

**CORPORATION**

***MINUTES OF THE JOINT MEETING OF THE AUDIT AND  
FINANCE & PHYSICAL RESOURCES COMMITTEES  
HELD ON WEDNESDAY 8 DECEMBER 2021 AT 17.00***

<b>Present:</b>	<b><i>Members (Audit):</i></b>	Mr J P Casey (JPC) [Chair] Mr J Barnes (JB) Fr M Hall (FMH)
	<b><i>Members (F&amp;PR):</i></b>	Mr D Wright (DJW) Mr M Diclemente (MD) Mr C West (CW)
	<b><i>Clerk:</i></b>	Mrs J Firn (Clerk)
<b>Invited to attend:</b>		Principal / SLT Director of Finance & Operations / SLT AM – TIAA (via Teams) SG – Wylie & Bisset (via Teams) <b>All members of the Corporation were invited to attend</b>

- 1. Apologies**  
Mrs K Cunningham (KC), Mrs A O'Malley (AOM).
- 2. Declaration of Interest**  
There was no Declaration of Interest.
- 3. External Audit Findings Report – Wylie & Bisset - enclosed**  
The Audit Findings Report for the year ended 31 July 2021 was considered. The key points are covered in the Executive Summary.
  - (i) **Financial Review:** The operating surplus for year ending 31 July 2021 was £164k after accounting for FRS102 pension cost adjustments. An actuarial gain of £1,282k in respect of the pension schemes and a total comprehensive income surplus was £1,446k. There was a net of payroll costs of £548k and £80k of interest relating to the defined benefit pension. The balance sheet at year-end shows net liabilities of £1,062k. For the year end 31 July 2022, the College has predicted a surplus of £115k pre pension adjustment. W+B

- (ii) *Governance & Internal Control:* Wylie & Bisset (W+B) have undertaken the testing required, with required evidence obtained, and are satisfied with these positive audit findings. W+B confirm that the College has strong systems in place to comply with governance requirements.
- (iii) *Outstanding Matters:* Corporation to authorise the Financial Statements.
- (iv) *Key Reporting Matters:* **W+B expect to issue an unmodified audit opinion** (subject to Corporation approval of the FS); **there are no issues to report in relation to Regularity.**
- (v) *Going Concern:* W+B explained why they are satisfied that the College is a Going Concern.
- (vi) *Control Recommendations:* One high priority audit recommendation was made recommending that appropriate documentary evidence is sought and retained to evidence adherence with policy when procuring capital works and acquiring capital assets. This recommendation was accepted and will be implemented going forwards. Governors asked what values were involved – some were quite sizeable; change of staffing noted. W+B will supply a list of the specific items involved (some was for the purchase of IT equipment, some was the engagement of AHR).
- (vii) *Grants and Returns Work:* W+B completed the Teachers' Pension returns by the deadline of 30 Sept 2021.
- (viii) A question was asked over where ND is in the sector: W+B confirm that the underlying surplus position is healthy for a college of this size.

**Financial Statements & Regularity:**

- (ix) W+B confirmed that they are satisfied with the work undertaken to verify the Financial Statements and Balance Sheet as true and fair.
- (x) W+B noted their thanks to PDY and all involved with responding to requests, noting that the audit went smoothly and efficiently.
- (xi) W+B confirm that the valuation of pension liability is reasonable.
- (xii) W+B confirm also that the planned maintenance provision is appropriate.
- (xiii) W+B are satisfied with internal controls.
- (xiv) In terms of buildings owned by a third party (the Diocese), W+B considered the issue and are happy with the Corporation's position.
- (xv) The trial balance of approx. £7k remains in accruals (a one sided entry).
- (xvi) W+B confirm **there are no concerns with regards to fraud or irregularities** which is considered throughout the audit process.
- (xvii) W+B is satisfied with work undertaken to mitigate the risks identified by the College (section E).
- (xviii) Three minor typos will be corrected.
- (xix) The balance sheet shows negative reserves due to the defined benefit pension scheme and W+B confirm that the College is not alone in this scenario.
- (xx) **The Committees and Wylie & Bisset are satisfied that this is a positive annual report.**

***The Committees accepted the External Audit Findings Report and will recommend it for approval to the Corporation at its next meeting.***

- 4. Letters of Representation – Regularity & Financial Statements** - enclosed in above
- (i) Wylie & Bisset confirmed that the letters follow a standard format. The Committees considered both of the Letters of Representation. The unadjusted errors and

adjusted errors, noted within the Letter of Representation, were explained – there is no financial impact. The purpose of the letters, which sit in the audit file, is to comply with reporting standards.

***The Committees accepted the Letters of Representation and will recommend them for approval, and signing by the Chair and Principal, to the Corporation at its next meeting.***

5. **Annual Report of the Corporation & Financial Statements Year End 31<sup>st</sup> July 2021** - enclosed
- i) The Report was considered by the Committees.
  - ii) Wylie & Bisset is satisfied that the accounts are technically compliant with all the appropriate legislation, i.e. **they comply with the statement of recommended practice and include all the appropriate disclosures and notes.**

***The Committees accepted the Annual Report of the Corporation and the Financial Statements for the year ended 31 July 2021 and will recommend them for approval, and signing, to the Corporation at its next meeting.***

6. **Accounting Policies & Going Concern** - enclosed in above  
These are listed within Financial Statements.

***The Committees are satisfied with the Accounting Policies as stated and conclude that the College is a going concern.***

7. **Year End Management Accounts Variance Report** - enclosed
- i) The variance report was considered by the Committees. An overview of the key areas was provided.
  - ii) It was noted that audit evidence provided to W+B addressed staff cost changes (i.e. pay increase). ***The Committee requested analysis information on this area.***
  - iii) Lagged funding was noted.
  - iv) The adjustment for the staff costs FRS102 service costs charge was considered. It was noted that this has been budgeted based on the previous year – though this is difficult due to the vagaries in the market.

