

## **Audit Committee**

### **Minutes of the meeting held on the 15<sup>th</sup> November 2023**

Present: Steve Cook (Committee Chair), Dr Geetha Karunanayake, Trevor Wray

In attendance: Gary Parkinson (College Business Manager), Colin Peaks (Principal), Laura Revill (Human Resources Manager), Laura Skarratt (Clerk), Luke Taylor (Smailes Goldie)

#### **1. Election of the Chair** (agenda item 1)

*Resolved:* Steve Cook was elected as Chair of the Audit Committee for 2023-24.

#### **2. Apologies for absence** (agenda item 2)

*Resolved:* Apologies for absence were received from Cllr Denise Thompson who is unable to attend the meeting owing to work commitments.

#### **3. Declarations of interest** (agenda item 3)

*Resolved:* No Declarations of interest were received.

#### **4. Minutes of the previous meetings: 24<sup>th</sup> May 2023** (agenda item 4)

*Resolved:* The minutes of the meetings held on 24<sup>th</sup> May 2023 were received and confirmed, the chair was authorised to sign.

#### **5. Matters Arising from the Minutes / action schedule**

*Resolved:* Matters arising from the minutes / action schedule are complete.

#### **6. Engagement Letter** (agenda item 5)

It was agreed that minute 6 should be classified as confidential in accordance with Clause 17 (2) of the Instrument of Government for a period of one year (**SEE SECTION B**).

#### **7. Final Audit Findings for the year ended 31 July 2023 (including Regularity Audit Self-Assessment)** (agenda item 7)

It was agreed that minute 7 should be classified as confidential in accordance with Clause 17 (2) of the Instrument of Government for a period of one year (**SEE SECTION B**).

#### **8. Draft Members Report and Financial Statements for the Year ended 31 July 2023** (agenda item 6)

Luke Taylor presented the Draft Members Report and Financial statements for the year ended 31 July 2023. He advised that the auditors review the statements of internal control and governance to ensure that they are materially consistent with their findings, and gave assurance that the auditors are happy with these sections. He noted that at the time the paper was shared with the committee, the auditor's report was not included and it will now be entered into the document. He drew attention to the going concern statement and disclosure of plans to convert to an academy within 12 months and advised this appears in a number of places within the report as required.

The Chair queried the financial grade of 'requires improvement for 2023/24' (page 7), seeking an update from the Business Manager on the financial position of the College. The Business Manager advised that the deficit budget planned for this year has resulted in judgement of requires improvement, however at the end of the year the College will submit actuals which might mean a return to 'good'. The Principal gave assurance that the forecast for next year is good.

Luke drew attention to the statement of comprehensive income for the period ended 31 July 2023 on page 34, noting that the College received £8.5m, which the majority of this being from funding body grants. The College had just over £8.4m in expenditure, with £6.102m in staffing costs, he advised that whilst this appears to be a decrease on the previous year when taking into account the LGPS liability there is actually an increase in staffing related costs. For the year ended 31 July 2023, there was a small surplus carried forward.

Governor Trevor Wray observed that the depreciation has increased significantly and questioned if this relates to the capital investment at the College. The Business Manager confirmed this relates to the significant level of investment in the site over the last year.

Luke presented the balance sheet, page 35, which outlines the schedule of assets and liabilities. Fixed assets recorded at just under £10m compared to £8m in the previous year. Cash in the bank and equivalent is just under £2m, which is decrease on the previous year of half a million. With regards to creditors there was a significant increase in creditors at the year end, which relates to some significant unpaid invoices for capital project works, however he gave assurance that with works completing over the summer, creditors have now been settled.

The statement of cash flows, page 37, details £1.9m of cash generated income.

The notes to the financial statements begin on page 38, and include the going concern statement, this is also included within the governance statement as discussed earlier. Luke gave assurance that the disclosures are adequate and appropriate and these would be flagged within their audit submission. From the notes to the financial statement, Luke drew attention to;

Note 3, page 44 which relates to the funding body grants and noted a small increase on grant income for 16-18 funding from the previous year.

Note 4 and 5, page 45 details other income including interest received by the College, he highlighted the £14k of interest income for this year against nil in the previous year.

Note 6, page 46-48, details staff costs and shows an increase in 2022-23 to £4.488m from £4.355 in the previous year. Governor Geetha Karunanayake queried the staff restructuring costs for 2022/23 being recorded as a "0", the Business Manager agreed that this should be recorded as a dash and agreed to update. Luke advised that key management personnel pay

is disclosed on page 46 – 47 and this is prescribed disclosure as per the accounts directions. He noted that this section can generate external interest. Governor Geetha Karunanayake queried the total number of SLT detailed on page 47, questioning if this should be recorded as 6 not 8. The Business manager advised that two members of SLT left within the first month of the academic year, this was discussed with the auditors prior to the meeting and it was agreed it should be updated from 8 to 6. Luke Taylor affirmed this change. Luke advised that governor's remuneration can also generate external interest, however no expenses were claimed and no remuneration was made.

