



CALDERDALE COLLEGE
JOINT AUDIT & FINANCE AND RESOURCES COMMITTEE MEETING

Minutes of the Meeting held on 24 November 2022, 17.35
Remote via MS Teams

Present:

| | |
|------------------|-------------------------------|
| Peter Clark | External Governor (F&R) |
| Rachel Court | External Governor (Chair) (A) |
| Katherine Disley | External Governor (A) |
| Richie Dunk | External Governor (A) |
| Jenny Grainger | External Governor (A) |
| Malcolm Rogers | External Governor (F&R) |
| Andrew Wright | External Governor (F&R) |

In Attendance:

| | |
|--------------------|-------------------------------------|
| Andrew Harrison | Vice Principal – Corporate Services |
| Jonathan Creed | ICCA |
| Richard Lewis | RSM |
| Jim Leiper | IT Manager (Items 1-6 only) |
| Jane Taylor-Holmes | Clerk |

Agenda: There were no changes to the agenda.

| | | |
|---|---|--|
| | FRA/22/101 - Apologies for absence | |
| 1 | Apologies were received from Chris Reeve, Co-opted Governor (A), Adrian Furness, External Governor (A) and Richard Laycock, External Governor (F&R) | |
| 2 | Apologies were received from Ms J Gray, Interim Principal and Chief Executive. | |
| | FRA/22/102 – Confirmation of eligibility, quorum and declarations of interest | |
| 3 | No notice had been received of any member becoming ineligible to hold office. | |
| 4 | The meeting was quorate. | |
| 5 | There were no declarations of interest in agenda items. | |
| | FRA/22/103 - IT / Security Deep Dive presentation | |
| 6 | Mr J Leiper, IT Manager was welcomed to the meeting and provided a presentation on IT and data security. | |

| | | |
|----|---|--|
| 7 | It was noted that the presentation slides had been provided to Committee members in advance of the meeting. | |
| 8 | Mr Leiper provided information on the IT team structure and commented that the team host, manage and maintain IT systems in-house. The IT Helpdesk logs 200 calls per week on average. | |
| 9 | Mr Leiper referred to slides 5-7 which detailed the current projects and commented that the team were constantly trying to improve the resilience of the systems in place. | |
| 10 | It was noted that the installation of new firewalls would impact on future projects. | |
| 11 | Mr Leiper explained that historically there had been no visibility or planning around the IT strategy and budget. the team was developing a rolling infrastructure investment plan some aspects of which were being driven by the cyber security agenda. | |
| 12 | Mr Leiper commented that the desktop PCs were the most visible IT equipment and most of the PCs were between 6 and 12 years old. To replace the PCs would require significant resource and investment. The team had started to investigate the use of virtual desktops which could significantly extend the life of the current desktops. There would also be a reduction in costs as the PCs and systems can be switched off, for example in holidays when students are not on site. | |
| 13 | Mr Leiper explained that the Wi-fi network was currently obsolete and when the firewalls are replaced there were plans to replace the Wi-fi. | |
| 14 | It was hoped to introduce other systems to improve efficiency such as online booking, a student app to provide real time access to timetables, and HR and payroll systems - all of which were being investigated. | |
| 15 | Mr Leiper commented that the current phone system was now obsolete and the ISDN would no longer be supported by BT from 2023. There would be a college-wide discussion held to discuss the approach. | |
| 16 | In relation to cyber security, it was noted that it was essential that all systems were updated. Mr Leiper confirmed that external penetration testing was in place to find any areas that might be problematic. | |
| 17 | Into the future, Mr Leiper confirmed that the criteria to achieve Cyber Essentials was now more rigorous. The | |

| | | |
|----|---|--|
| | College was working with JISC to understand the implications of changes with 'bring your own devices' before the deadline of the next submission in July 2023. | |
| 18 | Mr Leiper explained that after a number of years of underinvestment the College was currently around four years behind where he believed the College should be. It was agreed that the demands on IT services would only increase going forwards in terms of resources and cyber security. | |
| 19 | Mr A Wright, External Governor confirmed that he was really happy to see the investment in wi-fi and asked whether this would provide students and staff with significant improvements. Mr Leiper explained that the improvement would provide the highest and best quality the College was able to afford. Mr Leiper commented that as soon as the firewall work was complete, the installation of the wi-fi would be the next priority. | |
| 20 | Mr Harrison explained that there had been underinvestment in the past; to bring the College to where it should be around £1million investment was required. A £300,000 initial investment into IT development was planned and formed part of the digitally enabled strategic objective. | |
| 21 | Mr R Dunk, External Governor asked if the College was moving to virtualised desktops whether there were any strategic benefits to moving more resources off-premises. Mr Leiper explained that this would be considered on a case-by-case basis. | |
| 22 | Committee members discussed the risks around cloud resources. It was noted that currently all systems, other than Office 365, were currently not cloud resources. There was the potential to move some finance systems to the cloud; however, this would be robustly reviewed. | |
| 23 | It was agreed that an update on IT developments would be included in a future strategic development session. | Action: Governor Development Session 2023 |
| 24 | Resolved – Committee members received the deep dive presentation. | |
| | FRA/22/104 – Financial Statements 2021/22 | |
| 25 | Mr R Lewis, RSM presented the Financial Statements for 2021/22 and the Audit Findings document together with the Management Letter. | |
| 26 | Mr Lewis referred to the legal status and how the College delivers for the wider community in the area. | |

