

Minutes of: Audit Committee

Date: 4th December 2023 1.30pm **Location:** Queens Seminar Room, CRC

Present:

Jennette Arnold OBE (Chair)
Judy Balderson
Kay Sandford-Beal (Co-opted Member) via
Teams

In attendance:

Tim Williams (Finance Director)
Abigail Appleton (Principal)
Jonathan Maddock (TIAA) – via Teams
Jon Marchant (Mazars)
Jane Simons (College Accountant)
Rebecca Semple (Clerk to Governors)

Quoracy: Meeting was quorate

1. **Apologies for absence:** none
2. **Declaration of Interests:** none
3. **Confidential discussion with Auditors without Officers present** – item held for end of meeting
4. **Minutes of the last Meeting**
 - a. **Approval of the Minutes of the last meeting held on 12 June 2023** – minutes approved as true and accurate record
 - b. **Matters arising from the Minutes** - none
5. **Value for Money Annual Report to 31 July 2023**

Finance Director reminded Committee that this is an annual statement required by the Value for Money Policy. Changes include the fact that all utilities are now provided by West Mercia Energy(WME) (who provide a utilities procurement framework approved by DfE), which should help shield us from some of the worst expected volatility in prices. Herefordshire, Ludlow and North Shropshire College charge the College for the Folly Lane utilities but they also procure their utilities from WME. It is likely that there is more we can do to further improve value for money, but this is currently limited by the resource available to dedicate to procurement.

Committee agreed to recommend that the Board note the value for money annual report 31 July 2023
6. **ACOP regularity self-assessment (Completed by the Finance Director and Clerk to the Governors)**

Finance Director confirmed report was completed by him and previous Clerk, and noted some wording change needed due to change of clerk.

Finance Director asked JM (Mazars) for any comments: JM confirmed all in line with what would be expected.

Committee agreed to recommend that the Chair of the Corporation and the Principal sign the ACOP regularity self assessment, which Mazars had reviewed.

7. Annual Report and Financial Statements to 31 July 2023 and assurances

a. TIAA Internal Auditor's Annual Report for the year ended 31 July 2023

JMad presented report and highlighted key areas. Report found reasonable and effective risk management and financial controls in place. Report noted two internal audits had 'substantial assurance' and two 'reasonable assurance', and 12 recommendations were made.

Report noted by Committee and recommended to Board for noting, as this report provided independent assurance.

Annexe A – showed the original plan and the actual plan completed. During the year Prevent was audited as opposed to recruitment. JB noted that only 20 days had been used as opposed to the approved 21 days. Would one day be carried over? TW said this would be sorted out as part of the 2023/24 plan.

This report is submitted to the ESFA by 31st December and reviewed by it. TW said that it does get reviewed by the ESFA, because we had a lower level of report two years ago and this was commented on by the ESFA as part of their review of these reports.

Chair: we've worked well with TIAA, welcomed working with you and the clarity of presentation of TIAA reports. Hopes he is satisfied working with us. JMad confirmed pleasure working with HCA, finance team had given all that was needed.

b. Mazars' Audit Completion Report for the year ended 31 July 2023

JM did an overview of the report. The outstanding matters on the report were resolved (report was made two weeks ago). Substantially complete, subject to discussion today.

Pension scheme – three significant areas to highlight

- Pension scheme assets (gross assets) - Local Government Pension Scheme (LGPS) holds assets for a number of organisations and HCA assets is a small part of this. Mazars happy that this asset pot is being appropriately dealt with, taking into account differences such as difference in year end (HCA – 31st July; LGPS – 31st March)
- Key assumptions (interest rates, etc). Mazars actuaries have reviewed these, and they are also benchmarked against LGPS country-wide. Assumptions appear consistent and satisfactory following both reviews.
- Net pension asset – unusual to be left with an asset, but as with most other educational establishments, no asset is to be shown on the financial statements. A pension asset is not realisable. It does not generate a pension holiday or result in reduced contributions. It cannot be turned into cash. Management team have made decision to not recognise this as an asset. JM agrees with this approach, and it is consistent with almost every other FE/HE org dealt with. This has been disclosed clearly in the financial statements. JM comfortable about how HCA management have dealt with this issue.

Investigation of override of controls (ability of management to manipulate figures) – involves analysis of accounting policies, journal entries . No areas identified of concern.

Recognition of grants consistently against projects – noted as a significant area of risk for HCA, but no concerns found here. Student numbers (ability to manipulate these) – no concerns found, and not recognised as a significant risk .

Significant issues discussed with management. Very few items noted. One significant item had been amended in the accounts. It was not a concern, entirely comfortable with position.

Mazars have found no concerns as part of their regularity audit. They are happy to provide unqualified audit reports for the financial statements and for regularity.

JB queried apprenticeships/Adult Education Budget(AEB) -TW confirmed HCA have no apprenticeships which is seen as a risk area and very little AEB funding(£14K).

Chair thanked JM for report and work with management.

The Committee noted the management letter confirming that Mazars would give HCA an unqualified audit opinion.

c. Audit Committee's Annual Report to 31 July 2023

Chair noted that this is Audit Committee's annual report to the corporation, and particularly thanked all for excellent level of meeting attendance recorded within it.

Chair asked JMad (TIAA) how colleges are dealing with AI in terms of it being a risk.

JMad confirmed it has increasingly become highlighted as a risk, but no further specific actions on this are arising as a theme in his experience.

Committee Member asked Finance Director whether we hold cash in deposit:

Finance Director confirmed that we held £1M on a money market deposit.

