

Hereward College



Minutes of: AUDIT COMMITTEE

Date: 20th November 2023

Time: 5:30 p.m.

Place: via Microsoft Teams

Present: Mr S Brand (Chair)
Mr S Crick
Mr M Crook
Mr M Cumella
Mr K Sonecha **left at 19.00.**
Ms H Hillyard

In attendance: Mrs R Barnes (Vice Principal Finance and Resources)
Mrs A Autherson (Finance Manager) for item 23/24

Mr M Benson (Murray Smith) **not for item 23/33**
Mr M Harvey (ICCA-ETS) **not for item 23/33**

Mrs Y Doherty (Director of Governance)

23/19 APOLOGIES

There were no apologies for absence.

23/20 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?
 - i. Release of provisions – already determined.
 - ii. The decision not to recognise the pension asset.
 - iii. Potential lawsuit – covered in the Notes.
- As the first audit for MS, had it been positive?
Yes, the staff had been well prepared with the Vice Principal Finance and Resources involved in technical aspects. The Vice Principal Finance and Resources had done very well given they had been in post for a short period of time, with an understanding of the big issues. The audit had been clean and being on site had been of assistance.
- What, if anything, would change?
Attempt to get the governance/regularity aspects completed prior to the start of the audit.

- Good working relationship with college management?
Yes.
- Had MS received any feedback from the college?
Believed it was considered to have gone well but nothing specific.
- Had queries been dealt with promptly and efficiently?
Yes.

Internal Audit: ICCA-ETS

Nothing to raise that was not on the agenda.

The College Management joined the meeting.

23/21 DECLARATIONS OF INTEREST

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

FOR DECISION**23/22 MINUTES OF THE LAST MEETING**

The minutes of the previous meeting on 25th September 2023 (circulated, document Nov 23/1) were considered.

It was **RESOLVED THAT** the minutes of the meeting held on 25th September 2023 be approved.

23/23 ACTIONS/MATTERS ARISING**23.1 Actions Report**

The Committee considered the Actions update report (circulated, document Nov 23/2)

22/62 Audit Committee: Meetings

It was suggested that the Committee meet face to face at the next scheduled meeting (November)
[ACTION]

20.11.23 Response:

Insufficient members were able to attend in person. A new date to be identified.

It was agreed that the Director of Governance would confirm availability for March 2024

Carry Forward

[ACTION]

**YD
ALL**

*22/64 Policies**64.1 Treasury Management Policy*

Liquidity policy – detail on investing surpluses/interest on cash holdings – more detail to be provided.

In the interim look at what alternatives are available within existing banking facilities.

Further discussion should take place before the policy is approved.

25.09.23 Response:

Carry Forward

[ACTION]

20.11.23 Response:

Main agenda item 5.2. See minute 23/23.2.

COMPLETE

22/65 Internal Audit: Internal Audit Plan 2023/24

Key financial controls – operation of systems, nuances – how well does the finance department service stakeholders. This could be extended to include working with budget holders (RB/JC to discuss).

25.09.23 Response:

Carry Forward [ACTION]

20.11.23 Response:

RB to discuss with JC when agreeing the Terms of Reference for the audit. [ACTION] RB

22/73 Performance Review of the Internal Auditors

It was noted that 2022/23 was the fourth year of the contract. The contract allowed for annual extensions for up to two years, after the initial three-year contract, 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 2023/24. It would now be necessary to tender for the IAS during 2023/24, for a contract beginning 01 August 2024.

25.09.23 Response:

Carried forward for update report in November 2023 [ACTION]

20.11.23 Response:

Main agenda item 5.3. See minute 23/33 COMPLETE

5.2 Anti-Fraud Policy (circulated, document Sept 23/3)

It was agreed that the Key Financial Controls review should include delegated authorities [ACTION]
The Vice Principal Finance and Resources suggested that a further review of the Financial Regulations would confirm the key risks and mitigations to identify any gaps. [ACTION]

20.11.23 Response:

The Vice Principal Finance and Resources has reviewed the Financial Regulations and is satisfied that all key risk areas are included, and the scheme of delegation is comprehensive. COMPLETE

23/06 MATTERS ARISING

LGPS – FRS102 pension as asset rather than liability

- what was the materiality of the value (detail was provided),
- it was not currently recognised as an asset,
- there was a need to fully understand the implications either way,
- ESFA would ignore,
- if show as an asset:
 - issue for the organisation as it cannot be accessed.
 - if an asset could reduce contributions
 - as an asset would strengthen the balance sheet
 - consider against any future borrowing.
 - there was a need to have a better understanding of why it would be recognised as an asset and future implications.
- if it is a deficit the implications are increases in contribution or making a one-off payment,
- Vice Principal Finance and Resources to investigate further, including with members, outside of the meeting. [ACTION]

20.11.23 Response:

The Vice Principal Finance and Resources held discussions with members of the Audit Committee and external audit.

