



**USP College Corporation  
Risk and Audit Committee**

**Minutes of the Meeting held on Tuesday 30 November 2021**

**Held on Microsoft Teams  
Meeting commenced: 16.00hrs  
Meeting ended: 17.10hrs**

**Present**

Malcolm Bell	Independent Member	Chair
Roger Key	Independent Member	
Jacob Smith	Independent Member	
Tony Wenden	Independent Member	

**In attendance**

Steven Hendy	Chief Operating Officer (COO)
John Revill	Vice Principal Partnerships, Funding & Business Planning (VP P,F&BP)
Shachi Blakemore	Buzzacott LLP

**Clerk**

Sue Glover	Clerk to the Corporation
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The Chair welcomed everyone to the meeting and took the opportunity to advise the Committee that Andy Williams is now serving on the Finance and Resources Committee. The Committee agreed that thanks are recorded in the minutes for all his hard work and contribution during his time on the Risk and Audit Committee.

**043.21 Declaration of Interest**

Members and officers were reminded of the need to declare any personal or financial interest in any item to be considered during the meeting.

There were no declarations of interest.

**044.21 Apologies for absence**

There were no apologies for absence.

**045.21 Unconfirmed minutes of the meeting of the Risk and Audit Committee held on 19 October 2021**

The minutes of the meeting were approved and signed as a correct record.

**046.21 Matters arising and action points from the minutes of the previous meeting**

Members reviewed the schedule of action points. It was agreed that all matters had been satisfactorily completed and there were no other matters arising from the minutes of the previous meeting.

## External Audit

047.21

### Post-Audit Management Report for year ended 31 July 2021

The external auditor presented the Post-Audit Management Report to the Risk and Audit Committee for the year ended 31 July 2021.

Members were advised that the audit work had been undertaken remotely and use of site visits. The audit had gone well and the external auditor took the opportunity to thank the finance team for their assistance.

The Committee considered the detail of the report, in particular

- Executive Summary
- Expected Opinions
- Regularity Assurance Conclusion
- Financial Performance and Going Concern
- Key Audit Findings
- Key audit risks and outcomes
- Audit observations and recommendations
- Comparison of financial ratios
- Sector developments

Members were advised that

- Subject to the clearance of outstanding information, the auditors expect to *'express a judgement that the financial statements give a true and fair view of the College's result for the year and have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice'*
- the audit opinion relating to the College's Going Concern position is currently outstanding as this is subject to receipt of updated forecasts and cash flow information including the November reforecasting exercise
- in relation to ITEC, the audit opinion is expected to refer to the Director's intention to cease trading in the 2021/22 financial year within the statement of Going Concern and within the accounting policies
- at 22 November 2021, the audit is complete with the exception of
  - final ILR reconciliation statement for 2020/21 and last funding audit report from ESFA
  - ITEC accounts in statutory accounts format with sufficient disclosure of future plans/wind down plans and impact on forward looking budgets and cash forecasts
  - copy of funding agreement of non-government capital grant received of £900k to renovate Xtend Digital Centre
  - Going Concern assessment that covers a period to at least December 2022, that includes
    - November 2021 reforecast information, cash flow projections, last management accounts, bank loan covenant compliance for 2021/22, board paper on Going Concern assessment to be approved in December 2021
  - receipt of Letter of Representation
  - confirmation prior to the financial statements being signed that no significant events have taken place since the time of the audit
- there were no significant deficiencies found in the accounting and internal control systems during the audit

Members discussed the issues raised and, in response to questions were advised that

- the revised budget and updated cash flow will be completed by the end of the week and shared with the auditors in order to complete the audit process
- the initial revised budget had been presented to the Finance and Resources Committee last week and is being presented to the SMT to agree a final position, early indications from the review is to present a budget that is in line with the original £200k budgeted surplus
- confirmation on ITEC's position is still awaited following the recent Ofsted inspection as the ESFA have not yet indicated whether the organisation should cease trading or 'teach out' the remaining students; the budget currently reflects the latter option

The external auditor further informed the Committee that

- Canvey island site was gifted and is treated as a donation in kind within the financial statements,
- due to changes in how checks relating to funding and student data are done, work in this regard had to be done in a different way by the external auditor
- they concur with the financial health rating of 'Good'

Members were advised that the recent internal audit regarding student data had achieved a good assurance and is part of the internal audit plan for next year.

The Committee noted that, as part of the audit testing, there were a small number of HR files that did not contain sufficient documentation to establish their current rates of pay or salary, which was reported on in last year's post-audit report and remain unresolved. This will be followed up by the Head of HR to ensure that records are updated and correct.

Members further discussed the issues raised and, in response to questions, were advised that

- the external auditor is looking for assurance that the College is a Going Concern for at least the next twelve months
- following completion of the budget review and cash flow reforecast, it is anticipated there will be sufficient headroom in relation to cash that will demonstrate the College is a Going Concern
- the bank have previously given their support to the College, but would need to consider the revised budget and reforecast cash flow before support is given as if indications are that the College is cash positive any overdraft or loan facility would not be forthcoming
- an option to consider if the auditors are unable to give assurance on the Going Concern is to acknowledge that, although the Board may consider the College is a Going Concern, the uncertainty in the financial statement is acknowledged

## **048.21**

### **Financial Statements 2020/21**

The external auditor presented the draft financial statements for the year ended 31 July 2021.