| | | |
|----|--|--|
| 27 | Mr Lewis also referred to the cash outflow and the required assessment that the College was a going concern to December 2023; one year from the date of sign off of the accounts, taking into account inflation and increased energy costs. | |
| 28 | Mr Lewis confirmed that following the review it had been concluded that the College was a going concern and that position would be presented to the ESFA. | |
| 29 | Mr Lewis referred to the key elements around future development and page 16 of the report, the key risks; public funding, treasury and funding for the sector, the capital project and achieving planned income. | |
| 30 | Mr Lewis also commented on the updated governance statements, explaining that this was as a result of a change in the Post-16 Audit Code of Practice. The external review arrangements had now been disclosed and there was an update regarding training provided to Governors. The disclosure was in line with the Audit Code of Practice. | |
| 31 | Page 29 was referred to as it included a key statement from the Audit Committee. The work undertaken by the Internal Auditors had resulted in no matters to report. | |
| 32 | Committee members noted that the Page 31 S of Regularity was to be signed by the Chair of the Board and Mr A Harrison as Accounting officer. There were no matters of non-compliance identified and the appropriate statements were included. | |
| 33 | Mr Lewis confirmed that the audit assurance opinion would be unmodified and would be inserted. | |
| 34 | In relation to the performance for the year, the position at 31 July 2022 was a deficit of £2.4million after depreciation and notional costs for pension scheme. There had been an almost £18million gain due to the Pension scheme revaluation and when taken into the accounts would result in a £15million profit. There had been a large 'swing' in the value of pensions during the 2021/22 year. | |
| 35 | The statement of cashflow was reviewed and it was noted that key accounting policies for budget and cashflow were in place and the increase in energy costs was being addressed. | |
| 36 | The update on grant income was referenced. | |
| 37 | Mr Lewis commented that there had been a slight change in staff numbers, which were now recorded as an average headcount not full time equivalent. | |

| | | |
|----|--|--|
| 38 | <p>Page 57 referred to assumptions by the actuary in calculating the pension deficit and referred to the fact that the discount rate had increased. Mr Harrison confirmed that, at the request of RSM, he had requested and received a revaluation which was reflected in the annual financial statements.</p> | |
| 39 | <p>Mr Lewis concluded that the assumptions used were appropriate and representative of the sector.</p> | |
| 40 | <p>Mr Lewis also explained that the regularity conclusion would be unmodified.</p> | |
| 41 | <p>Mr M Rogers, External Governor and Chair of the Finance & Resources Committee commented that there were a number of recommendations on control identified and asked whether this was due to a deterioration in certain areas or the approach taken by the new auditors?</p> | |
| 42 | <p>Mr Lewis commented that there were no red rated recommendations, and the recommendations refer to work undertaken reviewing the ILR and the auditors experience in ESFA audits. It was commented that the findings very much chime with the recommendations and findings from the Internal Audit function in the previous meeting. Mr Harrison commented that the College could improve in apprenticeships in particular, which was an area where there were many changes, evidence required and a high volume of students. It was noted that the College had three months after the year end to validate and submit the final return and therefore both the Internal and External Audit functions have reviewed potentially unvalidated information. The Committee agreed that it was very useful to hear the perspective against other providers and that the sector as a whole faced similar challenges.</p> | |
| 43 | <p>Committee members asked about follow-up to ensure that the recommendations were completed. Mr Harrison confirmed that the Audit Committee would track the recommendations to ensure follow-up and closure of points.</p> | |
| 44 | <p>Mr Lewis referred to the Audit Finding document and explained that this was in draft and would be updated before presentation to the Board.</p> | |
| 45 | <p>The ESFA statements were due in the first week in December; however, there were no concerns around the area. Conclusions would be unmodified in relation to the finding report and regularity.</p> | |
| 46 | <p>Mr Lewis referred to the key risks in relation to income recognition and referred to the Audit Code of Practice.</p> | |

