Agenda Audit Committee

Date: 14th Nov 2024 **Time:** 4.30 - 6.05pmpm

Location: In College, S11

Present:	Mr C Breckenridge (Chair)	Mr D Shephard
	Mrs L Court	Mr E Unuigbe (via Teams)
In attendance:	Mr A Scott (Principal)	Mrs S Carter (Vice Principal)
	Miss F McIntyre (Clerk)	Mrs H Cargill TIAA *[left at 512pm]*
	Mr J Marchant Forvis Mazaars (via Teams) *[left at 4.57pm]*	

1 Apologies

No apologies as all are present. New governors to the committee welcomed and introduced.

2 Declarations of interest

No new declarations

3 Minutes of the last meetings

Minutes were revied and approved.

4 Matters arising

Q: Is transport still an ongoing issue?
A: There are 540 students on buses which is more than in the budget number but going out to tender after Christmas assisted by Southampton Council. Routes may be split with more than one provider.
Q: Will enrollment cause issues for the budget?
A: Planned for growth and additional capacity. Not budgeted for the in year growth funding.
Q: Will the NI cause issues?
A: Not known yet as should be covered.
Q: Is the IT manager still getting on well?
A: Good. More they dig, the more work they find to do.
Q: Is the support there for IT? It is not just hardware.
A: Need to look at. The IT manager wanted to uncover the issues then identify the team and skill set needed to address. It is becoming more obvious the requirements.

5 External auditors financial management letter, audit report on Financial Statements

Audit completion report circulated prior to the meeting and JM made the following points:

- In the seven or eight years of working with the College this is the shortest report. Thanks to SC and team for working with them so well.
- Effectively complete. Final review of financial statements.

5.1 The audits found:

- No evidence management overriding control
- No unusual accounting estimates
- No concerns that finances being manipulated

Also look at the factors and scrutiny that are involved in the College health score.

Revenue risk - ensuring only recognising the revenue entitled to based on students on roll. The controls around student number processes mitigate risk. Still work done to test. It is robust process with controls.

Highlight capital as a risk as projects are ongoing with funds being drawn down on. Satisfied that being managed appropriately.

5.2 Pension fund - second year in surplus and not recognising in accounts and nil the accountability. It is an accounting surplus only. Would need to go through the asset cap calculation process to recognise. This process would identify an asset.
Every College who has paid to do this has come back with a value of £0.

Made contact with Hampshire pension fund to understand how they manage the asset and benchmarked the assumptions compared with the sector. Actuaries are also comfortable.
Virgin media v NTL pension case - recent court of appeal decision which may have impact on pension schemes. Implication is if the appeal fails the wider range impact with extra liabilities an increased cost
Suggestion to put lines into pension notes with possible increased liability with this case.

5.3 No proposed adjustments to accounts presented to governors.
No disclosure modifications to accounts.

5.4 Questions:
Q: New government made comments about changes to pension schemes, is this too early if this will have impact?
A: Too early.

Q: Recognised revenue with student numbers. Has there been an issue with students dropping out?
A: Not out of the ordinary.

Q: What is the student number?

A: 1850, 300 increase on last year.

Q: What specific improvements have been made in the finance team which made the Audit go so well?
A: The preparation for the visit was excellent and the finance team worked well beside Forvis Mazars and everything has been accurate. Been very strong for several years. Helpful that goalposts have not moved and no accounting standards have changed.
SC added that the audit team were very organised and worked well identifying what they needed and from who. Were able to plan work well.

5.5 Recommended for approval to full board.
Representation letters - to full board

[JM left at 4.57pm]

6 Internal audit annual audit report
HC from TIAA outlined the following:
- Indicative plan - governors can request changes
- Four and carried forward cyber security. Total days 24.
- Key financial controls - every year
- The auditor has been asking for too much information so HC meeting with tomorrow to discuss. It was too much workload for College.

This years audits will be:
- Cyber security and IT (carried over from last year
- Risk management business continuity plans in place
- Student enrollment - how manage growth
- Curriculum planning - how it is fit for purpose

New standards in place that plan needs to be challenged to ensure fit for purpose. At the next meeting can discuss any emerging risk and address in plan.

5.1 Questions:
Q: in terms of timescale and can they be planned in with the College calendar in mind?
A: Cyber security/IT planned for January. Will get dates for business continuity.

Q: To SC: is the timetable acceptable?
A: Key financial controls and IT, safeguarding not done for several years. Do not know if any committees have concern.
Have asked Chairs to bring it up at meetings for key topics that would want covered.

5.2 Annual plan - in draft as one report still waiting for comments
One substantial and one reasonable - both positive. Cyber outstanding. SC expects it may still be limited due to the current position of IT.

