



**USP College Corporation
Risk and Audit Committee**

Minutes of the Meeting held on Tuesday 29 November 2022

**Held on Microsoft Teams
Meeting commenced: 16.00hrs
Meeting ended: 17.30hrs**

Present

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

In attendance

Phillip Lennon	Chair of the Corporation
Steven Hendy	Chief Finance Officer (CFO)
Paul Goddard	Scrutton Bland
Shachi Blakemore	Buzzacott

Clerk

Sue Glover	Clerk to the Corporation
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The Chair of the Committee advised that as the Chair of the Corporation was attending the meeting to hear from the external auditor on their post audit management report this would be taken after the standing agenda items.

033.22 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.

034.22 Apologies for absence

There were no apologies for absence.

035.22 Unconfirmed minutes of the meeting of the Risk and Audit Committee held on 14 June 2022

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

036.22 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

037.22 Post-Audit Management Report for year ended 31 July 2022

The external auditor presented the Post-Audit Management Report to the Risk and Audit Committee for the year ended 31 July 2022.

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
- 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

- at 25 November 2022, the audit is complete with the exception of
 - Going Concern assessment to cover the material uncertainties identified in July and explain how these have been mitigated, together with latest management accounts and cash flow projections, which include
 - revised forecast result for 2022/23
 - cashflow forecast 12 months from date of signing the accounts, that includes worst case scenario and headroom in terms of bank loan covenants compliance under the worst case scenario for 2022/23
 - Letter of Support from the College to the Directors of ITEC for financial and operational support for at least 12 months to December 2023 if the plan is to continue operations
 - 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 revised budget is expected to show a breakeven position or a small surplus and will be presented to the Board in December
- the ITEC Board will be meeting on 5 December to review their financial statements for 2021/22

The external auditor informed members on the financial performance

- the group's total reserves have increased by £10.895m during the year (2021 – increase of £10.323m)
- net assets of £27.975m at the balance sheet date (2021 – £17.000m)
- a significant part of this movement is due to the reduction in LGPS pension liability from the prior year end as noted below
- excluding movements on the defined benefit pension liability and other non-recurring items, the "operational deficit" for the year was £0.818m (2021 – deficit of £0.490m)

The external auditor further informed the Committee that no significant deficiencies in the accounting and internal control systems were found during the audit.

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 deficit was due to the HE student provision not materialising combined with the loss of apprenticeships at ITEC, which meant the financial health deteriorated in 2021/22 to 'requires improvement' compared to 'good' in the previous year
- the forecast review and further information on the going concern assessment is awaited in order for the external auditor to conclude their work in this area

038.22

Financial Statements 2021/22

The external auditor presented the draft financial statements for the year ended 31 July 2022.

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 2022
- College Statement of Changes in Reserves
- Statement of Cash Flows
- Notes to the Accounts

Members noted that, subject to the conclusion of outstanding audit items, 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 2022 and of the College's deficit 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 2021 to 31 July 2022 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.'

039.22 Letter of Representation

The External Auditor presented the Letter of Representation in respect of the Financial Statements for the year ended 31 July 2022.

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

It was noted that the letter of support for ITEC would be a matter for the ITEC Board and the Corporation Board to consider at the forthcoming meetings.

040.22 Regularity Audit Self-Assessment Questionnaire 2021/22

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 2021/22 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 13 December together with the post-audit management report and the regularity audit self-assessment questionnaire.

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 2022, updated as discussed
- The Financial Statements for USP College for the year ended 31 July 2022, subject to amendment as discussed
- The Letter of Representation in respect of the Financial Statements for the year ended 31 July 2022, subject to amendment as discussed
- The Regularity Audit Self-Assessment Questionnaire for the year ended 31 July 2022

041.22

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 and Phillip Lennon left the meeting

042.22

Review of outstanding audit items

The CFO presented a report, which detailed the progress made against the internal audit recommendations for 2021/22.

Members reviewed the detail of the report, noting the

- summary of the number of recommendations up to July 2022
- progress/completion against each recommendation
- update where target dates have been amended
- that of the 25 recommendations made
 - 18 are complete
 - 7 are ongoing

Members were advised that a final review of recommendations is to be confirmed with the internal auditor once final follow up reports have been issued.

Members agreed that good progress has been made to complete a number of outstanding audit recommendations.

Agreed

The Risk and Audit Committee agreed to receive and note the report.

043.22

Risk and Assurance Progress Report 2022/23 – November 2022

The Internal Auditor presented the Risk and Assurance Progress Report detailing the planned and completed audits against the agreed internal audit plan.

