Hereward College

Minutes of: AUDIT COMMITTEE

Date: 21st November 2022

Time: 5:30 p.m.

Place: via Microsoft Teams

Present: Mr S Brand (Chair)
Mr S Crick
Mr M Crook
Mr K Sonecha
Ms H Hillyard

In attendance: Mrs P Powditch (Interim Vice Principal Finance and Resources)
Mrs A Autherson (Finance Manager) for item 22/25

Mr P Oxtoby (RSM UK Audit LLP)
Mr J Creed (ICCA-ETS)

Mrs Y Doherty (Director of Governance)

22/20 APOLOGIES

There were no apologies for absence.

22/21 MEETING WITH THE AUDITORS

Members of the Committee met with the Auditors without College management.

Points/discussion included:
An update regarding the external audit process was requested and if there had been any issues of proprietary that were not considered significant.
It was commented that proprietary by definition included everything, and there were no issues beyond the report.

Any key auditing/accounting issues
It was reported that the main two issues related to the position regarding pensions and clawback, and that these were covered in the management letter.

Comparison of the process this year to last, particularly with regard to communication/availability/competency/resources
It was confirmed that the provision of information had improved and that feedback had been given on the financial reporting as not all the changes in the Accounts Direction had been picked up.

Where had the most time been spent auditing and why
This had been on funding and clawback. Funding income this year and last had been impacted by provisions relating to COVID, and the pension position was considered unusual this year, any other issues were considered low risk. Regularity and compliance with the finance regulations had also been reviewed.

There was discussion of the funding, the basis for provisions against potential clawback and release of provisions.
The historical position with regard to clawback was noted and that the amounts written back were relatively low. This position had been impacted by the response to COVID pandemic. This meant that the risk profile had changed.

Concern was expressed as to whether a more aggressive approach to the release of provisions had been adopted.
It was reported that this was not the case and that 'timing' was the issue. If the amounts were greater that previously experienced this is where it would make a difference.

The policy regarding the release of provisions was queried.
It was reported that the approach had remained consistent for a number of years without issue, but difficulties arose when the quantum amount increased.

It was questioned if the approach taken was appropriate.
It was suggested that a more prudent approach might be necessary.

It was suggested that this should be discussed in more detail when the Interim Vice Principal Finance and Resources joined the meeting. It was advocated that the release should only be of income that could not be clawed back as this was time limited.
It was queried if a funding body was to seek clawback could this be refused irrespective of any time limits.

It was commented that from previous discussions it was understood that the statutory limit on claims was 6 years, after which there would need to be clarity as to any repayments. It was suggested that the bigger issue was that if historically this had never happened what would change this.
There was a need to consider if there was an increased risk.

It was again suggested that more detail could be provided, when the Interim Vice Principal Finance and Resources joined the meeting. An expert comment on sector practice was requested from the EAS.
It was suggested that the position was more complicated with LA funding, as opposed to ESFA, with funding income split between the ESFA and LAs.
The processes involved the submission of data returns (ESFA), and there was no validation of attendance data and income spend by the LA.

Guidance on whether the current policy was fair and reasonable was sought.
It was confirmed that the calculations with regard to the provisions was correct, and that the basis of release had been sound on the previous values, however going forward this could become material. It was suggested that it might be necessary to consider a change in policy on the basis of materiality threshold.

The position with regard to ESFA funding was raised.
It was confirmed that this would be validated by the ESFA, that the audit had not found any issues, and nor was there any awareness of any the ESFA would have.

How the college could improve the external audit process and how it compared to others was queried.
It was commented that size and complexity were an issue and that there was always room for improvement.
The size and changes to the team were highlighted.

The College Management joined the meeting.

22/22 DECLARATIONS OF INTEREST

Mr Crook reaffirmed his employment and that RSM were engaged by his employers though he had no direct engagement with them.

Mr Crick's employment was noted.

On the basis of the business to be considered there were no declarations of interest

FOR DECISION

22/23 MINUTES OF THE LAST MEETING

The minutes of the previous meeting on 26th September 2022 (circulated, document Nov 22/1) were considered.