***The Committees noted the variance report.***

*Fr. Michael retired from the meeting at 18.00.*

8. **Annual Report of the Audit Committee** - enclosed  
The Report, which follows the standard format, was considered.  
It is an annual review of the audit processes and work to inform a view of the adequacy of the Board Assurance Framework.  
The Report confirms that:
- all performance indicators in relation to 2019/20 were met or were considered satisfactory;
  - the Audit Committee is satisfied with the Internal Audit Service,
  - the Audit Committee is satisfied with the External Audit Service;
  - the Financial Statements for 2020/21 were unqualified;

- the Regularity Audit Report was unqualified.

TIAA confirm the Report covers all appropriate areas.

***The Committees accepted the Annual Report of the Audit Committee and will recommend it for approval to the Corporation at its next meeting.***

- 9. Regularity Self-assessment Questionnaire (2020 to 2021)** - enclosed
- An overview of the questionnaire was provided. It is required annually and follows a similar format to previously. It is a standard document across the sector. PDY has completed the College's responses and has referred to any necessary supporting evidence.
  - It was clarified that the document refers to ESFA funding, therefore, not including International Students. International Students are covered under the Financial Statements.
  - The purpose of the questionnaire is to enable the Chair and the Accounting Officer (the Principal) to be satisfied with, and aware of, all evidence before the Accounts are signed off and to confirm same to the ESFA.
  - The Chair of the Corporation considered and approved the questionnaire and response on 2 November 2021.
  - W+B are comfortable with the content of the questionnaire.
  - Annex B specifically refers to Covid-19.

***The Committee noted the Regularity Self-assessment Questionnaire (2020 to 2021).***

*SG retired from the meeting at 18.20.*

- 10. Financial Regulations** - enclosed
- The suggested amendments / updates were highlighted (last reviewed and approved in December 2019).
  - The Director of Finance and Operations will consider the Leeds City Council Service Level Agreement with regards to liability of any payroll mistakes made by LCC.

***The Committees accepted the Financial Regulations and will recommend them for approval to the Corporation at its next meeting.***

- 11. Financial Health / Financial Dashboard / Finance Record** - enclosed x 3
- The College's Financial Health was graded Outstanding by the ESFA in a letter (enclosed) dated 25 October 2021. The Finance Dashboard and Finance Record data was considered.

***The Committee noted the Financial Health / Financial Dashboard / Finance Record.***

- 12. Board Assurance Framework Review** - enclosed x 3
- As requested at the October meeting of the Audit Committee, the Director of Finance and Operations has conducted a review of the College's Board Assurance Framework which included:
    - A review of college sector guidance on Risk Management and Board Assurance;
    - Consultation with the College's Senior Leadership Team; and

- Consultation with the College's internal auditor.
- ii) The recommendations and proposed changes were outlined.
- iii) Recommendations include consolidating risks into areas (e.g. Finance) with scores reviewed annually.
- v) It was suggested that the Risk Register be updated to include high level strategic 'dashboard' data for circulation to Corporation, with the detail consistently reviewed by the Audit Committee as currently.
- vi) TIAA suggest that the Audit Committee review strategic risks at every Committee meeting, with a full review by Corporation annually; noting strategic risks only need to be submitted to governors, not operational risks.
- vii) TIAA are happy to provide a 30-minute training briefing, free of charge, on risk management and risk appetite to the full Corporation – **this will be arranged.**

***The Committees agreed for production of a separate Strategic Risk Register, aligned with the new Strategic Aims, and will recommend this action for approval to the Corporation at its next meeting.***

*AM retired from the meeting at 18.50.*

**13. Management Accounts for 3 months end 31<sup>st</sup> October 2021 - enclosed**

- i) An overview of the management accounts – format and content – for 3 months ended 31<sup>st</sup> October 2021 was provided.
- ii) The accounts include three blocks of figures: Year to Date; Full Year; 2020/21. This format allows for forecasting during the year / rolling forecasts. Figures are rounded to the nearest £1k.
- iii) It was noted that any significant change to income would likely be as a result of any in-year funding granted by ESFA, however, there is no certainty of when or whether this will happen this year.
- iv) The format of the management accounts is exactly the format for reporting to the ESFA.
- v) The 'building works' may be re-categorised to 'capital expenditure'. Discussion followed on the planned maintenance variance.
- vi) The SLT have agreed to halt all non-essential expenditure between now and February.
- vii) It was noted that Lloyds are reluctant to provide loans to the sector at the moment – discussion followed.
- viii) Potential capital projects were discussed and situation to date noted. ***It was agreed that modelling is required on financial forecasting (best, worst and reasonable case).***

***The Committee noted the Management Accounts for 3 months end 31<sup>st</sup> October 2021.***

**AOB**

**14. External Audit Service - Tenders**

- i) In line with the requirements of the Post-16 Audit Code of Practice, the College has conducted a tender process for external audit services.

- ii) Two tender submissions were received from the 8 audit firms approached on the procurement framework; 1 from Wylie & Bisset (W+B) (the College's existing external auditor) and 1 from Beever and Struthers (B&S).
- iii) Both W+B and B&S were invited to make presentations to the Committee and Chair of Corporation earlier today (8 December 2021).
- iv) Following discussion and consideration, it was agreed to reappoint W&B for the College's external audit service.

This will be recommended for approval.

There being no other business the meeting closed at 19.40.