

Hereward College



Minutes of: AUDIT COMMITTEE

Date: 18th November 2024

Time: 6:00 p.m.

Place: via Microsoft Teams

Present: Mr S Brand (Chair)
Mr S Crick
Ms H Hillyard

In attendance: Mrs R Barnes (Vice Principal Finance and Resources)
Mrs P Powditch (Interim Vice Principal Finance and Resources)
Mrs A Autherson (Finance Manager) for item 24/24

Ms N Tucker (Murray Smith) **not from item 24/34**
Mr G Gillespie (Wbg) **not from item 24/34**

Mrs Y Doherty (Director of Governance)

24/19 APOLOGIES

There were no apologies for absence.

24/20 MEETING WITH THE AUDITORS

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

Points/discussion included:

External Audit: Murray Smith

- Had there been any issues of proprietary which were not of material significance?

No.

- Notwithstanding the findings report where there any issues of which the Committee needed to be aware?

No.

It was confirmed that everything had gone well. The EAS had worked with the Vice Principal Finance & Resources and the Finance Manager throughout the year, with interim audit work being completed over the summer. The audit work went well with the Interim Vice Principal Finance & Resources and the Finance Manager. The Finance Manager was very well prepared, and there had been a quick closure meeting. There was nothing to report outside of the report that the Committee would consider later in the meeting.

Internal Audit: Wbg

The field work for the first two reviews had commenced this week (18.11.2024). There had been good planning and engagement, with the required information provided.

The College Management joined the meeting.

24/21 DECLARATIONS OF INTEREST

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

FOR DECISION

24/22 MINUTES OF THE LAST MEETING

The minutes of the previous meeting on 30th September 2024 (circulated, document Nov 24/1) were considered.

It was **RESOLVED THAT** the minutes of the meeting held on 30th September 2024 be approved.

24/23 MATTERS ARISING / ACTIONS

23.1 Matters Arising

The Committee noted:

The Impact of FRS 102 Amendments on Charities SORP Compliance (RSM publication)

<https://www.rsmuk.com/insights/bridging-the-gaap/adapting-to-change-the-impact-of-frs-102-amendments-on-charities-sorp-compliance>

It was commented that this was advance notice with an expected effective date of January 2026.

The document highlighted key considerations.

It was advocated that the External Auditors would provide advice as necessary.

There were no other Matters Arising.

23.2 Actions Report

The Committee considered the Actions update report (circulated, document Nov 24/2)

24/05 Actions from the previous meeting (June 2024)

23/58 Progress against the Audit Recommendations

It was agreed that the agenda for the next meeting – September 2024 – include an item on ‘Embedding Change’ in relation to Risk Management.

30.09.24 Response:

Due to the absence of the VP Finance and Resources this will be carried forward.

18.11.2024 Response:

Due to the absence of the VP Finance and Resources this will be **carried forward**.

[ACTION]

**RB
YD**

23/59 Risk Management:

It was noted that some areas of the SRR were outdated. The process of review would be discussed with the Director of Governance.

30.09.24 Response:

The risks have been reviewed by the Risk Review Group and the register updated. A full review of mitigating actions would most appropriately be scheduled after the return of both VPs.

18.11.2024 Response:

Due to the absence of the VP Finance and Resources this will be **carried forward**.

[ACTION]

RB

23/65 *Performance Review of the Internal Auditors:*

The Director of Governance would collate responses discussed and provide the completed document to the Chair of the Committee. The Chair of the Committee would provide the feedback to ICCA.

30.09.24 Response:

Committee Chair still to provide feedback to ICCA.

18.11.2024 Response:

Still to be completed.

CARRY FORWARD

[ACTION]

SB

Mr Brand expressed his apologies for not having completed this action yet.

24/09 *Deep Dives*

Board minutes to be loaded to the library in the portal for Ms Hillyard to access

18.11.2024 Response:

Minutes uploaded to portal @Library / BOARD MINUTES

COMPLETE

24/10 *Committee Self-Assessment and Terms of Reference*

24/10.1 *Committee Self-Assessment*

It was suggested that the indicative list of business for the next meeting could be included in the reports that were issued.