It was **RESOLVED THAT** the minutes of the meeting held on 26th September 2022 be approved.

22/24 ACTIONS/MATTERS ARISING

24.1 Actions Report

The Committee considered the Actions update report (circulated, document Nov 22/2)

22/06 Deep Dive – Income Curriculum Planning and Cost Recovery

See minute 22/32 COMPLETE

22/07 Matters Arising

The Chair raised bank interest receivable against budget

Response:

Board approval was given or the opening of 65-day notice and 32-day notice accounts to improve returns. COMPLETE

22/07 Previous Meetings Action Update: Risk Management

SR3-3: Attendance at regional groups

The detail previously provided was noted. It was queried if this remained the case.

Response:

The Interim Vice Principal Finance and Resources attends meetings of Coventry and Warwickshire Chamber of Commerce and AoC Regional FDs network. COMPLETE

22/08 Risk Management

- *SR4-7: failure to provide fit for purpose IT systems and services……. (page 11)*

The Interim VP Finance and Resources to provide an assessment on the strengths and weaknesses of existing systems

See minute 22/24.2 COMPLETE

22/10 Progress against the audit recommendations

ESFA Mock Funding report – recommendation regarding the template. It was queried if this could be automated.

Response:

This was not considered possible. See minute 22/31

COMPLETE

22/16 Draft Audit Committee Report 2021/22

The address for the external auditor required amendment

Response:

Amendment made. COMPLETE

It was **RESOLVED THAT** the update against the actions from the previous meeting be noted and received.

24.2 Report on Review of IT Systems

The Interim Vice Principal Finance and Resources presented a review report on current IT systems in use within the College (circulated, document Nov 22/3).

The report considered the main systems currently in use at the college:

- Databridge
- Pro Achieve
- Sage
- CPOMS
- Single Central Register tracker

Summary of findings:

- None of the systems are integrated with each other
- Databridge is designed for specialist education providers, with a user forum
- Databridge offers a reduced cost compared to other systems and was responsive
- Databridge has limited capacity to provide an effective HR system
- Pro Achieve is the only aspect of the Pro Suite in use in the college and is widely used in the sector
- Advise an appraisal of benefits and costs associated with Pro Monitor to support improved monitoring of learner performance and achievement
- SAGE long established brand, reduced cost in comparison to more sophisticated systems
- Limited series of reports in use, consider consultancy support with this
- CPOMS preferred safeguarding system of Coventry LA, sits outside of other systems
- SCR Tracker, introduced in 2022 to replace Excel spreadsheet. Inexpensive but would not be required if a separate HR system were introduced. Relatively easy to use.
- Need for a separate HR system
- The need for better utilisation of systems in place (via training or bespoke system development)

Points/discussion included:

- Issues of accuracy/paper-based systems/security
- Issues associated with age of systems and impact if systems stopped being supported by the provider of the system
- Better utilisation of systems in place (via training or bespoke system development)
- The capacity of the College to invest in improved IT systems and services
- Required plan for improvement
- Committee to receive assurance regarding associated risks

Need for a separate HR system
It was confirmed that this was being investigated and that demonstration of a preferred system was due to be given to the SLT.

Required plan for improvement, to include any potential GDPR issues (continued use of stand-alone paper systems/spreadsheets, accuracy, data retention) and provide for a single approach.
It was acknowledged that development of a response would need to be considered by the Vice Principal Finance and Resources and Technical Estates and Facilities Manager with input from the Principal.

Committee to receive assurance regarding associated risks
It was reported that members of the Committee were able to provide support in terms of their knowledge of some of the products and potential consultancy providers.

It was agreed that members would assist by providing the Vice Principal Finance and Resources with detail.

It was **RESOLVED THAT**

i. the review report on IT system be noted and received;
ii. members provide detail on any resources for supporting the use of existing systems to the Interim Vice Principal Finance and Resources **[ACTION]** **Cme PP**

22/25 FINANCIAL STATEMENTS year ended 31.07.2022

25.1 Financial Statements 2021/22

The report and Financial Statements for the year ended 31st July 2022, (circulated, document Nov 22/4) were considered.