The attention of members was drawn to

- Member's report
- Statement of Corporate Governance and Internal Control
- Statement of Regularity, Propriety and Compliance with Funding body terms and conditions of funding
- Statement of Responsibilities of the Members of the Corporation
- Independent Auditor's Report to the Corporation of USP College

- Reporting Accountants Assurance Report

Members noted that the Finance and Resources Committee had given initial consideration to:

- Statement of Comprehensive Income and Expenditure
- Balance Sheet as at 31 July 2021
- College Statement of Changes in Reserves
- Statement of Cash Flows
- Notes to the Accounts

Members noted that the College generated Total Comprehensive Income for the year of £10,323k surplus, which is stated after accounting for the re-measurement of the Defined Benefit pension scheme.

The Committee commented that, although this presented a very positive position, it was important not to lose sight of the fact that the valuation of the Canvey campus on acquisition, the FRS 17 year-end adjustments and the SELEP capital grant represent a 'one off' benefit in this financial year, while the underlying position is a deficit one at £490k.

Members noted that it was the opinion of the Financial Statements auditor that the financial statements:

- *Give a true and fair view of the state of the College's affairs as at 31 July 2021 and of the College's surplus of income over expenditure for the year then ended, and*
- *Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice*
- *In all material respects, funds from whatever source administered by the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;*
- *In all material respects, funds provided by the OfS, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions; and*
- *The requirements of OfS's accounts direction have been met'*

Members also noted the conclusion given by the Regularity Auditor that

*'In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2020 to 31 July 2021 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.'*

#### **049.21**

#### **Letter of Representation**

The External Auditor presented the Letter of Representation in respect of the Financial Statements for the year ended 31 July 2021.

Members reviewed the detail of the Letter of Representation, noting that the Going Concern statement is subject completion following the outcome of the budget review as discussed at this meeting.

050.21

### **Regularity Audit Self-Assessment Questionnaire 2020/21**

The COO presented the College's Regularity Audit Self-assessment.

The Committee was advised that self-assessment formed the basis of the separate external audit and regularity audit opinions.

Members noted that

- the self-assessment confirms the actions the College undertakes regularly to verify that its expenditure is appropriate and in accordance with relevant rules and guidance
- the self-assessment has been reviewed by the external auditor as part of their year-end audit function
- the Principal and Chief Executive and the Chair of Governors are required to sign the Regularity Audit Self-assessment for 2019/20 on behalf of the College

It was accepted that in the light of the timescale, it would not be possible for the Committee to consider the financial statements again following the outcome of the budget review and the impact this would have on the Going Concern of the College. It was agreed that an updated version of the Financial Statements and Letter of Representation would be presented directly to the Board on 14 December together with the post-audit management report and the regularity audit self-assessment questionnaire. The external auditor would attend the meeting, if required, to present the post-audit management report, but this would be dependent on the outcome of events relating to the revised budget.

### **Agreed**

The Risk and Audit Committee agreed that the following is presented to the Board

- Post-Audit Management Report for the year ended 31 July 2021
- The Financial Statements for USP College for the year ended 31 July 2021, subject to amendment as discussed
- The Letter of Representation in respect of the Financial Statements for the year ended 31 July 2021, subject to amendment as discussed
- The Regularity Audit Self-Assessment Questionnaire for the year ended 31 July 2021

051.21

### **Meeting of the External Auditor with the Risk and Audit Committee**

The external auditor advised members that there were no issues to raise and asked if the committee wished to raise any issues without the presence of College staff.

The Committee advised there were no issues they wished to discuss

### **Shachi Blakemore left the meeting**

052.21

### **Annual Report of the Risk and Audit Committee for 2020/21**

The Clerk to the Corporation presented the Annual Report of the Risk and Audit Committee for the year ended 31 July 2021.

Members were advised that

- the Committee is required to provide an annual report to the Board and to the Principal and Chief Executive, as the Accounting Officer, which outlines the work undertaken by the Committee, and how the Committee has fulfilled its responsibilities as set out in its Terms of Reference
- The Annual Report of the Committee is required to be submitted to the funding agency together with the Financial Statements

Members considered the detail of the report, with particular reference to

- Clause 7 – Internal Audit
- Clause 8 – Financial Statements Audit
- Clause 9 – Regularity Audit
- Clause 13 – Assessment of the Risk and Audit Committee’s own effectiveness
- Clause 14 – Conclusion

Members discussed the detail of the report and agreed this gave a good summary of the activities relating to the financial year and highlighted the additional sources of assurance regarding risk management and internal control.

The Committee was pleased to present the report to the Board on 14 December 2021 to give an opinion that there are adequate and effective assurance arrangements in place and a framework of governance, risk management and control processes for the effective and efficient use of resources, solvency of the institution and the safeguarding of its assets.

**Resolved**

The Risk and Audit Committee approves the Annual Report of the Risk and Audit Committee to the Corporation Board and Principal and Chief Executive and commends the report to the Board for acceptance and approval

**053.21 Any Other Business**

There were no items of any other business.

**054.21 Dates of scheduled meetings of the Risk and Audit Committee 2021/22**

Tuesday 15 March 2022

Tuesday 14 June 2022

All meetings commence at 4pm.

**As there was no further business, the Chair declared the meeting closed.**

**SIGNED AS A CORRECT RECORD:**

**DATE: 23 March 2022**

A handwritten signature in black ink, appearing to be 'R. 211', is written on a white rectangular background.