18.11.2024 Response:

Draft agenda issued 24.10.24 with minutes of September meeting for accuracy check

COMPLETE

24/12 *Draft Audit Committee Annual Report 2023/24*

It was agreed that the External Governance Review report be loaded to the library in the portal for Ms Hillyard to access

18.11.2024 Response:

Documentation uploaded to portal @Library / External Governance Review July 2024

COMPLETE

24/18 *Date of Next Meeting*

The date of the next meeting was confirmed as 18th November 2024.

There was discussion of this meeting being held in person, whilst acknowledging the commitments of members which would require consideration of a rescheduled date.

18.11.2024 Response:

It was not possible to arrange for the meeting to be held in person. This will be carried forward for the March 2025 meeting.

CARRY FORWARD

[ACTION]

**YD
ALL**

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

24/24 FINANCIAL STATEMENTS year-ended 31.07.2024

24.1 Financial Statements 2023/24

The report and Financial Statements for the year ended 31st July 2024, (circulated, document Nov 24/3) were considered.

A summary report was provided that detailed key headlines:

- The accounts were in line with the Month 12 Management Accounts, with no amendments made.
- Very positive position against a tight budget and was close to the revised budget.
- Cash generating year (small amount), 'Outstanding' financial health grade and bank covenants met,
- The College made an operating surplus of £870k before FRS 102 adjustments.
- After the impact of FRS 102 and the treatment of pension liabilities the adjusted surplus was £1,173k
- There had been a significant movement in the FRS 102 pension scheme liability with the Local Government Pension Scheme actuarial valuation reporting a pension asset of £5,611k. However, the asset has not been recognised due to the uncertain nature of its future benefit to the College, instead the liability being reduced to £nil.
- The Total Comprehensive Income for the Year, which takes in to account the remeasurement of the defined benefit pension schemes is £869k.
- Total net assets after FRS 102 adjustments are £10,920k.

Points of discussion / questions included:

What was happening in the rest of the sector re pension asset.

This would be covered in the presentation of the external audit findings report.

It was commented that there was nothing of substance – just some presentation issues.

e.g.: HTS – definition (ordering in the report)

duplicate entries

commentary on note referencing reduction in number of key management staff **[ACTION]**

RB
PP

It was queried if HTS need to be included as a Post Balance Sheet Entry (PBSE)

The EAS advocated that it was believed that the company was currently dormant and that it would only require consideration as a PBSE if it started to trade.

The response was noted and that the establishment of HTS was not considered novel, contentious or repercussive, but would there be a need to explain in the narrative?

It was reiterated that this would only need consideration if the company started to trade.

The period covered by the narrative in the report, up to 31 July 24 or 31 Dec 24, and if this should influence what was included, was queried

It was suggested that the narrative could include future plans, it was a decision for the College on what to include.

It was suggested that the date of incorporation of HTS (22.10.24) be included in the first instance.

This was agreed.

[ACTION]

RB
PP

It was **RESOLVED THAT**, subject to the presentational amends and commentary re key management staff, the Report and Financial Statements for year ended 31st July 2024 be recommended for approval by the Corporation.

24.2 External Audit: Audit Completion Report 2023/24

Ms Tucker reported on the External Audit Findings Report (circulated, document Nov 24/4).

It was confirmed that that audit process had gone very smoothly and delivered a very clean audit report.

The report detailed the key risks that had been identified at the planning stage and how these had been covered.

The materiality for the audit was confirmed (page 8).

Highlights included:

- Comprehensive income (page 9)
 - Income had increased
 - Funding rate had increased, but student numbers decreased
 - Tuition fees had increased
 - Release of provisions
 - Staff costs as a % of income had decreased (due to increased income)
 - Other income had increased
- The notional asset on the Local Government Pension Scheme was not being recognised by the College

It was commented that there had previously been no guidance from ESFA. ESFA had commissioned ICAEW to consider this, but the result had not provided any guidance.

Most providers were not recording it as an asset.

The report included two internal control recommendations

1. Fixed asset additions and disposals

Consider whether the expenditure meets the conditions for capitalisation before being entered onto the accounting system

2. Declaration of Interest

Key management personnel complete a declaration of interest form annually.

- Unadjusted misstatements (page 14) – a small amount

It was **RESOLVED THAT**, the Murray Smith Audit Completion Report 2023/24 be noted and received.

The Committee expressed its thanks to all involved for their work in producing the Financial Statements 2023/24.

24.3 Letter of Representation

The Committee considered the Letter of Representation (circulated, document Nov 24/5).

It was noted that this was the standard format and wording.