Please refer to item on the Financial Statements (agenda item 6). COMPLETE

Mr Harvey concurred with the discussions, but the issue would be referred to Mr Creed to ensure better understanding. [ACTION]

20.11.23 Response:

Mr. Creed confirmed to the Director of Governance that this issue should be addressed by discussion with the external audit service. COMPLETE

23/14 MONTHLY MANAGEMENT ACCOUNTS: Month 12

A query regarding the opening and closing figures was raised.

It was agreed that more data would be provided. [ACTION]

20.11.23 Response:

Detail provided in the minutes, please see 23/14 in main body of minutes. COMPLETE

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

23.2 Treasury Management – liquidity policy

The Vice Principal Finance and Resources presented an update report on the Treasury Management – liquidity policy (circulated, document Nov 23/3).

As requested, a discussion surrounding the College's approach to the investment of cash holdings had been held giving further detail of how surplus cash balances are invested as broadly referred to in the policy.

It was agreed that no change to the policy wording was required at this time. This would be reconsidered at the next policy review point and the policy updated to give further detail as is helpful.

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

23.3 Internal Audit Tender

The Vice Principal Finance and Resources provided a verbal update.

Historical documentation had been reviewed re the process adopted. The current engagement concludes on 31 July 2024. It was intended that the audit process would commence in January 2024.

It was **RESOLVED THAT** the update on the internal audit process be noted and received.

23/24 FINANCIAL STATEMENTS year ended 31.07.2023

24.1 Financial Statements 2022/23

The report and Financial Statements for the year ended 31st July 2023, (circulated, document Nov 23/4) were considered.

A summary report was provided that detailed key headlines:

- The College made an operating surplus of £1,118k before FRS 102 adjustments.
- After the impact of FRS 102 and the treatment of pension liabilities the adjusted surplus was £466k
- 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 £4,180k. However, the asset has not been recognised due to the uncertain nature of its future benefit to the College, instead the asset being reduced to £nil (2022: £2,740k liability). This decision had been taken on balance, acknowledging discussions within the sector and no additional guidance from ICAEW/ESFA beyond FRS102.

- The Total Comprehensive Income for the Year, which takes in to account the remeasurement of the defined benefit pension schemes is £3,859k.
- Total net assets after FRS102 adjustments are £10,051k.

Points of discussion / questions included:

Discussions, outside of the meeting, on the pension asset issue were noted.

It was commented that fundamentally there was significant uncertainty regarding the benefit that could be obtained from this 'asset'.

Were the external auditors satisfied with the description / disclosure regarding the accounting treatment of the pension?

It was commented that this was a problematic position given the lack of guidance from accounting bodies or the ESFA. Most professionals agree that it is an asset but there remained a question of its value. It is difficult to determine what could be recorded with regard to the uncertainty. It was only possible to stipulate that the College had taken the view not to recognise it as an asset.

What were others doing / was there best practise?

Last year MS had been comfortable with recognition by clients. FR102 indicates that it can be recognised if there would be a reduction in future contributions. MS had taken the view that there would be.

Others had taken a different view.

There wasn't best practise and the ESFA had not addressed this.

Where differing approaches had been adopted were they as material as for the college?

This was confirmed to be the case.

Examples of other organisations adopting the same approach as the College were provided.

Given the level of surplus was it anticipated that the ESFA would comment or that there would be any impact?

It was reported that it was difficult to know specifically. The unusually high surplus was due to the provisions release which had been explained.

It was questioned if the commentary / notes in the accounts were considered clear enough to avoid any detrimental impact.

It was countered as to whether there was suggested wording.

It was confirmed that the question related only to clarity.

It was commented that with such a large document it was expected that only professionals would understand the finer detail.

Members were asked if they considered it appropriate to add anything further.

It was reported that where this had not been recognised previously only brief explanations had been included.

The provisions of FRS102 were noted.

Capital spend was queried and that no grant aid was recorded. An explanation was requested*.

It was reported that there had been very little opportunity to obtain capital grants.

It was confirmed that there had been receipt of two grants for expenditure in this financial year. Detail was provided. The impact of Element 1 and high needs funding was highlighted.

**Following the question for the Committee concerning the report that no capital projects in the year were funded, the VP Finance & Resources would like to correct that statement to reflect that an energy efficiency grant of £26k was received and spent in the year and funded the installation of energy efficient lighting.*

Clarity about Note 8; 'staff costs and key management personnel remuneration' was requested. It was reported that this data included the appointments to the role of Vice Principal Finance and Resources, which were for specific separate periods throughout the financial year, but all were key management personnel.