A summary report was provided that detailed key headlines:

- The College made an operating surplus of £707,000 before FRS 102 adjustments (with comparison to 2020/21).
- After the impact of FRS 102 and the treatment of pension liabilities this became a deficit of £939,000
- There was a decrease in the FRS 102 liability from £15,776,000 to £2,740,000
- The Total Comprehensive Income for the Year, which takes in to account the actuarial gain in respect of defined benefit pension schemes was £13,679,000.
- Total net assets after FRS 102 liabilities are £6,192,000.
- The FRS102 liability reported in the Balance Sheet had decreased due to unusual stock market conditions at the valuation date. It is highly likely that this liability would substantially increase again next year
- Financial Health under the ESFA reporting system remained 'outstanding'

<u>Income:</u>

- In 2021/22 the number of residential student numbers increase to 13 (11 in 2020/21).
- ESFA high-needs funded students, both day and residential, numbered 312 (307 in 2020/21).
- Additional 542 AEB funded students (284 in 2020/21).
- Income increased by 10.5% over the year (9.2% reported in 2020/21) from £9.113 million to £10.074 million.
- 37% of income came from the ESFA (elements 1 and 2 and Adult Education Budget (AEB)), the same as for 2020/21.
- 58% came from third parties (largely Local Authorities), reflecting element 3 funding for 16-19 learners (55% in 2020/21).
- Remaining 5% is other income, 9% for 2020/21

<u>Expenditure:</u>

- Expenditure was 2% below budget.
- Overall staffing costs exceeded budget with unusually high agency costs that more than offset savings through payroll.
- Staff costs represented 69% of total expenditure (70% in 2020/21).
- An analysis of key areas of expenditure was provided.

Balance Sheet:

- The major capital project in year related to the teaching kitchen
- None of the capital projects in year were grant funded
- Fixed assets at the end of the year were £10.166 million (£10.258 million in 2020/21).
- The closing cash balance was £5.953 million with net current assets of £2.835 million.
- The requirements of FRS 102 include the reporting of the pensions liability within long term creditors. This has a major impact on the reported total assets of the College which shows a negative position of £7.487 million to a positive £6.192 million as the pension liability fell substantially
- The total pensions liability at the end of the year is £2.740 million which is an 83% decrease on the previous year.

Going Concern:

- The Board is required to form a view in approving the accounts of whether the College remains a “going concern”.
- The key consideration for the Board is whether there are cash flow forecasts and monthly budgets covering at least 12 months from the date of approval of the financial statements.
- The College Financial Forecasting Return (CFFR) covered the three years from 2022/23 to 2024/25 and reported either good or outstanding financial health in each of the three years.
- Based on these results financial health remains outstanding and bank covenants have been met.
- The College has good cash reserves and is rigorously monitoring the financial impact of pay and non-pay cost increases as resulting from inflation.

The College took out a loan to support an estate master plan which began repayments in 2010 and will complete in 2035. The bank covenant has two requirements:

- Debt service cover – available cash flow for each relevant period shall be no less than 100% of its debt servicing costs. The College is compliant in 2021/22 and the financial forecast for 2022/23 shows compliance on the budget.
- Operational gearing – the ratio of borrowings at the end of each year shall not exceed 500%. The College is compliant in 2021/22 and the financial forecast shows compliance in 2022/23

Therefore, the recommendation was that the College continued to be a “going concern”.

It was confirmed that the financial statements had been impacted by the volatility in the stock markets causing significant swings in the valuation of the LGPS liability. The underlying financial position of the College remained strong. The reserves and cash balance would support the College as it faced the challenges of the economic downturn, funding threats to Local Authorities and increased inflation. The College would continue to implement its strategy to secure sustainable financial viability.

Points of discussion included:
The previous discussion with regard to the release of clawback provisions was raised and the materiality of values. It was highlighted that discussion had raised the query as to what the position would be should an LA make a claim and whether the current policy/approach was appropriate or whether a more prudent attitude was necessary.