It was **RESOLVED THAT**, the Letter of Representation 2022/23 be noted and received.

24.4 Regularity Self-Assessment Questionnaire 2023/24

The Regularity Self-Assessment Questionnaire 2023/24 was considered (circulated, document Nov 24/6).

It was noted that the revisions for 2023/24 as previously presented at the September 2024 meeting of the Committee had been accepted.

It had been further updated to include governors' expenses (in line with the accounts) and the position regarding the external governance review.

It was **RESOLVED THAT** the Regularity Self-Assessment Questionnaire 2023/24 be recommended for Corporation approval and signature by the Chairman of the Corporation and Principal.

24/25 POLICIES

An update report on the review of policies was presented (circulated, document Nov 24/7).

25.1 Whistleblowing Policy / Public Interest Disclosure Act

The policy was last reviewed in November 2023. The regulatory framework surrounding the policy has not changed.

The policy had been amended as follows:

- **Page 3:** Change of title, from Clerk to Governors to Director of Governance.
- **Page 3:** To show that only complaints against the Chair of Governors should be referred to the Department of Education in the first instance.
- **Page 4:** The section on disclosures outside of the organisation, and not to a prescribed person, has been amended to more closely reflect the Public Information Disclosure Act 1998.

The next review of this policy is due in November 2025

25.2 Anti-Bribery Policy

The Anti-Bribery Policy has been reviewed with **no amendments identified**.

The policy was last reviewed in November 2023. The legislative framework for the policy has not changed and no incidences have occurred within the college in the last 12 months where further clarification was required. Therefore, no further amendments are required at this time.

The next review of this policy is due in November 2025.

25.3 Anti-Fraud Policy & Procedures

The policy was last reviewed in September 2023.

The regulatory framework for reporting fraud to the EFSA has been amended and the policy updated to reflect these changes:

- **Page 1:** Reference to the College Financial Handbook published annually by the Education & Skills Funding Agency
- **Pages 2, 4 & 8:** The word Chief in connection with internal audit has been removed
- **Page 8:** Amends to factors involved in determining where instances of fraud or irregularity are significant:
 - sums of money are in excess of £5000
 - the fraud is systematic or unusual in nature

The next review of this policy is due in November 2025.

It was **RESOLVED THAT**

- i. the Public Interest Disclosure Act/Whistleblowing Policy be recommended for approval by the Corporation.
- ii. the Anti-Bribery Policy be recommended for approval by the Corporation.
- iii. the Anti-Fraud Policy be recommended for approval by the Corporation

24/26 AUDIT COMMITTEE ANNUAL REPORT 2023/24

The Committee considered the draft Audit Committee Annual Report 2023/24 (circulated, document Nov 24/8).

The report provided detail on the work of the Committee during 2023/24. The report was considered at the previous meeting of the Committee.

In response to questioning the IAS confirmed that the report was consistent with what was seen elsewhere in the sector.

It was **RESOLVED THAT** the Audit Committee Annual Report 2023/24 be approved for presentation to the Corporation.

FOR INFORMATION

24/27 RISK MANAGEMENT

Risk Management Update Report

An update report on Risk Management was presented (circulated, document Nov 24/9).

It was noted that there was little to update since the last meeting in September. The report 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:

- Two mitigating actions had been added

SR 1-2: Failure to explore where the College can extend the breadth of its provision so that it can cater for a greater proportion of the SEND community.

SR 1-3: Failure to recruit and retain staff with the appropriate skill set, a diversity profile that matches the local area and succession planning that provides development opportunities.

- Since the last report 1 RIDDOR report had been made. The incident involved a member of staff and due to an underlying health condition, not related to the college, the member of staff was incapacitated for more than 7 days, necessitating the reporting.

Points of discussion / questions included:

The cyber security update regarding the Phishing campaign was raised.

It was reported that the results were subject to review but that the College would be undertaking further working on phishing to raise staff awareness / competence in dealing with such incidents.

It was also reported that there had been two recent attempted phishing attacks on the college that had been unsuccessful.

It was queried how this would be reported, with discussion of reporting to the Board.

This was agreed.

[ACTION]

**RB
PP**

In response to questioning the IAS confirmed that the report was consistent with what was seen elsewhere in the sector, and that it had been used in developing the ANA and determining the plan of work for 2024/25.