Note 8, page 49 details the net interest on the pension. This is a net inflow position but is described as a 'negative expenditure'. Note 10 on page 50, details the tangible fixed assets. Luke outlined the funding received for College capital projects, including CIF funding and engineering T Level renovations. Note 11 and 13, page 50 details the debtors and creditors. Debtors remain minor, however creditors have increased significantly but settled after the summer period.

Note 15, page 53 price inflation / discount rate detailed requires amendment as discussed with the Business Manager. The Business Manager agreed that this would be updated and gave assurance to the member that the actuals are correct.

Note 20, page 57, details a summary of the LGPS. The current fair value is £10.2m and present value of the liability is just over £7m, with an asset surplus of £3.018m. However, this is restricted to nil as the College cannot benefit from the asset. This year the actuary provided increased detail in calculations and asset sealing, and judged that the College cannot reduce commitment for future contributions.

Note 21, page 59 states there were no related party transactions, with nothing being presented by the College or flagged through the work of the auditors.

Governor Trevor Wray asked the Principal to provide comment on the members' report and financial statements. The Principal advised that the commentary within the members' report has been updated to more closely link to the Accountability Statement and described the core aims and ambitions of the College as outlined within the paper.

Governor Trevor Wray questioned if the audit requirements for academies and if the change from the Casterbridge College model would be significant. Luke advised that the disclosure for academies is similar but there is a level of added complexity for academy accounts and discussed fund accounts.

Governor Geetha Karunanayake queried the 2-year planning for the college and sought clarification on how this is made. The Business Manager confirmed that the 2-year budget is considered by the Finance and General Committee (next due to be considered on the 22 November 2023) and is due to be agreed by the Corporation in December 2023.

The Principal sought clarification from Luke on the reserves policy for academies and if there is a significant level of scrutiny on colleges holding reserves. Luke advised that a reserves policy would need to be drawn up and agreed by the Corporation to identify the use of the money after academisation and these would be disclosed as appropriate to the new Trust board.

The Chair thanked Luke for the detailed report.

*Resolved:* The Draft Members Report and Financial Statements for the year ended 31 July 2022 were received, with amendments to the report agreed.

**9. Letters of Representation for the Financial Statements Audit and Regularity Audit for the year ended 31 July 2023** (agenda item 8)

It was agreed that minute 9 should be classified as confidential in accordance with Clause 17 (2) of the Instrument of Government for a period of one year **(SEE SECTION B)**.

**10. Meeting without management present if requested by the Audit Committee** (agenda item 9)

*Resolved:* No meeting was requested.

*[Luke Taylor left the meeting at 17:24, meeting was still quorate]*

**11. Review of the Performance of External Audit Services** (agenda item 10)

The Principal advised that the audit findings were not concerning and that the work of the auditors has been good, with no issues to raise. The Human Resources Manager agreed that the work of the auditors has been thorough, and that the Business Manager was satisfied with their work.

*Resolved:* The review of the performance of the external audit services was complete with no issues being raised.

**12. Audit Committee Commissioned Business Update** (agenda item 11)

It was agreed that minute 12 should be classified as confidential in accordance with Clause 17 (2) of the Instrument of Government for a period of one year **(SEE SECTION B)**.

**13. Rolling implementation of Audit recommendations** (agenda item 12)

It was agreed that minute 13 should be classified as confidential in accordance with Clause 17 (2) of the Instrument of Government for a period of one year **(SEE SECTION B)**.

**14. Annual Audit Plan 2023/24 and Board Assurance Framework** (agenda item 13)

The Principal presented the Annual Audit Plan;

*a) Implementation of T Levels*

The Principal suggested that implementation of T Levels could be a focus for scrutiny in 2023/24. This was discussed by the committee and agreed that a broader topic of 'curriculum change' would be a more appropriate title and area for scrutiny. This was agreed.

*b) Financial Controls Self-Assessment*

The Business Manager reminded the members that Financial Controls can be scrutinized and this was not a focus in 2022/23. He advised the committee that the external audit work covers this thoroughly but that the committee does have the option to scrutinise this area. The members discussed a financial controls scrutiny and agreed this was not required for 2023/24. The members discussed alternative scrutiny activities. Governor Trevor Wray suggested that an alternative focus could be retention, progression and destinations. This was discussed by the committee and agreed. Trevor Wray agreed to complete this scrutiny, and the Clerk will contact Trevor to make arrangements.