It was confirmed that the accounts were in line with the Management Accounts report previously presented, with an update regarding the pension liability.
It was highlighted that the provisions included in the balance sheet were similar to that of previous years. It was recognised that there was a need to consider the position for future years, particularly the next two. In terms of a response to a claim there would need to be a balanced approach as contracts were not clear, particularly with regard to the cost impact of staff changes should a learner

leave and there was no history of clawback claims. There was a need to consider if there was an increased risk if LAs came under more financial pressure.

The issue of what the position would be should an LA make a claim against clawback provision that had been released was raised.
It was suggested that if the claim was more than 6 years later this was beyond the statutory limits.
The idea that the situation would be impacted by college dependency on LA funding was advocated.
It was proposed that this would need to be addressed via negotiation.

Proof that no claim could be made after 6 years and that provisions could be released was suggested.

The contractual provisions and the rules applied were queried
The EAS commented that the statutory provisions were clear, but the issue was about materiality and relationships going forward.
It was suggested that the policy/approach should be reviewed by the Corporation.

There was discussion of reporting within the statutory accounts.
It was confirmed that this was not separately visible within the accounts.

It was suggested that there was a need to consider what was the benefit of the current approach, and if an accounting policy was required. It was argued that if the procedure was inconsistent with statute, then this needed to be reviewed.
It was re-emphasised that the statutory limitation did not allow for a claim on a debt after 6 years.
The current policy/approach was to assess any release of provision as appropriate according to risk.

It was queried if this approach taken was a change to that adopted previously.
It was confirmed that there had not been a change in approach, only the quantum of numbers, which was as a result of COVID.

It was suggested that a schedule of the position year on year be provided.
It was further emphasised that the release of provisions this year was in line with previous practice and was not material. The issue was that future releases could be material.

It was questioned if there were examples of other organisations that adopted the same process for the release of provisions.
It was reported that there was no direct comparison.

EAS confirmed that the release of provisions for this year were not material for the audit opinion.

25.2 External Audit Findings Report 2020/21
Mr Oxtoby reported on the External Audit Findings Report (circulated, document Nov 22/5).

The attention of the Committee was drawn to
- Page 3 – provided detail of outstanding items to be resolved.
- Page 4 – there were no misstatements
- Overall testing had not raised any fundamental issues

Risks identified at the planning stage

- Page 6 – Pension Scheme Liability

There had been significant movement, with a second report obtained from the actuary to recognise the 2023 Pension Increase Order given the changes in CPI seen in the period to September 2022. The college decided to not update the valuation in the year-end financial statements, but to provide disclosure as to the impact that the 2023 Pension Increase Order would have on the reported figures.
We have confirmed that this approach is acceptable as the impact is disclosed within the accounts.

Actuarial assumptions were reviewed against those of other similar schemes and actuaries. No issues were noted.

The pension disclosure was reviewed for consistency with the actuaries' report and no issues were noted.

Risks identified during the audit

- Page 8 – Funding Clawbacks

Reference was made to the previous discussions. The risks associated with future releases needed to be explored, as it was considered that risk would increase. It was highlighted that this would not impact the cash position, but would impact on financial reporting.

The 'Going Concern' recommendation was raised and what else needed to be considered in support of this; monthly cashflow and budgets covering the next 12 months to December 2023.
It was confirmed that the October management accounts would be extended for 12 months (cashflow), this was contained within the revised budget and covenants were being met.

It was suggested that the discussions regarding the process/policy relating to provision release should be continued outside of the meeting. It was accepted that the provision release for this year was under the materiality level and that the Committee could rely on the explanations/assurance provided by the Interim Vice Principal Finance and Resources and Mr Oxtoby.

Committee members were asked if they were content to recommend the Financial Statements for year-ended 31 July 2022 for approval by the Corporation.

Mr Sonecha responded that whilst he understood that the provision release was not material he was **not content to recommend** the approval of the Financial Statements for year-ended 31 July 2022.