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

24/28 INTERNAL AUDIT

Progress against the Internal Audit Annual Plan 2024/25

Mr Gillespie presented an update on progress against the Internal Audit Plan 2024/25 (circulated, document Nov 24/10).

Field work on the first two reviews had begun w/c 18 November 2024, with the reports to be considered at the March 2025 meeting of the Committee.

The remaining reviews were scheduled for completion and reporting to the June 2025 committee meeting, including the annual opinion, in line with the request of the Committee to complete and report on all work within the academic year.

It was **RESOLVED THAT** the progress report against the IAS Annual Plan 2024/25 be noted and received.

24/29 PROGRESS AGAINST THE AUDIT RECOMMENDATIONS

An update report which set out progress against audit recommendations was presented (circulated, document Nov 24/11).

It was reported that the one of the four outstanding actions reported at the last meeting had been completed and closed out.

It was also confirmed that:

- a working group had been established to consider automated solution relating the AEB/ASF enrolments
- work continued on the review of procurement systems with good progress made in reducing the number of credit cards.

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

24/30 DEEP DIVES

The Committee considered the report on Deep Dives (circulated, document Nov 24/12).

The previous discussions were noted:

- agreeing the need to be mindful of pressures on the Senior Leadership Team
- if an issue was of a high priority for the College and/or governors
- as far as possible, deep dives to be considered with reference to the Strategic Risk Register 2024/25
- the agreed watchlist.

It was agreed that this continued to be the position, including a watch on HTS, unless any concerns were raised.

It was **RESOLVED THAT** the report on Deep Dives be noted and received.

24/31 GIFTS AND HOSPITALITY

The Disclosure of Gifts and Hospitality document was received (circulated, document Nov 24/13).

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.

24/32 ANY OTHER BUSINESS

The Chair noted that this would be last Audit Committee for Mrs Powditch. The Chair thanked Mrs Powditch on behalf of the Committee for stepping in to assist the College and wished her well in her retirement.

The Vice Principal Finance and Resources expressed her personal thanks.

The auditors commented on the positive experience of working with Mrs Powditch.

There were no other items of business.

24/33 DATE OF THE NEXT MEETING

The date of the next meeting was confirmed as 17th March 2025.

The availability of members to attend on site to be confirmed.

[ACTION] ALL

Indicative list of business (circulated, document Nov 24/13) was noted.

FOR DECISION

24/34 PERFORMANCE REVIEW OF AUDITORS

Committee members noted the issue of the assessment documentation prior to the meeting (circulated, document Nov 24/15), and acknowledged that to a large degree the assessment could only be completed by the Vice Principal Finance and Resources. No responses had been received.

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

The Chair and Director of Governance noted the responses. The Chair of the Committee would provide the feedback to Murray Smith.

[ACTION] SB

24/35 LATE PAPER – BUDGET 2024/25

Committee members noted the issue of the late paper (circulated, document Nov 24/16).

The report provided detail on the proposed amendment and correction of the revised budget for 2024/25 presented to, and approved by, the Board in October 2024.

It had been reported that the revised budget would result in a financial health assessment of outstanding. This was incorrect.

The revised budget would result in a health assessment of 'Good'.

As the request to Board to approve both the budget and the pay award was in this context, on discussion with the SLT, it was agreed that having committed to delivering 'Outstanding' (subject to exceptional circumstances) this should therefore be abided by. The paper set out the changes that had therefore been incorporated.

The detail provided confirmed the process for achieving a particular financial health grade, via a scoring range, and the actions taken to deliver this with the 2024/25 budget.

It was emphasised that this did not fall under the agreed remit of the Committee and that the report provided the opportunity for the accountants serving on the Board to discuss the position prior to presentation at the December 2024 Board meeting.

It did not require approval.

Points of discussion / questions included:

- appreciation for bringing to the attention of the Committee
- consistent treatment in terms of the proposed changes
- understanding of the importance of maintaining an 'Outstanding' financial health grade
- appreciation of the transparency displayed
- understanding that this approach makes it a formal action for management to address
- support for this approach
- relatively immaterial (0.5%) but material to the financial health grade

It was confirmed that this action would not have been taken without having requested approval for the pay award on the basis of an 'Outstanding' financial health grade.

It was **RESOLVED THAT** the Late Paper – Budget 2024/25 be noted and received.

The Committee again thanked the VPs and staff for their work.

The Chair thanked members for their attendance and valued contributions.