



**CONFIRMED MINUTES OF THE
AUDIT COMMITTEE MEETING
HELD REMOTELY ON 23RD NOVEMBER 2022**

Present:	Lucky Ali	Independent Governor
	Gary Baines	Independent Governor (Chair)
	Ian Parkinson	Independent Governor
In attendance:	Sue Higginson	Principal
	Phillip Jones	Vice Principal – Quality
	Claire Ledsall	RSM (Internal Auditor)
	Nikki Leising	Financial Controller
	Rory McCall	Wylie & Bisset (External Auditor)
	Michael Norton	Deputy Principal
	Will Simpson	RSM (Internal Auditor)
	Lesley Venables	Clerk to the Governors

APOLOGIES FOR ABSENCE

39 There were no apologies for absence.

DECLARATIONS OF INTEREST

40 There were no declarations of interest in any agenda items.

PRE-MEETING WITH AUDITORS

41 The Committee met with the Auditors in the absence of management and were advised that there were no issues that they wished to raise.

MINUTES OF PREVIOUS MEETING

42 **Resolved** That the minutes of the meeting held on 28th September 2022 be approved as a correct record and signed by the Chair.

MATTERS ARISING

43 Governors received a progress report on the list of actions from the previous meeting. It was agreed that the Clerk would continue to bring to the attention of the Governance & Search Committee any future training opportunities (minute 6 refers) and would report on the outcomes of governance processes such as the individual governor reviews that took place annually.

EXTERNAL AUDIT MATTERS

44 The External Auditor presented the Annual Report on the Financial Statements for the year ending 31st July 2022 and the Letters of Representation for both the Financial Statements and Regularity Audits.

45 The report summarised the College's financial activity and stated that the College had reported an overall operating surplus of £1,350k (compared to £2,028k surplus in 2020/2021). This excluded an actuarial pension gain of £13,820K and had resulted in Total Comprehensive Income of £15,166k for the year. Once these items had been taken into account, the College had generated an operating surplus for the year of £856k (compared to a surplus of £3,109k in 2020/2021).

46 The External Auditor highlighted that there were no new control recommendations for the year ending 31st July 2022.

47 The External Auditor was satisfied with the Board of Governors' assessment that it was a going concern and that the College would remain operational for the foreseeable future.

48 It was expected that, once a number of minor issues had been completed, unqualified opinions would be issued for both the Financial Statements and Regularity Audits, which would enable the Financial Statements to be approved by the Board and signed by the Chair and the Principal.

49 Governors were advised that additional work had been undertaken this year in relation to income recognition, as the ESFA no longer undertook this annually. A sample of items relating to the College's main income sources had been audited to ensure they had been claimed correctly. This work had concluded that there were no material misstatements of income recognition and no matters to raise.

50 A small number of adjusted errors had been identified which had been resolved satisfactorily in discussion with management.

51 The Committee was advised that there were no significant issues to bring to governors' attention and the Committee received the draft Letters of Representation.

52 The growth in Adult Education Budget funding (£600k) from the Liverpool City Region in 2021/2022 was not consolidated into the College's budget for 2022/2023 and would have to be renegotiated with the LCR. Governors also noted that the Office for National Statistics was due to make an announcement shortly about the reclassification of further education colleges, which may have implications in the future.

53 **Resolved** That, subject to some minor amendments, the Board be **RECOMMENDED** to approve the Financial Statements and the Letters of Representation for both Financial Statements Audit and the Regularity Audit for 2021/2022.

AUDIT COMMITTEE ANNUAL REPORT 2020/2021

54 The Clerk presented the draft Audit Committee Annual Report for 2021/2022. The report followed the requirements of the revised Post-16 Audit Code of Practice and governors were assured that all requirements of the Code had been included.

55 The report summarised the membership, attendance levels, training activities and work of the Committee in 2021/2022, along with the outcomes of various audits.

56 The Committee thanked the Clerk for the work undertaken and concluded that it had discharged its responsibilities in accordance with the Terms of Reference and in line with the ACOP.

57 Resolved That, subject to minor amendments, the Audit Committee Annual Report for 2021/2022 be approved and submitted to the Board for information.

RISK MANAGEMENT UPDATE

58 The Deputy Principal provided an update on the College's Risk Register. There had been no amendment to the Risk Register since the last meeting, however, a number of factors had been considered by management including future Government funding levels for FE, internal budgetary controls (this refers to a later agenda item) and the standard of service received from the College's current catering provider which could impact on any Ofsted grading.

59 Governors were advised that a tender process was underway for a new catering company and it was anticipated that the successful bidder would commence operations in January 2023. The amount received by students for Free Meals had been increased to £7.00 per day as a further support measure in the difficult economic circumstances and there was a higher level of management presence on site at key periods to reduce queuing. The Committee was reassured that every effort was being made to resolve the situation.

Will Simpson joined the meeting.