This is due to the physical IT needs improving and documentation. Head of IT doing work to produce documents on systems that will be replaced. Would rather have the work done to improve the system then retest.

Q: Two items for H&S and HR and management. They have not been done for a number of years and no plans to cover H&S. Why is this?
A: Not sure why it was not done earlier. If governors want it done earlier and feel its priority can move forward. HR was done previous year.
Can discuss at the next meeting to review the plan. Last few years audits and assurance levels will be added to the report to discuss at next meeting. **ACTION**

Have been more recommendations this year than last but no concerns with this.

5.3 Recommendation tracker

- Minutes on website - completed
- IT - realistic timescales

[HC left at 512pm]

7 Annual Report to the Board of Governors for previous year

CB compiles a report for the full board annually. The report is for the year ending 31st July. The report highlights are:

- Includes summary of internal auditor reports. There were only two.
- Did go out to tender last year and only TIAA tendered.
- Correct policies and code of practices followed.
- College can have justification and assurance in the accounts. College is a going concern for next 12 months

7.1 Governors were reminded that gave TIAA gave one year contract to address issues. Another provider was interested but would only do finance. Not companies that cover all areas.

7.2 Governors had a discussion on TIAA and if the audits are worthwhile.
It may be more expensive to have individual companies but more worthwhile.

TIAA are currently undertaking a financial processes audit currently. They asked for 300 pieces of evidence. Not appropriate and not good use of College resources. It appears to be testing paperwork not processes.

7.3 Suggestion College may be better off doing fewer but better. More value for College and committee

8 Risk review - risk register additions and deletions

Copy of latest risk register circulated prior to meeting.
Changes are listed under risk review. Areas that SLT have discussed and possibly need to be reviewed.

- 2.1B insufficient demand to achieve allocation growth

Likelihood of not achieving allocation is lower. Was a four currently suggesting a reduction to three. In a period of growth for the next few years.

- 2.2 over recruitment. New risk.
  Did not have risk for this. In year budget the challenges caused by lag funding. Lack of choice for international students as have the domestic students filling classrooms. Limits their choice where they can infill.
  Looking next year to apply caps to international students at 75 as cannot guarantee would have space to accommodate.
  Q: Potential cap of 75, what is potential market?
  A: Could recruit 200. With revised Ofsted grade will be more attractive. It is the impact as they are transient as only in class for a term.
- 3.3 IT systems fail and cause major interruption to teaching and learning
  More aware of the weaknesses, such as the telephone system. Cannot put in a new system as infrastructure would not support.
  Have a failsafe and plan B such as mobiles.
  Do have plans but prudent to increase from 3 to 4 while work being done
- 3.20 intruder alerts
  Additional plan to improve reaction such as tannoy system.

8.1 Risk register colour coded to match the strategic plan.

Q: 2.1B could it decrease more?
A: It is a key risk in terms of the financial impact of not being able to recruit students. Although comfortable at the moment should not take eye of ball. As SLT every week do look at applications, where they are coming from and number of interviews and tracking from open evenings. Take point at the moment are not concerned but still review on weekly basis. It is a subjective score.
Comment: cannot be complacent as can change quickly.

Q: Is there a demographic downturn?
A: Plateau for three years including this year then declines.

Q: If reviewing weekly is it possible for demand to reduce within the calendar year and would we lose money because of this?
A: Yes it could. We have to do returns - five a year which include learner number details. Have to constantly review whether they are still at College. Monitor retention weekly also. All inter relate. There are sums of money attached to students and this year's numbers is next years funding. Always have a year before finance would change significantly but would need to be mitigated.

The current controls could be looked at to be more current what is focused on.

9 Fraud or whistleblowing allegations
No reports.

10 AOB
Regularity self-assessment questionnaire

Reviewed on annual basis - majority all still relevant and compliant. Once authorised, it goes to Mazaars and DfE by the end of Dec.
Figures on page 12 and 13 changed
Q: Expenses claims, over seas travel what is the threshold for significant?
A: Does not say. It is what is reasonable.

Approved to go to full board for info.

11 Meeting impact, action review and possible visits

Action summary:

Item	Action	Owner
5.2	Internal plan with last five years audits and assurance levels	
	March agenda - internal audit review/tender	

Decisions:
Regularity self-assessment questionnaire - approved

Impact:
Good challenge around H&S internal audit timing
Clarity of information - annex to annual report with outcome of previous audits helpful.
Internal audit - constructive discussions.

Visits:
IT manager and scope of work. DS and LC end of Nov.

12 Date of next meeting

Thursday 13th March - @ 2.30pm