*c) Quality and Standards Committee Scrutiny Activities*

The Chair advised the members that the Quality and Standards Committee have suggested a scrutiny of the College Quality Improvement Plan, a 12-month Upskilling Monitoring Visit and a scrutiny on how the College meets local needs to meet the requirements of a new duty. In addition to this a further request for assurance work for the SAR can be made by the Quality and Standards Committee in the future.

After discussion and consideration of the plans to academise, it was agreed that the Upskilling monitoring visit should not be recommended to the Corporation. The following Annual Audit plan for 2023/24 was agreed:

- a) Curriculum Change
- b) College Retention, Progression and Destinations
- c) College Quality Improvement Plan (Quality and Standards)
- d) Meeting Local Needs (Quality and Standards)

**Recommended:** The Annual Audit Plan 2023/24 and Board Assurance Framework was recommended to Corporation for approval with amendment.

**15. Risk Register 2023/24** (agenda item 14)

It was agreed that minute 15 should be classified as confidential in accordance with Clause 17 (2) of the Instrument of Government for a period of one year **(SEE SECTION B)**.

**16. Annual report of the Audit Committee 2022/23** (agenda item 15)

The Clerk presented the Annual Report of the Audit Committee for 2022/23, the report follows the same format as in previous years with updates to the commentary and data as required. From the report, she highlighted the following:

- The committee membership has been updated to reflect the changes to the committee in 2022/23. Unfortunately, owing to resignations the membership of the committee is currently four, recruitment to the Audit Committee continues to be a priority for the Corporation.
- The attendance of the committee was excellent, with 100% attendance at all meetings across the year. The committee members were thanked for their attendance.
- Internal audit arrangements for 2022/23 have been detailed within the report and include scrutiny work and external audits commissioned by the committee.
- No instances of fraud were reported to the committee in 2022/23.

- No issues were raised with regard to the performance of the committee in 2022/23 during the committee's self-assessment on the 24<sup>th</sup> May 2023 despite the vacancies within the committee.
- Reference is made to the plans for academisation within the report as per the requirements of the External Auditors (section 12).
- The final paragraph of section 13 Audit Committee Opinion on the Adequacy and Effectiveness of College Audit Arrangements has been updated to be consistent with the updated wording in the Member's Report. This declaration relates to the status of the college as a going concern and academisation.

The committee were asked to review the audit report and consider if any amendments or changes are required before giving approval for the Chair to sign the report. The Audit Committee gave approval for the Chair to sign the report and recommended the Annual Report of the Audit Committee 2022/23 to Corporation for approval.

*Resolved:* The Chair was authorised to sign the Annual Report of the Audit Committee 2022/23.

**Recommended:** The Annual Report of the Audit Committee 2022/23 was recommended to the Corporation for approval.

### **17. Audit Committee Training and Development 2023/24** (agenda item 16)

The Clerk presented the training and development recommendations as per the paper. She asked the committee to consider their training and development requirements and agree a training and development plan for 2023/24, for Corporation approval. As per the paper, she recommended a focus on Risk Management for 2023/24 and sought discussion from the committee. The Audit Committee discussed their training requirements for the forthcoming year and agreed that in addition to the Corporation training activities, Audit Committee members should complete the Risk Management modules suggested by the Clerk on an adhoc basis.

**Recommended:** The Audit Committee Training and Development Plan for 2023/24 was recommended to the Corporation.

### **18. Freedom of Information Act 2000 and GDPR Requests** (agenda item 17)

It was agreed that minute 18 should be classified as confidential in accordance with Clause 17 (2) of the Instrument of Government for a period of one year (**SEE SECTION B**).

### **19. Any Other Business** (agenda item 18)

*Resolved:* No other business was received.

### **20. Confidential items** (agenda item 19)

*Resolved:* It was agreed that minutes 6,7,9,12,13,15 and 18 should be classified as confidential in accordance with Clause 17 (2) of the Instrument of Government and associated reports are therefore not available for circulation to the public, college staff or students (excluding senior post holders).

**21. Date of next meeting** (agenda item 20)

*Resolved:* The date of the next meeting is 28<sup>th</sup> February 2024

**Action schedule:**

<b>Min. no.</b>	<b>Title</b>	<b>Action by</b>	<b>Action</b>
7	Final Audit Findings Report	External Auditor	Update page 2 of the report as per minute.
8	Draft Member's Report and Financial Statements for the year ended 31 July 2023	External Auditor	Insert audit report.
		GJP	Note 6, page 46, amend staff restructuring costs from 0 to –
			Note 6, page 47, amend SLT from 8 to 6.
			Note 15, page 53 correction required to price inflation / discount rate.
15	Risk Register	CAP	Update to include 'retention' within title of risk, page 21.

Approved