60 In response to a question about the College's proposed staff pay award being rejected by the trade unions the Principal reported that a 3 month consultation period had taken place, which had culminated in a 'failure to agree' as the unions had not moved from their stance despite the College making a good, but affordable offer. Governors noted that if all risks in the risk register had occurred in the College the amount available for any pay award would have been lower, since it was important to balance maximum affordability with the need to ensure financial stability and therefore, protect jobs. The Principal reported that the recommendation made by the AoC for pay increases for 2022/2023 was 2.5%. The College's offer was an average of 7.6% consolidated, with a minimum of 6% up to over 11% for some of the lower grades. A further adjustment would need to be made to lower grades following changes to the national living and real living wage from 1st April 2023.

MANAGEMENT ACCOUNTS

61 The Committee received for information the Management Accounts as at 30th October 2022 to monitor the solvency of the College, in accordance with the Committee's terms of reference.

62 The Deputy Principal provided a brief update and advised that the financial forecast was still in a positive position and the College continued to be graded as having 'Outstanding' financial health. Cash balances were higher than the forecast and it was noted that the main concerns currently were the upward pressure on pay levels, greater levels of competition for qualified staff, particularly in construction and some STEM areas, and inflationary factors in the economy in general.

63 The Autumn Budget Statement had included an uplift in the National Minimum Wage from April 2023. The Principal advised that one of the items for the attention of her successor would be to continue to deconflict the lower grades of the pay scale as part of the negotiations on pay for 2023/2024. This would be addressed on 1st April 2023 but would continue to be kept under scrutiny as national levels increased. Currently the whole pay structure of the College was anchored from the lower grade levels.

INSURANCE REVIEW

64 The Financial Controller presented a report on the College's insurance cover for 2022/2023 and its claims history for 2021/2022. It was noted that there had been no claims made against the College during this period.

65 The overall expenditure had increased by £7,976 due to the higher costs of Cyber Insurance Policy, which was common across the sector due to the frequency and seriousness of cyber-attacks.

MONITORING OF PREVIOUS RECOMMENDATIONS

66 Governors received a report on the progress of the implementation of previous audit recommendations and the respective implementation dates. There was a total of 22 management recommendations, 7 of which were graded as 'high' priority and related to the Hospitality & Catering Audit referred to later in the meeting.

67 It was noted that a follow-up of the recommendations relating to the ILR for Higher Education provision would take place early in the New Year, with a further progress report made to the Committee's next meeting.

INTERNAL AUDIT REPORT – HOSPITALITY & CATERING

68 The Committee received a report on the College's Hospitality & Catering provision, which was graded as 'minimal' assurance. A total of 14 recommendations had been made, 5 of which were assessed as 'high' priority, 4 of which were 'medium' priority and 5 of which were 'low' priority.

69 The Deputy Principal commented that the outcomes of the report had highlighted the robustness of the College's internal control systems. The issues within the department related to over-complex systems that did not align to each other, lack of staff training and development, inefficiency and disjointed management oversight. The staff had welcomed the audit process and felt that the recommendations outlined in the report would enable the department to improve.

70 A governor asked why this area had been identified for an internal audit review. The Deputy Principal explained that hospitality and catering operations were always high risk within FE colleges and that this had increased as a result of the current Cost of Living Crisis. New Finance systems enabled management to delve into the detailed activities of any department in the College and recent behaviours of some staff had been noted for further follow-up.

71 The aim of the audit was to determine whether the controls were working effectively and whether the public funds expended in this area were being used for their proper purpose. Management had also felt that students should receive realistic experience of working in a commercial restaurant/kitchen in terms of processes such as portion control and stock management.

72 A governor queried whether the management responses included in the audit report provided a sufficient level of assurance, particularly given the short deadlines for a number of items. The Deputy Principal reported that the action plan was robust and that swift responses were required to address the issues identified in the report.

INTERNAL AUDIT PROGRESS REPORT 2022/2023

73 The Internal Auditor presented a report on progress against the Internal Audit Plan for 2022/2023. Governors noted that a follow-up review of the recommendations identified on the ILR for HE students would be undertaken in January 2023 and that most action points related to the design of the control framework.

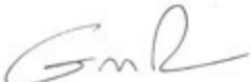
ITEMS TO BE REPORTED TO THE BOARD:

74 The Chair summarised the main points of the meeting which would be reported to the Board at its meeting on 15th December 2022:

- External Audit Report on the Financial Statements and Regularity Audit indicated unqualified opinions and no management recommendations
- Board recommended to approve the Financial Statements and the Letters of Representation for both Financial Statements Audit and the Regularity Audit for 2021/2022
- Audit Committee Annual Report for 2021/2022 was approved and would be submitted to the Board for information
- No changes had been made to the Risk Register
- The Committee received information on the College's insurance cover for 2022/2023 and claims history for 2021/2022
- Internal Audit Report on Hospitality & Catering was received for information

DATE OF NEXT MEETING – Tuesday 7th March 2023

SIGNED:


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(Chair)

Dated:

7 March 2023