

Minutes of a meeting of the Audit Committee of Lakes College held on 22nd November 2021 at 5.00pm in F027

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

Also Present: Karen Wilson, Deputy Principal; Helen Culshaw (Internal Auditor);
Karen Rae (External Auditor); Jane Murray, Clerk

29/21 Minutes

Resolved – that the minutes of the meeting held on 20th September 2021 be approved and signed as a correct record.

30/21 Declaration of Interest

The Clerk declared an interest in the Governance Audit for the record, but did not withdraw as it was an independent report with no major implications for Governance.

31/21 External Audit

In discussion of the Annual Report and Financial Statements and Final Management Report, the External Auditor started with the Financial Statements.

She questioned whether there was a need for such detailed performance information in the strategic report, which it was felt was not necessary for an external report. The Committee agreed and the Deputy Principal agreed to amend.

Turning to the Income for the year, she noted that these were now presented as group accounts, incorporating the subsidiary Lakes College Enterprises Ltd.

Funding Body grant income had increased by £939,000; local authority high needs funding was down; as was adult education fees and Higher Education fees by £150,000 (it was noted on the latter that the income was likely to have transferred to apprenticeship income). Overall, the College was in a deficit position (before pension considerations) of -£110,000, which was significantly less than the previous year.

Although a paper exercise, which would not be realised unless the College was taken over, the actuarial calculations for this year showed a gain of £1,560,000 (a loss the previous year of -£2,630,000), putting the college group in a surplus position this year of £1.450,000.

It was asked what the likelihood was of the position staying the same in the coming year and was felt that this could not be predicted as there were many variables in pension calculations. The most important thing arising from annual calculations was that the College should not be asked to contribute deficit payments, which was real

money. It was noted that the implications arising from the MacLeod legal ruling were not wholly resolved.

It was noted that different options were under consideration to mitigate the impact of pension costs, but this was likely to take some time.

It was asked whether there were any further additions to the post-event section, such as the change of direction for National College for Nuclear, but it was not anticipated that this would be a cost to the College.

The Committee was asked to confirm that it considered the College to be a going concern and would make this recommendation to the Board. It was in a better position than the previous year and with cash reserves of £2m, although some was grant income, the underlying position was stronger.

Turning to the Final Management Report from the External Auditor, she noted that there were no issues arising from the key audit focus areas and that no additional risks were identified. The regularity audit had been agreed. There had been a few audit differences, but none which required to be adjusted.

Some of the issues, which had been brought to the attention of the Committee, included a need to review the Fixed Asset Register to delete old items; to invoice all students by the same agreed process via the EBS, to check permissions to carry over unspent bursary funds.

Key audit judgements included the challenges of reconciling apprenticeship income (it was noted that there had not been significant differences from the calculations which had been used), a question over how income relating to staff training was reconciled with the Deputy Principal noting that this was the way it had been advised to do for many years, and if not this way, the reconciliation would need to take elsewhere. It was asked and noted that it was mainly for teaching staff with an amount generally below £100,000.

There were two amber recommendations and one green recommendation, relating to fixed asset disposals; one relating to a software issue which was being addressed and one request to review schedules.

It was asked why there had been an increased number of issues to bring to the Committee in comparison with previous years and this was felt to be two-fold; that the Armstrong Watson is attending national ESFA events and gaining a better understanding of what ESFA wants the auditors to look at, and that there had been a change of audit manager and a different approach, reflected in increased recommendations. The Deputy Principal acknowledged this and felt that this was no bad thing, in order to ensure that standards were maintained.

Resolved –

- 1) That the Annual Report and Financial Statements, subject to the agreed changes, be taken to the Board for approval;
- 2) that a recommendation from the Audit Committee of going concern be taken to the Board.

32/21 Value for Money

The Deputy Principal presented her benchmarking report to the Committee, which formed part of the evidence the Committee could draw on in forming their annual opinion.

The meeting was adjourned at 6.20 pm for a fire alarm evacuation and the meeting resumed at 6.35 pm.

In comparing performance against other colleges in the same turnover bracket, the College was on a par in most areas. It was noted that staff costs were reassuring. Issues that the Deputy Principal wanted to explore were exam costs and low room utilisation.

33/21 Audit Committee's Annual Report

The Committee considered its Annual Report for approval by the Board and submission to the ESFA.

Resolved – that the Audit Committee's Annual Report be approved for consideration by the Board and submission to the ESFA.

34/21 Internal Audit: Governance

The internal auditor presented the findings of their Governance report which gave substantial assurance, with one recommendation arising to reset the attendance target to 80% from 75%. Attendance in 2020-21 had been 89%. The recommendation would come to the Board.

The Committee noted the report.

35/21 Internal Audit: Anti-fraud and Corruption Controls

The internal auditor presented the findings of their audit, which gave reasonable assurance. There were four low category recommendations; that the Fraud Policy should be published on the website; that the suggested checklist in the Code of Audit practice be added to the Fraud policy (it was felt this would better sit in the risk register); that the requirement to report to Action Fraud be added to policies; that staff training is more carefully monitored for compliance.

All the recommendations were accepted.

36/21 Audit Tracking Report

The Deputy Principal noted that all actions had been closed off for 2020-21 and that the new actions reflected the above reports.

The meeting closed at 1900h.