The Committee to recommend that the Board endorse the Audit Committee's Annual Report which would also be submitted to the ESFA.

d. Committee to approve the annual report and financial statements to July 2023 and make a recommendation to the Board

Finance Director noted that financial statements were presented to F&GP

Committee on the 20th November, to have opportunity to review the numbers. The

Members Report and final outstanding items had now been completed. Mazars

have reviewed and confirmed they are happy. JM(Mazar) noted that Mazars use

software that compares versions and highlights all changes as a check and are

comfortable with all changes made to date.

The Committee would recommend the Board approve the Members' Report and Financial Statements to the 31 July 2023. The Chair of Governors and the Principal would sign the Financial Statements after approval.

e. Letter of representation

Finance Director confirmed that this letter is essentially to declare any changes

between financial year end and the signing of the accounts at the December Board meeting. Nothing has been noted at this point that would need to be declared that

would affect the contents of the financial statements. JM (Mazars) confirmed that the letter is a standard one.

Committee noted the letter of representation and recommended to the Board for approval. The Chair of Governors and the Principal would sign the Financial Statements after approval.

Chair thanked TIAA and Mazars, and Finance Director and his team for all work involved in producing above reports and their findings.

8. Internal Audit Reports

JMad (TIAA) presented all internal audit reports, highlighting key areas

a. Risk Management Assurance Review – overall ‘reasonable assurance’ given.

Some key recommendations about structure of risk register have been made:

- Separate noting of updates and actions is recommended. It was suggested two columns to record controls in place to mitigate risk and a second to record actions taken to further mitigate risk going forward.
- The new risk register should include an inherent risk score and a residual risk score that takes account of the risk controls.
- There should also be less risks on the register as it included lower level risks as well as strategic risks.
- Risks that were removed from the register can be added to a separate tab once removed from main register, and reviewed regularly to help identify any signs of previous risks reappearing.

Finance Director confirmed that some development work is now planned in response to these recommendations - to revise and improve structure of risk register, and to ensure risks are on appropriate registers according to nature/level.

Committee noted the report.

b. Follow Up Review

This internal audit was a review of 2021-22 internal audit recommendations and whether they had been implemented. The Follow Up review had an outcome of Reasonable Progress. 21 recommendations had been implemented and 9 were still outstanding. The Chair suggested that some updated narrative (e.g. around Estates Strategy) may be needed in order to bring up to date and give assurance of work known to be still needed to be undertaken. Finance Director confirmed that though the Estates Strategy recommendation had been achieved. There was still work that needed to be done to underpin it. This could be tracked via the Audit Recommendation Tracker.

Action: TW to update audit recommendation tracker to include Estates Strategy and its developments.

Committee noted the report.

c. Summary Internal Controls Assurance (SICA) Report – November 2023

The Report gave an update of progress on internal audits including internal audit briefings on invoice fraud and tax avoidance schemes.

Committee noted the report.

d. TIAA Internal Auditor's Indicative Audit Strategy 2023/26 and Annual Plan 2023/24 – draft

JMad (TIAA) reminded Committee that the plan is not set in stone, and can be changed in year. It gives a three year strategy for internal audit work allocation based on key risks. Days allocated to certain areas have been reviewed and discussed with Finance Director. The Finance Director noted that 25 days were in the audit plan as opposed to last year's 21 days. The 25 days included the unused day for recruitment plus one additional day for Audit Management. The Key Financial Controls audit would have 5 days and not 7. All internal audits were agreed. TIAA had provided the Audit Planning Memorandums for these audits.

Committee noted Audit Strategy report and recommended to Board for approval

9. Risk Management - Risk Register and Report

Finance Director presented report and highlighted key areas

No risk scores have altered from previous report, and report notes confirmation of Outstanding level recently awarded by Ofsted.

Section 5: final stage of validation process for new degrees occurred last week and went well. Financial schedule with UWTSD is not resolved. Movement to alternative awarding body may have to be considered if costs increased too much.

Section 7 (relationship with Herefordshire Council): leases are not yet sorted out, due to some complexities in some areas (e.g. chapel area) and potential related responsibilities of the college being as yet unconfirmed. Meeting planned with Herefordshire Council Finance Director to move this forward. Depending on solution this may need to go to relevant Cabinet member.

Recruitment: the recent Ofsted outcome should positively affect FE level recruitment.

Balancing game between significance of FE and HE recruitment numbers continues. New HE courses expected to affect HE recruitment positively.

Capital Grant money welcomed, but challenges presented in spending funds effectively and in undertaking tender processes within the timescales set for spend.

Committee noted report and recommended to Board for noting

10. Recommendation Tracking Report

Finance Director presented report and highlighted key areas

Some terminology will be altered to make it priorities clearer. Some IT-related high priorities noted around cybersecurity (eg multi-factorial identification, back-up systems), with actions currently sitting with Operations Manager.

Chair queried current situation around external access to HCA IT systems. Finance Director confirmed that further work is underway in this area, but that standard level of filtering is already in place.

Committee Member noted that the formatting of report doesn't allow full text in some cells. The Finance Director said this happens when pdf's are created from excel or word documents. Usually this would be spotted before papers are sent out and the word or excel document adjusted accordingly. This had not been spotted and adjusted this time.

Committee noted the report

11. Any Other Business

- a. **Chair queried status of Estates Strategy** – Principal confirmed that a high level Estates Strategy was sent to last Board, and next step is to commission an external consultant to develop full Estates Strategy, with aim of presenting this to Board in May 2024 (following College Strategy presentation to Board in March 2024). Principal is working with Board Member to put tender together, and tender process will be undertaken in February 2024.
- b. **Committee Member** thanked Finance Director for the time taken to meet with her and explain the finances of the college and to outline his role during a recent visit to college.

12. Date and time of next meeting: Monday 15 April 2024 commencing at 1.30 pm

Minutes approved: Date: