00pm

Venue: Board Room / Video Conference

Present:

Andrew Fawcett (Chair)

Farhad Ahmad

Chris Ball

Sharon Martin

In Attendance:

Bill Webster (Principal)

Garry Westwater (Executive Director of Finance)

Tim Openshaw (Assistant Vice Chancellor, Planning & Student Experience) (UoB)

Danny Harvey (PwC)

Peter Townsley (Azets)

Julie Flintoff (Azets)

Deborah Bradburn (Clerk)

Jill Hebden (Minute Taker)

1. SECTION A - BUSINESS MATTERS FOR CONSIDERATION UNLESS INDICATED OTHERWISE

1.1 Election of Committee Chair

Members were invited to put forward a nomination and elect a Chair for the Committee.

Mr Andrew Fawcett was nominated.

RESOLVED:

Mr Andrew Fawcett be elected Chair of the Committee for the current academic year.

1.2 Welcome to Members/Officers

The Chair welcomed members to the meeting, which commenced at 5.04pm.

The Chair informed the Committee that Stephanie Nixon had resigned from the Board and Audit Committee. All Committee Members thanked Stephanie for her dedication and invaluable input over the years.

Sharon Martin was welcomed to her first Audit Committee meeting.

1.3 Apologies for absence

There were no apologies received.

MINUTES



1.4 Declarations of Interest

Danny Harvey informed the Committee that he was Chair of the Audit Committee at The City of Liverpool College.

1.5 Request for an item to be unstarred

No requests were made.

1.6* Minutes of the previous meeting held on 9 June 2022

The minutes of the meeting held 9 June 2022 had been previously circulated to Members for consideration.

Agreed: that the minutes are approved as a correct record and authorised for publication.

1.7 Matters arising from the previous minutes

The Clerk presented the action progress log and noted that the matters for the 2022/23 audit plan had yet to be determined and that the outcome of the ONS reclassification review had been deferred until the end of November 2022.

2. SECTION B - COLLEGE MATTERS FOR CONSIDERATION UNLESS INDICATED OTHERWISE

2.1 Internal Audit Report

i) Procurement & Inventory

PwC presented the Procurement & Inventory Audit report and the following points were noted:

- There were three medium risk findings as follows:
 - (i) Contract Management – two cases were identified where the contracts had expired which could expose the College to legal risk with the recommendation to implement a standardised approach that enabled budget holders and others, directly engaged with a contract, to manage contracts in a more effective way. This was considered as an area of good practice that would enable management of value for money.
 - (ii) Inventory Process – although the College did not hold a lot of inventory, there was a recommendation to implement a robust policy and procedure following a lack of structure being identified.

MINUTES



(iii) Procurement Function – the current function was blended within teams with a lack of overall procurement oversight identified. The College was committed to conducting a review to apply a more strategic approach to procurement.

- A review of the contract management would be a valuable exercise with the ability to have a top-down view. All contractual information would benefit from centralisation and if managed more effectively and strategically more benefits gained would be gained.

Governor Questions:

Was there any recommendation regarding a contract management solution?

The College currently holds a spreadsheet of contracts as part of the due diligence process. The two expired contracts related to agency contracts that had 'rolled over'. The intention is to bring the database up to date. Contracts had previously been managed by an external third party that had not provided the savings anticipated.

The College did not devolve a lot of its non-pay budget and had not seen inflation impact yet but anticipated an increase in prices in certain areas of the College provision. There were a number of procurement frameworks in place across the College to obtain the best price and it had benefited from economies of scale from being part of the University Group. The audit recommendations were documented and the College was responding to them.

The Committee noted that a review of procurement was particularly timely when businesses were increasing prices. To have the ability to negotiate companies back to a reasonable position was not only good practice but an acute issue in times of increased inflation. The Committee noted that the audit report was a good report for driving improvement.

RESOLVED:

The Committee noted the internal audit report.

2.2 Internal Audit Annual Report 2021/22

PwC presented the Internal Audit Annual Report and the following points were noted:

- The outcome of the four areas reviewed were without any critical or high-risk findings identified.
- Medium risks had been identified within health and safety and procurement and inventory with good practice found within health and safety in relation to identifiable roles and responsibilities.

MINUTES



Governor Questions:

Were there any areas within the sector that the College may benefit from in a further audit?

Areas that were growing in significance were Costs Management, that the College had already covered in its procurement audit. Cyber Security and Human Resources ie. staff welfare, pressure on recruitment and managing staff, the processes of managing staff correctly including the recruitment process in a challenging market, were also areas of focus.

RESOLVED:

The Committee reviewed and noted the 2021/22 internal audit annual report and that the College would be proactive in emerging areas.

2.3 Outstanding Audit Recommendations: Monitoring Schedule

Executive Director of Finance presented the monitoring schedule and noted that progress continued to be made in all outstanding areas.

RESOLVED:

The Committee reviewed and noted the outstanding audit recommendations report.

2.4 Financial Statements 2021/22 and Regularity Audit

(i) Financial Statements 2021/22

The Executive Director of Finance and external auditors presented the statements and the following points were highlighted:

- The pension was the largest movement with actuarial assumptions made.
- The College had passed all bank covenants and maintained a strengthening cash position that was subject to clawback due to T Level recruitment.
- The College had an unqualified report from the external auditors.

Governor Questions:

- Do the underlying assumptions come within audit expectations?

