



Minutes of a meeting of the Audit Committee held in confidential session on Monday, 28<sup>th</sup> November 2022 at 1730h in room FO27 of the College or by teams

Present: Robert Milburn (Chair); Norma Boyes (co-opted)  
By teams: Elaine Clinton; Lee Todd

Apologies: Denise Rollo

Also Present: Karen Wilson, Deputy Principal; Karen Rae, External Auditor  
Jane Murray (Clerk)  
By teams: Marc Harvey, Internal Auditor

### **24/22 Minutes**

**Resolved** – that the minutes of the meeting held on 20<sup>th</sup> September 2022 be approved and signed as a correct record.

### **25/22 Declarations of Interest**

None received

### **26/22 Financial Statements and External Audit**

In presenting the overview of the Financial Statements, it was noted that the turnover had been £13, 532m. Following the pension adjustments of FRS102, however, the balance sheet was showing a deficit of income over expenditure of £518,000. This deficit would only be realised if the College was to merge or be taken over.

It was questioned by the Auditor as to whether the College had considered a second actuarial valuation to take account of increases in interest/inflation rates rises since the end of July 2022. The Deputy Principal noted that the accounts clearly stated the position at the end of July. As it was agreed that the position for this college of any further valuation would be likely to have a positive impact overall this was judged to be a reasonable decision.

In considering this issue, including the cost of a second actuarial valuation, the Committee felt that an embellished note under FRS102, drawing attention to the timing of the valuation and change of circumstances since the end of July 2022, was a better way forward and agreed.

The external auditor asked about clawback arising from a recent ESFA funding audit. There had been overprovision made in the financial planning of £40,000 of which half was anticipated to be clawed back on receipt of what was otherwise a satisfactory funding audit.

The External Auditor sought to clarify the position of a governor and a lease which was being pursued with Morgan Sindall – it was agreed that this was not a related party transaction.

The External Auditor questioned whether there had been any fixed asset disposals and the Deputy Principal thought not as there had been a significant number the previous year.

The External Auditor raised the question of investments and whether these were true investments or cash equivalents. This was discussed with the committee and it was agreed that, as they were deposit accounts, that the Deputy Principal should return them to cash.

The External Auditor raised the issue of a recent court ruling in respect of holiday pay and zero hour contracts. The Deputy Principal had checked with the HR Manager at the time and was assured of no impact for Lakes College, but she had asked him to double check more recently.

The External Auditor requested of the Deputy Principal the latest bank statements and management accounts in order that she could be assured of going concern. She also requested of the Board, in their consideration of the financial statements, that they should confirm that the financial statements were as to be expected from their monitoring of the management accounts throughout the year and that they should explicitly confirm their opinion of Going Concern.

The Chair of Audit requested that an amendment to the strategy report to make it easier to read, in addition to the above agreed amendments.

The External Auditor continued with their Management Report, where it was noted that there were no issues identified with income and that accounting estimates had been calculated on a reasonable basis. Forecasts and cash flow had been reviewed and found to be reasonable in support of 'going concern'. There had been a clean regularity audit.

In discussing the areas they wished to bring to the attention of the Audit Committee (not formal recommendations), the Chair noted that there seemed to be more than in previous years. This was felt to be the result of the approach of a new member of staff who was very thorough. However, a good number of these were historical. There was acceptance though that the fixed asset register did need a thorough overhaul.

The 16-19 bursary funds were brought to the attention of the Committee, where accrued, unspent funding had been used on 'additional' facilities for all students. The Deputy Principal had researched and was clear that it was permitted to be spent in that way. The External Auditor agreed that it had been spent in a reasonable way, but still felt that, as it was not specifically spent as bursaries, that she required to bring this to the Committee's attention.

In moving to the recommendations, there had been two amber recommendations; one in respect of the student bursary fund issue above and one in respect of updating the deferred income schedule. A third green recommendation was to review the prepayment schedule. The implementation would be monitored through the audit tracking report.

**Resolved –**

- 1) That the Board be recommended to approve the financial statements and going concern.

**27/22 ESFA Funding Audit**

This audit had taken place at the busiest time of the year for any college and the team responsible had been put under extreme pressure by anyone's standard. The sample size for the audit was exactly the same as for a much larger college, adding to the challenge and complexity.

The internal auditors had carried a mock funding audit in February and had found mostly the same issues (the audit was the same year that had been considered by the internal auditor), however, the depth and breadth of the ESFA had been much greater.

The conclusion of the audit was satisfactory and the level of errors were well within the tolerance of 5% materiality.

While acknowledging this, the Deputy Principal did acknowledge that there were house-keeping issues which required to be addressed, albeit that some of the rules, particularly in respect of apprenticeships, were very demanding (for example learner; employer and the college had all to sign up to the agreement before learning could begin). There had been some Covid-19 leeway which had been given on this audit, but could not be expected in future.

The Deputy Principal felt that there was some quality improvement planning to turn the data services team into the last line of defence rather than the first line of defence.

The internal auditor noted that the issues which had come up were very common and widespread themes in the sector and he felt that the error rate was low within the sample size.

The Committee requested that they should monitor actions arising, possibly before the March meeting.

## **28/22 Annual Report of the Audit Committee**

The annual report followed guidance and would be submitted on approval by the Board to the ESFA alongside the Financial Statements.

It detailed, attendance, training and the skills mix of the Committee, the work of internal and external auditors, and on the basis of the reports they had received, including assurance from the internal auditor in their report (considered at an earlier meeting), the Committee were content to support the report and for the Chair to sign the report.

### **Resolved –**

That the Audit Committee's Annual Report be received by the Board and endorsed for submission to the ESFA.

## **29/22 Risk 10**

The Committee received risk 10 for a more in-depth look and considered that this risk should be monitored alongside the ESFA funding audit actions.

## **30/22 Audit Tracking Report**

The Committee received and noted progress towards meeting the recommendations of the auditors. It was noted that the cyber security training for all staff had still not been completed and the Deputy Principal had decided that a change of gears was required and she would be taking a greater interest in some issues.

## **31/22 Value for Money Report**

In this annual overview report, the Deputy Principal noted that there was a diminishing pool of colleges in the £8-15 million bracket against which to benchmark. This was indicative of the sector, particularly in respect of continued sustainability and building resilience for the future. The College was well-placed to think differently and seize opportunities.

**The meeting closed at 1925h.**