It was suggested that there was a need for clarity as the text included 'other staff' when the reporting was only for key management personnel.

It was suggested that this be noted for next year.

It was commented that when using exemplar documents with specific wording that this should be followed.

It was also highlighted that page 12 provided the detail on the key management personnel for 2022/23.

There was discussion of the detail provided on the residential learner numbers in the covering report from the Vice Principal Finance and Resources, and if more detail would be beneficial.

It was reported that explanation had been provided at the Board meeting in October 2023.

A minor formatting point relating to the KPI and Financial Performance tables was raised for the future – it was suggested that the data for previous years begin with the most recent year in the furthest left column (rather than the right), which would be consistent with financial statement presentation.

It was **RESOLVED THAT** the Report and Financial Statements for year ended 31st July 2023 be recommended for approval by the Corporation.

24.2 External Audit: Audit Completion Report 2020/21

Mr Benson reported on the External Audit Findings Report (circulated, document Nov 23/5).

It was confirmed that that audit process had gone very smoothly, and that a very clean report would be submitted to the ESFA.

The report detailed the critical risks that had been identified at the planning stage and how these had been covered. Attention was drawn to the net current assets which indicated liquidity, and the increase for 2022/23.

The report included three internal control recommendations:

1. Credit Cards

Management to review the number of credit cards in use and all credit cards relating to ex-employees are cancelled.

2. Credit Card Authorisation

Authorisation evidence is retained for all credit card transactions and the expenditure is authorised in line with the financial regulations.

3. Physical asset checks and fixed asset disposals

As part of the requirement for the safeguarding of assets it was recommend that periodic physical asset inspections are carried out. The results should be communicated to Finance and the appropriate transactions processed.

There were no unadjusted misstatements above the level of materiality.

This was an indication that the management accounts were clean.

Points of discussion / questions included:

Surprise was expressed at the number of credit cards.

This was acknowledged and it was confirmed that a review would be undertaken to understand the basis for this position and any potential remedial action. **[ACTION]**

RB

It was suggested that reference to the expenses policy be made.

The sample test that indicated two credit card expenses had not been authorised – was this the transactions or statements, and was it material?

It was confirmed that this was two statements that had not been fully authorised and was not material as it was below the transaction limit of £500.

It was agreed that the position regarding credit cards was worth review. The controls were concurred with. The Vice Principal Finance and Resources to keep the Committee informed.

[ACTION]

RB

It was **RESOLVED THAT**, the Murray Smith Audit Completion Report 2022/23 be noted and received.

The Committee expressed its thanks to all involved for their work in producing the Financial Statements 2022/23.

24.3 Letter of Representation

The Committee considered the Letter of Representation (circulated, document Nov 23/6).

It was noted that this confirmed to the auditors that the College had disclosed everything to the auditors.

The points of deferred income and potential clawback was raised.

It was confirmed that provisions had been released as previously agreed and provisions were being held for the future. There had been no significant movement.

The plans for future release were queried.

It was reported that where the amount was known this was held for six years, where it was estimated this was held for three years. This position was tracked and held prudently.

Mr Benson commented that this had been agreed prior to the audit and Murray Smith was comfortable with the position.

It was suggested that it would be useful to provide a reminder of the approach adopted.

It was agreed that this would be included in the minutes*.

**The College makes provision each year for those students where the potential exists for a LA to request a repayment of fees due to low attendance. As discussed, and agreed with Audit Committee in March 2023, and approved by the Board in March 2023, the provision calculated in any one financial year is to be held for 3 financial years, thereafter, released in full (giving a rolling 3-year provision). Other fee repayment provisions where the LA has requested a specific repayment of fees but has not provided the College with the necessary information to action the repayment, will be held for 6 financial years.*

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

24.4 Regularity Self-Assessment Questionnaire 2022/23

The Vice Principal Finance and Resources presented the Regularity Self-Assessment Questionnaire 2022/23 (circulated, document Nov 23/7).

It was noted that the revisions for 2022/23 as previously presented at the September 2023 meeting of the Committee had been accepted. There was one minor insertion (pg15) to report the total value of expense claims reimbursed for key management personnel.

It was **RESOLVED THAT** the Regularity Self-Assessment Questionnaire 2022/23 be recommended for Corporation approval and signature by the Chairman of the Corporation and Principal.

23/25 STUDENTS' UNION / COUNCIL ACCOUNTS

The Vice Principal Finance and Resources provided verbal update on the position.

- The Board approved the establishment of the Student Council in place of the previous Students' Union in December 2022.
- The bank account balance from the SU was donated to Friends of Hereward.
- The SU bank account was closed 28.03.23.
- The NUS membership ceased May 2023.

It was **RESOLVED THAT** the update report on the Students' Union / Council accounts be noted and received.