Comparisons are made in relation to the assumptions to ensure that they are reasonable. The assumptions made are not out of kilter with other schemes or other organisations.

- Has there been any valuation of assets?

The College's assets are very straightforward with an external evaluation completed every five years. The next evaluation, as part of the wider University Group, was due as of 31 July 2023.

MINUTES



- Does the College consider any impairment in terms of the intangible assets?
Yes, if it can be commercialised. The College has non-disclosure agreements in place regarding College intellectual property with the First Pass project currently part of a pilot scheme with other colleges. A full review and consideration of impairment will be undertaken during 2022/23.
- Do the contingent liabilities relate to contract negotiations?
The College has submitted the final ILR which will be assessed by GMCA. It is not clear yet whether the clawback will be on the entire shortfall or an element thereof. The clawback is likely to be finalised in January/February 2023 and treated as a prior year adjustment, which is noted on the risk register.

Pension Surplus

The Executive Director of Finance and external auditors further advised on the actuarial assumptions and volatility of accounting for pensions and noted that funding and lending organisations tended to disregard this matter, as the liability/asset would not be realised, but would focus on sustainability, cash generation and the College as a 'going concern' as more meaningful measures of financial performance.

RESOLVED:

The Committee noted and agreed the financial statements for 2021/22 for recommendation to the Board following further amendment.

ACTIONS:

- Executive Director of Finance to amend the financial statements.
- Clerk / Board Agenda

(ii) Audit Findings Report for Year Ended 31 July 2022

Azets presented the report, and the following points were brought to the Committee's attention:

- The financial statements reflected that the College was financially resilient and would receive an unqualified audit opinion.
- The quality of engagement with the College was excellent and that the audit team were presented with a good set of financial statements and detailed information on request.
- The accounting policies remained appropriate to the circumstances.
- Four adjustments had been identified with technical adjustments and minor disclosures updated on the financial statements.
- The College had met the bank covenants with the 'operational leverage' covenant remaining at 4:1 until 31 July 2023 and then reduce to 3.5 thereafter.

MINUTES



- The total debt would reduce with the smaller loan facility to be repaid before 31 July 2023.

Governor Questions:

- Is there a particular reason for unadjusted errors?
This was related to bad debt associated with the special education needs provision with payment expected in due course. The migration to a new financial system was also a factor.
- Will there be any penalty to repayment of the smaller loan facility early?
There was no penalty for early repayment.

The Committee noted an amendment to the statement related to the ONS reclassification review.

RESOLVED:

The Committee noted the contents of the Audit Findings Report following further amendment.

ACTIONS:

- External auditors to amend the Audit Findings Report.
- Clerk / Board Agenda

(iii) Representation Letters 2021/22

The representation letters that were required by OfS and ESFA were presented.

(iv) Regulatory Self-Assessment Questionnaire 2021/22

The Committee reviewed the self-assessment questionnaire, and it was noted that all sections had been appropriately completed and any issues highlighted.

2.5 Audit Committee Annual Report 2021/22

The annual report was presented and reviewed.

The Executive Director of Finance presented that following the audit reports received, assurances provided and work undertaken by the College in addressing any outstanding issues, the Committee could be assured that the systems of control in operation were adequate.

MINUTES



The Committee noted that it was an annual requirement to report to the Board on its assessment of the control systems in operation at the College and noted the amendment to be made.

RESOLVED:

The Committee agreed that the report be submitted to the Board for consideration after an amendment had been made.

ACTION:

- Executive Director of Finance to amend to the annual report.
- Clerk / Board Agenda

2.6 Risk Management Annual Report 2021/22

The risk management annual report that summarised the College's approach to risk was presented and discussed.

Although some COVID-19 measures remained in place, the focus had been on recruitment, particularly re-establishing adult learner numbers.

RESOLVED:

The Committee agreed that the report be submitted to the Board for consideration.

ACTION:

Clerk / Board Agenda

2.7 Risk Management / Risk Register

Tim Openshaw presented the report, and the following points were highlighted:

- The register provided a thorough risk review undertaken in September with routine updates made during SMT meetings. The details of any changes were shown in the appendices.
- The risk assessment was a live and active reflection of College risks and cut across the local and Group position.

The Committee noted that the register provided a track of the changes and improvements made that gave the Committee assurance that risks were actively monitored, reviewed and revised with any impact identified.

RESOLVED:

The Committee noted the update to the Risk Management / Risk Register.

MINUTES



2.8(i)* Data Protection Policy

The Assistant Principal of Curriculum Development, Information & Technical Services had developed a Data Protection Policy in keeping with best practice and post Brexit amendments to UK legislation.

RESOLVED:

The Committee noted the Data Protection Policy and recommended it for Board approval.

ACTION:

Clerk / Board Agenda

3. SECTION C - UNIVERSITY GROUP MATTERS FOR CONSIDERATION UNLESS INDICATED OTHERWISE

None.

4. SECTION D - ANY OTHER BUSINESS

4.1 ESFA Policy / Funding Rules / Conditions of Grant Changes

This was a standing item on the agenda to discuss noteworthy matters. No matters of note were raised.

5. SECTION E - FUTURE MEETINGS

Thursday 23 March 2023 at 5.00pm

There being no further business to discuss, the meeting closed at 6:35pm

Chair's Signature:

Date: 29 March 2023