Minutes Audit Committee

Date: 16th Nov 2023 **Time:** 4.30 - 5.50 pm

Location: In College, S10

Present: Mr C Breckenridge
Ms M Lico - virtual via Teams
Mr E Unuigbe

In attendance: Mr A Scott
Mrs S Carter
Mr R Plowman - virtual via Teams
Mr J Marchant - virtual via Teams
Mr A Rafey-Hakro - virtual via Teams
Miss F McIntyre - Clerk

1 Apologies

1.1 Chair welcomed everyone to the meeting. No apologies all expected are present.

2 Declarations of interest

2.1 None.

3 Minutes of the last meeting

3.1 Minutes of the previous meeting on 6th June 2023 were reviewed and agreed as correct record.

4 Matters arising

4.1 *Q: Are HR and IT managers settling in well?*
A: Yes and good addition to College.

4.2 *Q:* ToR - fraud allegations query, *Is there a system that the audit committee would be informed?*
A: The internal or external auditors would pick up on fraud.
Q: Is this information provided to the audit governors?
A: External auditors would include this in their report if something was identified as part of the audit. From the audit committee perspective it is a wider point, there is a mechanism for management to inform the audit committee and it is brought forward and reported.
Audit committee needs to ensure it is investigated properly. Can this be added to agenda going forward?
Yes - **action**

4.3 Principal reported nothing to report in fraud or whistleblowing.

5 External auditors financial management letter, audit report on Financial Statements, Regularity Audit and Learning number systems

5.1 Mazaars announced yesterday that it is creating a network with a business in the US and changing name from June 2024.

5.2 Introduced colleague Adbul Rafey-Hakro who is an audit manager.

5.3 Audits are complete apart from pensions.

5.4 Position of pension fund - this is not in control and a big number in financial statements. Audit of the pension audit is split into two elements. Invested to create pension fund asset which is used to fulfil liability in future.

5.4.1 Liability is driven by assumptions made by actuaries on College behalf such as increase in pay mortality rate. Mazaar asks their actuaries to review the assumptions and satisfied they are appropriate.

5.4.2 Benchmark Icten against other similar institutions and broadly inline which provides additional assurance.

5.4.3 Pension assets is the additional work that is required. Contributing to local government pension scheme and requesting information on the 31st March to 31st July when reporting on College pensions.

5.4.4 Not received the report but not expecting any issues.

5.4.5 Equities were volatile during last year and improved during the year. Interest rates have improved which are used to discount pension liabilities.

5.4.6 What is being declared is what the actuary has informed.
Is asset recovery possible which is difficult to asses on pension fund. Tri- annual valuation of pension is used to set future contributions.
Would require actuaries to perform an asset cap valuation to ensure the figure is realistic.

5.4.5 More establishments have not recognised an asset and it is recorded as £0 in accounts and then net gain is recorded in accounts.

5.4.6 *Q: Can we take the view that pension fund is not something that would cause risk to College and in a reasonable state?*
A: Nothing there that causes any reporting risk. Everything is being done properly. Difficult as using a valuation standard that goes into accounts and also future payments are calculated differently.

5.4.7 Boards cap at £0 as it can be a liability in future years.

5.4.8 £206,000 is the asset but not real.

5.4.9 *Q: What are the implications on pension if the asset is £0?*
A: No implication and would still show the position in notes. Decision makes the asset not recognised. Not hiding it but bringing the net position to £0. Not making any changes to the actuaries data. It is an accounting decision whether to show an asset that is not recoverable.
Agreed.

5.5 Management controls

5.5.1 How management manipulate the figures that are presented in account. Look for differences in previous years, any estimates in accounts and journal entries to post entries through accounts. Work did not identify any areas of concerns.

5.6 Revenue recognition

5.6.1 Accounts could be altered by revenue being recognised in wrong period or not entitled to.
5.6.2 No instances of this and no issues to report.
5.7 Learner numbers
5.7.1 Look at whether claiming more revenue than entitled to based on numbers. Do not consider this to be significant risk.
5.7.2 Adult learning is more complicated in how revenue is claimed so risk set as enhanced.
5.7.3 More work done in adult education than in previous years as it was a growing area. No issues found.
5.8 Itchen Company
5.8.1 When government released new guidance it looked at implications of a College providing support to the trading subsidiary. And when providing support it needs to be approved by EFSA. Letters of support or letters of indemnity. Looked at new requirements with where College is with Itchen College.
5.8.2 The letters of support deal with cash not flowing from College to company but The support is limited to not asking for debt back in one go.
5.8.3 Do not meet criteria for requesting EFSA approval.
5.8.4 Only trading that goes through the company is catering for students and minimal community. The small profit that is made drip feeds the debt back to College. It will be paid off. Not subsidising a profit making organisation.
5.8.5 *Q: Does this intent need noting in accounts?*
A: No but when approving company accounts doing on a going concern basis and since has no liabilities while trading profitably. Only liability would be College calling debt in.
5.8.6 Previously if the company got into difficulties then College could help. They can no longer. If the trade goes then the costs goes.
5.8.7 *Q: On future projections and cashflow when would debt be settled?*
A: Cannot give a letter of support without EFSA approval so needs to be looked at in its own right. Not seen forecasts will take a long time. Company is dependent on the College not calling in debt. Company does have a valuable asset also.
5.8.8 No fixed costs and will be profitable based on structure.
5.8.9 *Q: Significant risks for the revenue the approach, for the cut off not explained the testing?*
A: Comments are generic but no cut off for risk as academic aligns with financial year.
5.8.10 Other revenue and out through against sample size calculation and underlining documentation. Done before and after year end. Do not do this for 16-19 as funding is for academic years so cut off risk is more lower.