Mr Crook confirmed that he **was prepared to recommend** the approval of the Financial Statements for year-ended 31 July 2022 on the basis that to do otherwise would necessitate a need to restate last year. He confirmed his request that the approach/policy be reviewed.

Mr Crick confirmed his **provisional support** for the recommended approval of the Financial Statements for year-ended 31 July 2022, however there were a number of issues that required amend/ review (provided separately after the meeting).

Ms Hillyard confirmed that she was **content to recommend the approval** of the Financial Statements for year-ended 31 July 2022, whilst acknowledging and agreeing with the points raised by Mr Crook and Mr Crick, and noting the dissent of Mr Sonecha.

Mr Brand, also noting the dissent of Mr Sonecha, confirmed that he was **content to recommend the approval** of the Financial Statements for year-ended 31 July 2022, however he had identified additional issues that required amend/review (provided separately after the meeting).

It was **RESOLVED THAT,**

i. noting the dissent of Mr Sonecha, but in line with the provisions of the Standing Orders, 7.12 **'**members are required to comply with the doctrine of collective responsibility and stand by a decision even if it was not supported unanimously', and subject to the identified amendments, the Financial Statements for year-ended 31 July 2022 be recommended for approval by the Corporation;
ii. the RSM Audit Findings Report 2021/22 be noted and received.

The Committee expressed its thanks to all involved for their work in producing the Financial Statements 2021/22.

25.3 Regularity Self-Assessment Questionnaire 2021/22

The Interim Vice Principal Finance and Resources presented the Regularity Self-Assessment Questionnaire 2021/22 (circulated, document Nov 22/6).

It was noted that the report had been presented to the Committee in June and that there had not been any subsequent amendments.

It was suggested that the report be updated to include as much evidence as possible. **[ACTION]** **PP**

Mr Oxtoby confirmed that it had been tested and that may be of use for the Board for the report to be updated to include the sources of evidence.

It was **RESOLVED THAT,** subject to the Regularity Self-Assessment Questionnaire 2021/22 being updated as discussed, it be recommended for Corporation approval and signature by the Chairman of the Corporation and Principal.

22/26 STUDENTS' UNION ACCOUNTS

A report was received on the Annual Report and Financial Statements for the year ended 31st July 2022 (circulated, document Nov 22/7).

It was noted that the accounts were independent of the College Financial Statements with support being provided by the Finance Team.

It was **RESOLVED THAT** the Financial Statements for the Students' Union for the year ended 31stJuly 2022 be noted and received.

Mrs Autherson left the meeting.

22/27 RISK MANAGEMENT

27.1 Risk Management Policy

The Interim Vice Principal Finance and Resources reported on the Risk Management Policy (circulated, document Nov 22/8).

It was confirmed the policy was subject to a major re-write in November 2021. No further amendments were required at this time.

The next review of this policy was due in November 2023.

It was **RESOLVED THAT** the Risk Management Policy be recommended for approval by the Corporation.

27.2 Risk Management Update Report
The Interim Vice Principal Finance and Resources provided an update report on Risk Management (circulated, document Nov 22/9).

It was confirmed that
- The strategic risk register had been updated to reflect current controls and residual risk
- The Actions List had been updated to include progress, as well as any revised target dates and new actions that had been identified.
- An update on Health and Safety was provided.
- Regular updates on the strategic and operational risks facing the College were also provided in the finance paper submitted to each Corporation meeting.

Points highlighted included:
SR 2-1: Failure to develop and deliver an appropriate curriculum that meets the needs of learners and stakeholders
The residual risk had increased from Low to Housekeeping partly in response to pressures on funding (LA)

SR 4-8: Failure to ensure security and integrity of data leading to a non-compliance with Data Protection Requirements and increase in threat of hostile attacks
The residual risk had increased from Housekeeping to Contingency due to some difficulties associated with Cyber Essentials and the new servers. However, these issues had been addressed and it was anticipated that the risk level would reduce.

It was **RESOLVED THAT** the Risk Management Update report be noted and received.