Mrs Autherson left the meeting.

23/26 POLICIES

The Vice Principal Finance and Resources provided an update report the review of policies (circulated, document Nov 23/8).

26.1 Public Interest Disclosure Act/Whistleblowing Policy

Minor amendments. There had been no changes to relevant legislation since the last review.

26.2 Anti-Bribery Policy

Minor amendments. There had been no changes to relevant legislation since the last review.

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.

23/27 AUDIT COMMITTEE ANNUAL REPORT 2022/23

The Committee considered the draft Audit Committee Annual Report 2022/23 (circulated, document Nov 23/9).

The report provided detail on the work of the Committee during 2022/23. 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 2022/23 be approved for presentation to the Corporation.

FOR INFORMATION**23/28 RISK MANAGEMENT****Risk Management Update Report**

The Vice Principal Finance and Resources provided an update report on Risk Management (circulated, document Nov 23/10).

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 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.

The residual risk had increased from Housekeeping to Contingency recognising College and sector wide challenges in recruiting to vacant posts. Vacancies primarily driven by an increase in the number of staff required to support learners with more complex needs.

SR 4-2: Failure to match accommodation to curriculum / learner requirements and developments.

The residual risk had increased from Housekeeping to Contingency recognising the growing impact on the availability of space accommodating learners with more complex needs.

There had been a reportable accident under RIDDOR for a member of staff who sustained injury whilst supporting the transfer of a learner back into their wheelchair. The individual was subsequently absent from work for a period in excess of 7 days.

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

23/29 INTERNAL AUDIT**Progress against the Internal Audit Annual Plan 2023/24**

Mr Harvey presented an update on progress against the Internal Audit Plan 2023/24 (circulated, document Nov 23/11)

The field work for one of the five reviews had been completed, with the dialogue with management regard the findings and report in progress.

The remaining four were scheduled for terms 2 and 3.

It was **RESOLVED THAT** the progress report against the IAS Annual Plan 2023/24 be noted and received.

23/30 PROGRESS AGAINST THE AUDIT RECOMMENDATIONS

The Vice Principal Finance and Resources presented a report which set out progress against audit recommendations (circulated, document Nov 23/12).

The report was presented in a revised format and contained those outstanding recommendations as at 01 August 2023, arising from the audits completed from 2020/21 onwards.

It was anticipated that the three outstanding actions would be completed by the end of the autumn term.

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

Ref	Action by
23/31	DEEP DIVE The Committee noted that the next planned Deep Dive was: Curriculum Planning / Costs / Analysis by Pathway for presentation March 2024 The Vice Principal Finance and Resources confirmed that work on consideration of this from the pathway perspective had begun. It was queried if there was anything required from members in terms of refining the scope / deliverables. It was suggested that this be addressed by email circulation to ensure agreed expectations. [ACTION] SB / YD It was RESOLVED THAT the planned Deep Dive for March 2024 be noted and received.
23/32	GIFTS AND HOSPITALITY The Disclosure of Gifts and Hospitality document was received (circulated, document Nov 23/13). 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.
	FOR DECISION
23/33	PERFORMANCE REVIEW OF AUDITORS Committee members noted the issue of the assessment documentation (circulated, document Nov 23/14), and acknowledged that to a large degree the assessment could only be completed by the Vice Principal Finance and Resources. It was confirmed that responses had been provided by Mrs Barnes 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 Murray Smith. [ACTION] SB / YD
23/34	ANY OTHER BUSINESS • Committee Chair Mr Brand suggested that consideration should be given to the prudence / benefit of rotation of the individual holding the role of Committee Chair (similar to audit partner rotation). He confirmed that having fulfilled the role since October 2018 he felt he should step down from the position but would remain a member of the Committee. Discussion points / questions included: Mr Sonecha asked if there was a timeline and if volunteers were being sought? Mr Sonecha confirmed that he would not be able to commit to the role of Committee Chair. It was suggested that appointment to the role could be for an initial two-year period with the intent to review for a further two years. However, was it necessary to automatically rotate? Practice in other organisations was queried.

Experience included a minimum two-year appointment, but it was necessary to consider the associated requirements such as availability and what was best for the College.

The auditors confirmed that the idea of rotation was commendable however in reality there weren't also that many individuals who have the skills, time, or desire to take on the role. There wasn't evidence of rotation as a process.

Mr Brand confirmed that there had been discussion of this as well as succession planning at the meeting of the Search and Governance Committee.

It was agreed that this be progressed outside of the meeting.

[ACTION]

SB /
YD

23/35

DATE OF THE NEXT MEETING

The date of the next meeting was confirmed as 4th March 2024.

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

[ACTION]

YD

The Chair thanked members for their attendance and valued contributions.