Members noted the internal audits completed to date and those that will be completed in 2022/23.

Agreed

The Risk and Audit Committee agreed to receive and note the report.

044.22

Internal Audit Reports

The Internal Auditor presented for consideration the following final Risk and Assurance Reports:

Funding Assurance

Members reviewed the detail of the report, noting

- Assurance opinion – ‘Significant’ green *‘Governance, risk management and control arrangements provide significant assurance that the material risks reviewed are managed effectively. There are some areas where the adequacy or operation of controls in practice should be improved further’*
- 0 high recommendations
- 1 medium recommendation
- 0 low recommendation

Members reviewed the summary of findings, the recommendation made and the action taken to address the issue raised.

Learner Recruitment

Members reviewed the detail of the report, noting

- Assurance opinion – ‘Significant’ green *‘Governance, risk management and control arrangements provide significant assurance that the material risks reviewed are managed effectively. There are some areas where the adequacy or operation of controls in practice should be improved further’*
- 0 high recommendations
- 0 medium recommendation
- 1 low recommendation

Members reviewed the summary of findings, the recommendation made and the action taken to address the issue raised.

The Committee agreed that the outcome for both the Funding Assurance and Learner Recruitment internal audits was very pleasing giving a good level of assurance in both these areas and asked that thanks are passed to the MIS team for their hard work in gaining these assurances.

Health Check on Student Trips

Members reviewed the detail of the report, noting that this was a health check and, due to the nature of this audit, no assurance opinion has been provided as there is limited coverage in this area.

It was noted that from a sample of ten trips reviewed it was found that controls had been consistently applied in practice and the relevant paperwork had been fully completed to a suitable quality. One low risk recommendation was raised and one added value point to improve the performance of the system of internal controls. The Committee were pleased to receive a good level of assurance.

Curriculum Planning

Members reviewed the detail of the report, noting

- Assurance opinion – ‘Significant’ green *‘Governance, risk management and control arrangements provide significant assurance that the material risks are managed effectively. There are some areas where the adequacy or operation of controls in practice should be improved further’*
- 0 high recommendations
- 0 medium recommendations
- 1 low recommendation

Members reviewed the summary of findings, the recommendation made and the action taken to address the issue raised.

The Committee agreed that the outcomes presented from each of the internal audits was very pleasing and demonstrated the robust processes in place to achieve good levels of assurances.

045.22

Annual Internal Audit Report for 2021/22

The Internal Auditor presented for consideration and review the Annual Internal Audit Report 2021/22.

Members considered key sections of the Report, in particular

- the audit opinion
- key observations and management actions on previous recommendations
- Internal Audit Planned Coverage and Output
- The Quality Assurance Improvement Programme
- Performance Indicators

- Summary of Findings for the year ended 31 July 2022
- Audit Benchmarking Data

Members noted that it was the opinion of the Internal Auditors for the year ended 31 July 2022 that the College has:

- adequate and effective risk management processes;
- adequate and effective governance processes;
- adequate and effective control processes, notwithstanding the limited assurance option is provided within the Apprenticeships Funding Assurance and cyber Security reports; and
- adequate and effective processes surrounding efficiency and effectiveness

It was noted that the opinions would contribute towards the assurances used by the Committee when preparing the Annual Report for the Corporation Board.

Resolved

The Risk and Audit Committee agreed to accept the

- Risk and Assurance Progress report – November 2022
- Final Risk and Assurance reports for
 - Funding Assurance
 - Learner Recruitment
 - Health Check on Student Trips
 - Curriculum Planning
- Annual Internal Audit Report for 2021/22

Paul Goddard left the meeting

046.22 Fraud, Irregularity and Whistleblowing Matters

The Committee was advised that there were no matters to report.

047.22 Annual Risk Management Report for 2021/22

The CFO presented for consideration the Annual Risk Management Report for 2021/22.