5.9 *Q: Management override of controls, still do not see tested and estimated and how impacted the financial statements?*
A: Do not tend to go into detail in the reports but this can be discussed further if required. Journal is downloaded and look for key factors and do not disclose the criteria. May target a specific member of staff and follow up. Also look at codes, wording and transfers. Then go back to supporting documentation.
There is 43 page guidelines on this.
5.10 Q: What is recognising depreciation as significant risk/estimate?

A: This is one of the estimates. Disclose areas of estimate one is depreciation and other is pension fund risk. There are no other significant assumptions going into statements.

5.11 Internal controls - done more work on this as more guidance. Looked at processes in more detail than done previously that raised no points which was very positive. Not every financial control but the ones that drive the financial statements.
Fixed asset management which is ongoing project.

5.12 No unadjusted or adjusted errors during audit. Management accounts presented with are accurate.

5.13 Pension number will be adjusted but this was decision to be made so comfortable with this.

5.14 Accounting records provided for audit, assistance from SC and SLT, admissions, adult ed - appreciate the input and helpfulness throughout the process.

5.15 Consensus is the going concern basis is appropriate.

5.16 *Q: Does the College have any reason to call the company debt in?*
A: No. All of the activity that goes through the Company would be going through the College anyway. College has to provide catering. The group position would remain unchanged.

5.17 Thanks to SC and team for the work.

5.18 Proposed EU, Seconded CB, voted for approval to full board

5.19 If any checks to be made after pension fund work this would be reported and do not expect this.

JM & AR-H left 1724

6 Internal audit annual audit report

6.1 Appendix A has total coverage of audit topics for this plan. Appendix B pulled out the topics selected for 2023/24. High level scope for each level audit.
Plan is not set in stone and can be changed as risk areas within organisation change.
Total plan is twenty days.

6.2 *Q: Topics selected such as estates, IT were key areas. What is timescale and will it be remote?*
A: Plan will identify the timings to ensure reports to the committee going forward. Onsite and remote working is a balance and can be discussed under the terms of approach at the beginning of audit.
Comment: need to ensure build calendar of works to ensure it is carried out when suitable for College so well planned in advance.

6.3 Q: IT network security and cyber security maturity assessment - what is the difference?
A: One is a self assessment tool in a range of controls. Another area is cyber security processes in College.
Would be a program to undertake and this would be matched with predetermined levels.

6.4 Q: High level scope, cyber security only three areas to be looked at?
A: Program of assessment but do a deep dive on these three areas.

6.5 Q: There is overlap but could focus more on the areas without overlap?
A: Will take back to IT security exert

EU left 1732

6.6 *Q: The template asked for the audit would be very time consuming. Need to complete, make comments and explain process. A conversation would likely take significantly less time.*
A: Want to highlight concern not entering into a period of internal audit that is not a period of completing self assessment that would only be reviewed externally and the cost of this.
The template is not designed as self assessment but as information to do the audit. Another option is to do an audit onsite. It is trying to gather information in one go rather than multiple emails. Can be discussed.
6.7 RP and CS to discuss how to undertake the audits.

7 Annual Report to the Board of Governors for previous year
7.1 Chair is working on and will circulate.

8 Risk review - risk register additions and deletions
8.1 There are two documents the risk register and the updates. The SLT meet weekly with a set agenda and during the meeting if anything is caused to be a risk to the organisation it is reviewed and considered if appropriate. Then comes the audit committee.
8.2 Two areas since the last audit meeting. New or existing providers expanding. Have discussed the new Southampton College and also merger. Through these discussions it was deemed prudent to increase this risk.
8.3 Consider risk 3.10 serious interruption to education due to infectious diseases. During covid this area was increased and went into a lot of details. Now consider can remove more of the detail. No change to risks but have removed details and narrative.
Otherwise all risks remain relevant and at the correct scoring.
8.4 *Q: New providers, have you seen any impact or a future risk?*
A: It is a future risk. Southampton UTC has been agreed but not happened. Likely to be 2025 opening but need to find site and build.
8.5 Seeing no impact on the Southampton College group and if anything they are withdrawing duplicate courses.
8.6 *Q: Is transport still a high risk?*
A: Supplier not increased cost and since more students then subsidy has been reduced. Have a meeting next week to discuss future plans and the bus company taking over the admin and ensuring sustainable going forward.

9 AOB
9.1 None.

10 Date of next meeting – 29th February 2024

11 Impact and Action Review
11.1 Chair annual audit to complete

Clean bill health from auditors.
Internal auditors to review with SC.
Fraud/whistle blowing to be added to future agendas for monitoring

Concluded at 1750 and was quorate at all times.