22/28 POLICIES
The Interim Vice Principal Finance and Resources provided an update report the review of policies (circulated, document Nov 22/10).

28.1 Treasury Management Policy
This now included a statement on reserves policy as this is required as a disclosure in the Financial Statements. Also amended to clarify the requirements for investing surplus funds. The removed provisions were highlighted in red, with additions highlighted in green.

It was noted that the policy also reflected the action taken at the last Corporation meeting in October 2022, and that the Committee had delegated authority to approve the policy.

Discussion points included:
Reserves – reference to the Charity Commission guidance on targets, and reference to reserves in the accounts.
It was reported that the Financial Statements made reference to the reserves policy, but that there were no targets and the financial position of the College was such that it did not need to build reserves.

Mr Oxtoby confirmed changes in the Accounts Direction and the ESFA position of the requirement for colleges to consider the guidance issue by the Charity Commission.
He suggested that the Corporation give consideration to the adoption of a policy and how this would be reported against.

Appendix 1 required amendment: Abbey National/Santander

It was **RESOLVED THAT** the Treasury Management Policy be approved.

28.2 Public Interest Disclosure Act/Whistleblowing Policy
Minor amendments had been identified, and were highlighted. This policy was reviewed in June 2022. There had been no changes to relevant legislation since then.

28.3 Anti-Fraud Policy
Grammatical change only, highlighted. This policy was reviewed in June 2022. There had been no changes to relevant legislation since then.

It was **RESOLVED THAT**
i. the Public Interest Disclosure Act/Whistleblowing Policy be recommended for approval by the Corporation
ii. the Anti-Fraud Policy be recommended for approval by the Corporation

22/29 AUDIT COMMITTEE ANNUAL REPORT 2021/22
The Committee considered the draft Audit Committee Annual Report 2021/22 (circulated, document Nov 22/11).

The report provided detail on the work of the Committee during 2021/22. The report was considered at the previous meeting of the Committee and identified revisions had been implemented.

It was **RESOLVED THAT** the Audit Committee Annual Report 2021/22 be approved for presentation to the Corporation.

Mr Oxtoby and Mr Crook left at 7.30pm
Mr Sonecha left at 7.35pm

FOR INFORMATION

22/30 INTERNAL AUDIT
30.1 Internal Audit Reports
Key Financial Controls 03.22/23 (circulated, document Nov 22/12)
Mr Creed presented the Key Financial Controls report.

The objective was to provide an independent assurance opinion that the College has effective and efficient controls governing its fundamental financial systems for those areas under review.

OVERALL ASSURANCE CONCLUSION:

Design:	**GOOD**
Application/Compliance:	**ADEQUATE**
Assurance Opinion:	**SUBSTANTIAL**

The report contained two recommendations; one **medium** and one **low** relating to application/ compliance.

The recommendations related to

Purchasing and Creditor Payments:	Credit Card Transaction Logs
Purchasing and Creditor Payments:	Aged creditors/debtors

The recommendations were accepted by the College management.

Discussion points included:
The position with regard to the aged creditors/debtors was considered attributable to issues of reconciliation timing.

How could this be monitored?
It was suggested that the management accounts report could be strengthened to include this.

Petty cash (page 4) – could this be removed?
It was reported that this was not possible so as to ensure that there was a means of supporting learners in unexpected circumstances, e.g. the need for transport.

It was **RESOLVED THAT** the Key Financial Controls 03.22/23 be noted and received.

10.2 Progress against the Internal Audit Annual Plan 2022/23
Mr Creed presented an update on progress against the Internal Audit Plan 2022/23 (circulated, document Nov 22/13).

One of five reviews had been completed so far, this academic year.
The remaining four were scheduled for January, April and May 2023

It was **RESOLVED THAT** the progress report against the IAS Annual Plan 2022/23 be noted and received.

22/31 PROGRESS AGAINST THE AUDIT RECOMMENDATIONS
The Vice Principal Finance and Resources presented a report which set out progress against audit recommendations (circulated, document Nov 22/14).