The Committee was reminded that

- risk management is a standing item on the Committee's agenda and at each termly meeting consideration is given to the risk profile together with any change in the risk scores
- Headline Risks of the College are the main focus of the Committee and are monitored throughout the academic year
- it has a responsibility to
 - oversee the College's risk management process in accordance with its Terms of Reference
 - provide, in its annual report and in accordance with the Post-16 Audit Code of Practice, an opinion on the adequacy and effectiveness of the College's risk management

Members considered the detail of the report, noting

- there were twenty two headline risks for 2021/22 – sixteen risks met the target risk rating at the end of the year and six remained above the target rating set for 2021/22
- the risk relating to the Ofsted inspection was removed as this visit is completed. Three new risks were added, one relating to fraud including cyber fraud, one relating to increased energy costs and one relating to the impact of current inflation rates

- 4Risk refresher training is planned for 2022/23 to support managers prepare their departmental risks which will be reported annually to the Risk and Audit Committee
- a further review of the risk management process is planned later this term, which will include a review of reporting to ensure this supports the needs of the Board
- there were eighteen headline risks for ITEC for 2021/22, seven risks met the target risk rating at the end of the year and eleven achieved lower than the target rating set for 2020/21

In discussion, the Committee agreed that there are appropriate arrangements in place for the monitoring and review of risk management at each meeting and that the headline risks for 2022/23 remain as those for 2021/22. It was further agreed that the risks in place for ITEC are appropriate to manage out the business.

Resolved

The Risk and Audit Committee endorses and commends the Annual Risk Management Report for 2021/22 to the Corporation Board for acceptance and approval

048.22

Quarter 2 Headline Risk Register 2022/23

The COO presented a report, which provided details of the headline risks together with the risk register summary for Quarter 2 2021/22

Members were advised that

- the headline risks have been reviewed and agreed by the Executive Leadership Team (ELT)
- the review was carried out in October where the ELT considered the current headline risks
- the Covid-19 risk register has not been presented as rules relating to Covid-19 have been relaxed and will be held centrally should the current position change and new Government guidance and controls implemented
- the ITEC risk register is provided for information only
- the reporting provided has been taken from the risk management software, 4Risk

Members considered the detail of both risk registers, noting:

- there are two new risks, one relating to ITEC and incurring unplanned costs that push the company into deficit as it winds down the business, one relating to continued increases to the Bank of England interest base rate
- there are 21 headline risks, all of which are on track to meet target for 2022/23
- no risks have been removed and no changes to risk ownership

The Committee agreed that the headline risks in place for the College remain appropriate and that good progress has been made to ensure that they remain on track to meet the target set for 2022/23.

Agreed

The Risk and Audit Committee agreed

- to receive and note the risk management report and risk register Quarter 2
- the report and risk register is presented to the next meeting of the Corporation Board

049.22

College Policies

The Clerk to the Corporation presented the Freedom of Information Policy for approval.

Members were advised that

- the policy is presented for review as part of the College cycle of policies for review and approval
- there are no changes proposed and the policy remains current

Members reviewed the policy and agreed there was nothing further.

Resolved

The Risk and Audit Committee approves and recommends to the Corporation Board for approval the Freedom of Information Policy

050.22

Annual Report of the Risk and Audit Committee for 2021/22

The Clerk to the Corporation presented the Annual Report of the Risk and Audit Committee for the year ended 31 July 2022.

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 assurance regarding risk management and internal control.

The Committee was pleased to present the report to the Board on 13 December 2022 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

051.22

Committee Effectiveness

The Clerk presented the outcomes from the Committee’s self-assessment for 2021/22.

Members were reminded that the Board had conducted its annual self-assessment over the summer, which included a self-assessment of the performance of each of the committees. The Board reviewed the outcomes at the meeting held on 27 September and agreed that each Committee should consider the outcomes of its own self-assessment at the autumn meetings.

The Committee reviewed the outcomes for the Finance and Resources Committee, noting:

- the overall assessment of the Committee's performance is Good/Outstanding
- the impact the Committee has made in the last twelve months
- the areas suggested of how performance might be improved

In discussion, members concluded that the Committee continues to fulfil its function as a key committee of the governing body. The Committee will continue to play a proactive role in advising the Board on the adequacy and effectiveness of the Corporation's assurance framework and risk management in addition to supporting the Board to ensure it has fulfilled its statutory and regulatory responsibilities including the required format of the Corporation's statement of corporate governance and internal control.

Agreed

The Risk and Audit Committee agreed to receive and note the report

052.22

Any Other Business

There were no items of any other business.

053.22

Dates of scheduled meetings of the Risk and Audit Committee 2022/23

Tuesday 21 March 2023

Tuesday 13 June 2023

At the conclusion of the meeting, the Committee moved into a meeting restricted in accordance with the Instrument and Articles of Government and with the Section 22 of the Freedom of Information Act 2000, to members of the Committee, the Corporation Board and to senior post holders.

SIGNED AS A CORRECT RECORD:

DATE: 21 March 2023

A handwritten signature in black ink, appearing to be 'R. 21', is written over a light grey rectangular background.