| | | |
|----|--|--|
| 47 | Mr Lewis confirmed that in the testing and review of data returns, DSat and learner records there were no errors to bring to the attention of the Committee. | |
| 48 | The conclusion on income was a good statement and positive for the management team. | |
| 49 | In relation to testing of journals under ISA240 there was no evidence of any issues with controls by Management and there was nothing to suggest there were any issues and journals and controls. | |
| 50 | The College had a balanced portfolio and there was a mixed approach being taken around increase in assets and reduction in liabilities. Following the review and challenge of the budget and assessment of the College as a going concern, Mr Lewis explained that he would be reviewing the re-forecast and that this would be tested at the appropriate time. | |
| 51 | From tests performed, there was a positive response regarding the handling of expenses. | |
| 52 | There was one issue raised in relation to accruals. It was noted that Mr Harrison was aware of this and he confirmed his commitment to refresh and review the accruals and whether these should be written to the revenue account. This was provided as a mis-statement in the accounts. Mr Harrison explained that these were historical and were likely to impact positively on the balance sheet but not the cash position. | |
| 53 | It was noted that the Accounting Policies were acceptable. | |
| 54 | Accruals were reviewed and highlights of disclosure around the accounts presented. | |
| 55 | Committee members noted the comments and agreed to ensure that follow-up would take place through the Audit Committee. | |
| 56 | Committee members thanked the management team for their support of the accounts process. | |
| 57 | Committee members confirmed that they were comfortable with the drafts and that these were approved for recommendation to the Board subject to those changes proposed, assuming that these were not substantial changes or amendments. | |
| 58 | Thanks were expressed to RSM for their conduct of the process. | |

| | | |
|----|--|--|
| 59 | Committee members reviewed the Draft Financial Statements for the year-ended 31 July 2022. | |
| 60 | <p>Resolved – Committee members recommended to the Board for approval</p> <ol style="list-style-type: none"> 1. The Financial Statements for the year-ended 31 July 2022 (subject to minor amendment as above) 2. The Audit Findings for the year-ended 31 July 2022 <p>Audit Code of Practice – the Self-Assessment Regularity Questionnaire 2021/22</p> | |
| 61 | Mr Harrison presented the Self-Regularity Questionnaire responses to provide evidence and details around how College supports compliance. | |
| 62 | Mr Harrison explained that the main body of the questionnaire had not changed. It was noted that this was to be signed by the Chair of the Corporation and Mr Harrison. This was an internal document and was not submitted elsewhere. | |
| 63 | Resolved – the Audit Code of Practice – Self-Assessment Regularity Questionnaire 2021/22 was approved for recommendation to the Board. | |
| 64 | Mr Lewis referred to the RSM update on the sector. Comments in relation to apprenticeships at page 8 provided an insight into what was being seen in the sector. | |
| 65 | Committee members noted that the ONS report was imminent in relation to the reclassification of Colleges as public sector and that implications of the decision would be reviewed in due course. | |
| 66 | Committee members further noted that there was a requirement to have an external board review before the end of July 2024. Mrs J Taylor-Holmes, Clerk to the Corporation confirmed that information on this requirement had been provided to the Board, was being discussed within the Search and Governance Committee and the suggested areas of focus would be reviewed. It was noted that this would be scheduled when the new Senior Leadership Team had been established. The College had recently received an external assessment of Leadership and Management as part of the Ofsted review. | |
| 67 | Committee members thanked Mr Lewis for the update. | |
| 68 | Resolved – Committee members received the sector update. | |
| | FCA/22/105 – Items to be reported to the Board | |

| | | |
|----|--|--|
| 69 | Items recommended to the Board for approval; <ul style="list-style-type: none"> • The Financial Statements for the year-ended 31 July 2022 subject to final amendment. • The Audit Findings for the year-ended 31 July 2022 • The completed Audit Code of Practice Self-Assessment Regularity questionnaire | |
| 70 | The meeting had received and noted an IT deep dive presentation. | |
| | FCA/22/106 – Date of Future Meeting | |
| 71 | Joint Finance & Resources and Audit Committee – November 2023 – TBC | |
| | FCA/21/107 - Meeting in absence of Management | |
| 72 | There was no requirement to hold this as it had already been held as part of the Audit Committee meeting. | |

Signed as a true and accurate record

Rachel Court

23 March 2023

Chair

Date