The report contained those recommendations arising from the audits completed from 2020/21 onwards.

Discussion/feedback points included:
Automation of checks on the ILR
It was confirmed that this was not possible.

It was **RESOLVED THAT** the Progress Against Audit Recommendations report be noted and received.

22/32 DEEP DIVE
32.1 Income Curriculum Planning and Cost Recovery (circulated, document Nov 22/15).
- Learner income – funding is agreed individually, rates updated January prior to academic year
- Elements of income – 1 & 2 set values agreed and paid by ESFA, element 3 agreed by LAs
- Element 1, ESFA based on one year lagged model, numbers taken from the previous year, adjusted for recruitment patterns. No clawback
- Element 2, paid by ESFA based on numbers agreed by Cov LA. Should pay for all students, but currently funding 300 for 22/23 and negotiating increase to 310 for 23/24
- Element 3 for each individual learner from home LA. No set calculation so differing fees. Payment of fees may be split within departments of an LA. Payment terms also differ
- Funding Application rates, reviewed annually and set January prior to academic year. Rates were held for a number of years. In order to hold rates the College had defined a number of new chargeable elements. Last year 3% increase.
- Funding applications prepared using same excel template. Hours supplied by Admissions dept in consultation with multi-disciplinary team of college professionals. Applications reviewed by Finance before submission to LA. Master excel spreadsheet controls all applications, once agreed uploaded to Databridge without fee information.

- Contracts – individual to each LA, only aligned to notice period of staff where a learner transfers to another learning establishment. Entitles LA to reclaim fees if learner is absent for more than two weeks for any reason.
- Invoicing – Cov & Warks termly. Warks pay promptly, Cov is much slower. LAs funding fewer learners usually receive one invoice for the year but may pay monthly or termly. Invoices are entered in to SAGE by reference to each funding LA, there are no issues with bad debt.
- Completeness of income – fee income is reconciled to the budget and the current file of funding applications. It is not reconciled to Databridge. This manual exercise is completed circa 4 times a year.
- Credits – LAs entitled to refund for learners who leave during the year. This is usually calculated two weeks after final attendance. Provision is made for learners who have absence of more than 2 weeks or attendance of less than 80%. Historically this has not been claimed by the LA.
- Revised budget (October) is based on the funding applications of learners who are attending or expected to do so. Calculated individually, allowance is made for wastage.
- Staff appointments – hours for teaching staff and ILS are taken from the funding agreements used to calculate income
- Staff appointments – curriculum: teaching posts are based on existing staff and vacancies at average point on the scale for additional hours. Vacancies are assessed against this maximum number of hours. Learner groups vary slightly in number to bring the average back to the hours funded.
- Staff appointments – ILS: vacancies are assessed against staff in post vs revised budget, and against current group structures. No appointments are made above the budgeted hours.
- Other costs – non-pay costs are based on previous years spend, with allowance for inflation. No allowance is made for increased group size. This represents a very small proportion of overall expenditure.
- Curriculum design – learners study for a variety of quals or RARPA targets set at an individual level. Learners within the same group may be studying for different quals. Quals may vary year on year based on learner need. New areas are implemented against a costed plan, including timescales to reach full group size if necessary. Milestones are reviewed. This is done within the framework of the Strategic Plan and Curriculum Strategy.
- Summary – income relating to the needs of each learner is calculated in detail. Procedures exist to ensure completeness of income but are manual and labour intensive. They will be extended in 22/23 to complete a check back to Databridge. Risks around contracts need to be understood and managed. Costs are well controlled. Areas of new curriculum are introduced against multi-year plans.

Discussion/feedback points included:
It was a comprehensive presentation, that had identified risks which could now be addressed providing reassurance.
This was agreed, the work of the auditors using the reporting/processes in place was queried.
It was commented that the auditors did not like the spreadsheet. They reviewed invoicing and collection of fees.
It was further commented that although labour intensive it was considered that the procedures and reconciliation meant that no issues were missed.

It was a good report that provided clarity with regard to the processes. In terms of recovering and matching costs how was this data held?
It was confirmed that the hours were extracted from the costings with the budget for teaching and ILS based on this.

