

Minutes of a meeting of the Audit Committee held on Monday, 25th November 2019 in FO27 of the College

Present: Robert Milburn (Chair); Norma Boyes; Denise Rollo; Stuart Williams
Elaine Clinton

Also present: Karen Rae (External Auditor); Patrick Clark (Internal Auditor); Karen Wilson (Deputy Principal); Jane Murray (Clerk)

29/19 Minutes

Resolved – that the minutes of the meeting held on Monday, 17 June 2019 be approved and signed as a correct record.

Elaine Clinton joined the meeting

30/19 Declarations of Interest

None received.

31/19 Internal Audit Annual Report 2018-19

The Internal Auditor noted that the report gave the Committee reasonable assurance, which was the highest assurance rating that could be given. The number of recommendations arising from the internal audit work this year had been 16, which was quite low in comparison to other colleges.

It was asked whether the fact that there were more recommendations this year than the previous year should be cause for concern, it was felt that the plan had been linked to the risk register and areas where management had some concern and that, in considering the recommendations, there was nothing of real concern.

In considering the KPIs in respect of performance of the Internal Auditor, it was noted that the one report which had been delayed had been due to staff holiday, which was accepted.

The Committee thanked the Internal Auditor for their clear report and their work throughout the year.

32/19 Financial Statements and External Auditor Report and Management Letter

The External Auditor noted that Funding Body grants were up. Within that 16-18 were slightly down, HE down, apprenticeship provision consistent and adults up. This coupled with the release of capital grants saw funding body income of £9.6m in 2018-19 compared to £8.95m the previous year.

Similarly, education contracts were up, but Tuition Fees and charges slightly down. The net effect for 2018-19 was £12.177m of income compared to £11.44m the previous year.

With expenditure of £12.779m, this had led to a loss in-year of £602,000 before disposal of assets. However, with the pension actuarial loss, which had swung significantly from a gain of £2.1m the previous year to a loss of £2.8m this year, the overall effect on paper (noting that the actuarial loss was a paper cost rather than a real cost) was £3.401m.

The Deputy Principal noted that since the actuarial review had been carried out, the regular 3-year valuation had been carried out (by the same actuaries), which had indicated that the Lakes College element of the pension scheme was in surplus by £500,000.

The Deputy Principal was asked whether the reserves should be restructured to combine reserves and designated reserves, however she wanted to give this due reflection and would consider this as part of the finance and resources strategy review.

It was asked whether consideration should be given to explaining the pension issue when the accounts were publicly available, as reading the accounts cold could give a very different impression.

In response to questioning, it was noted that a £40,000 provision had been allowed, associated with apprenticeship funding reconciliations.

Turning to the Management Report and Letter, the External Auditor felt that it had been a clean audit and a clean regularity audit and she was very comfortable with those conclusions. There had been no evidence of any manipulation of profits and losses and all expenses tested had appropriate authorisations. The assumptions in respect of pension liabilities appeared prudent and in line with market trends, and there were no significant deficiencies in internal control.

The Committee also considered the Letter of Representation and were happy to recommend to the Board that the College remained a going concern. It was noted that the following year, the College would be required to demonstrate how the Board ensures a 'going concern' over the year, for example considering and approving the financial plan.

While there were some audit differences, it was felt that these were not material, but it was questioned that if they had been included in a revised set of accounts, this would have affected the EBIDTA rate bringing it down to 2.16% and asked whether that would have affected financial health. Such a move would have still seen good financial health as the EBIDTA threshold was 1%.

Resolved –

- 1) That the financial statements be recommended to the Corporation for approval.

- 2) That the Letters of Representation for both Audit and Regularity be signed.

33/19 Value for Money Report

The Committee received an overview of value for money. They noted that staff costs were now heading in the right direction. They asked whether the gym was now breaking even and it was confirmed that the inclusion of the 3G pitch now meant that it was.

It was felt that overall, value for money was being achieved, with action plans in place where there was any deterioration in performance. For future years, it was suggested that room utilisation and procurement savings be included in the report.

34/19 Annual Report of the Audit Committee

The Committee received a draft of their report, giving an overview of the activity undertaken in 2018-19 and standards performance. This report was required to be considered by the Board before the Financial Statements could be considered.

On the basis of the work undertaken in-year, an annual report from the internal auditor and clean financial statements and regularity audits by the external auditor, the Committee agreed the Annual Report for signature by the Chair of Audit.

Resolved –

that the Annual Report of the Audit Committee be agreed and signed, giving the Audit Committee's opinion that, as far as the information that has been tabled to the committee can allow a judgement to be made, that the Audit Committee is content that the Corporation can rely on the effectiveness of the systems of internal control and that the College's systems have been managed to a reasonable standard.

35/19 Admissions and Recruitment Update

Following on from work carried out last year on the processes for recruitment, the Deputy Principal reported a much more efficient process, but it had not had the desired effect of increasing recruitment. This was disappointing and pointed to other underlying issues and not the admissions and recruitment process.

The Deputy Principal noted that there continued to be work to do in convincing students and their parents of the benefits of a technical education and better marketing of the benefits, such as work placements.

36/19 Audit Tracking

The Committee noted the progress being made. Asked about payroll, it was confirmed that Capita were no longer planning on moving to Sheffield, however, a tender exercise would be taking place.

37/19 Chair's address

Having verified that there no issues that either internal or external auditor wished to raise without staff present, the Chairman thanked the Deputy Principal for a good set of accounts and the External Auditor and her team for their thorough and timely work.

The meeting closed at 1905h.