It was suggested that the delivery of hours against that in the funding applications should be reviewed and included in the reporting processes; identifying risks e.g. payments, inflation – did the contracts allow for increases or not?, Staff cost risks.

It was reported that no contract was for more than 2 years during which the rates were held.
The revised rates for next year where yet to be agreed by the SLT.
It was a question of aligning against the roles involved in delivery.

The Interim Vice Principal Finance and Resources was commended for an excellent piece of work, and it was suggested that time allowing a briefing paper be prepared for inclusion in the reports to the next Corporation meeting. If there was insufficient time the presentation could be distributed.
[ACTION] **PP**

It was **RESOLVED THAT** the Deep Dive presentation on Income Curriculum Planning and Cost Recovery be noted and received.

32.2 Future Deep Dives
The Committee considered the report on Deep Dives (circulated, document Nov 22/16).

It was **RESOLVED THAT** the schedule of deep dives be agreed as:
- Accommodation Strategy: March 2023 **[ACTION]**
- Summer meeting (June 2023) TBC, following review at the March meeting **[ACTION]** **Cme**

22/33 GIFTS AND HOSPITALITY
The Disclosure of Gifts and Hospitality document was received (circulated, document Nov 22/17).

It was noted that the information on the requirement to declare the receipt of gifts or hospitality was contained within the Corporation Standing Orders, Financial Regulations and Staff Handbook.

It was reported that there were no declarations of gifts or hospitality received.

It was **RESOLVED THAT** the Disclosure of Gifts and Hospitality update be noted and received.

FOR DECISION

22/34 PERFORMANCE REVIEW OF EXTERNAL AUDITORS
Committee members noted the issue of the assessment documentation (circulated, document Nov 22/18), and acknowledged that to a large degree the assessment could only be completed by the Interim Vice Principal Finance and Resources. It was confirmed that responses had been provided by Mrs Powditch and one Committee member.

The Committee considered each of the assessment criteria and agreed the satisfaction rating.

It was confirmed that the Director of Governance had noted the responses and would provide the completed document to the Chair of the Committee. The Chair of the Committee would provide the feedback to RSM. **[ACTION x2]** **YD** **SB**

It was noted that 2021/22 was the third year of the contract. The contract allowed for annual extensions for two years subject to Audit Committee review and recommendation. It was agreed that on the basis of the completed performance review the Committee recommended the annual extension for 2022/23.

22/35 ANY OTHER BUSINESS

The Committee Chair and members commended the Interim Vice Principal Finance and Resources for her hard work.

22/36 DATE OF THE NEXT MEETING

The date of the next meeting was confirmed as 6th March 2023

ACTIONS: AUDIT COMMITTEE 21st NOVEMBER 2022

22/24 ACTIONS/MATTERS ARISING

24.2 Report on Review of IT Systems

- members provide detail on any resources for supporting the use of existing systems to the Interim Vice Principal Finance and Resources **[ACTION] Cme**

Response:
SB provided detail by email.
HH confirmed could support on reporting options.

22/25 FINANCIAL STATEMENTS year ended 31.07.2022

25.3 Regularity Self-Assessment Questionnaire 2021/22

It was suggested that the report be updated to include as much evidence as possible **[ACTION] PP**
Response:
The evidence sources were updated prior to presentation for signature at the Corporation meeting on 08 December 2022. COMPLETE

22/32 DEEP DIVE

32.2 Future Deep Dives

- Summer meeting (June 2023) TBC, following review at March 2023 meeting **[ACTION] Cme**

22/34 PERFORMANCE REVIEW OF EXTERNAL AUDITORS

It was confirmed that the Director of Governance had noted the responses and would provide the completed document to the Chair of the Committee. **[ACTION] YD**
Response:
Document provided to the Chair of the Committee by email 22nd November 2022 COMPLETE

The Chair of the Committee would provide the feedback to RSM. **[ACTION] SB**
Response:
Feedback provided 28th November 2022 COMPLETE