



PLUMPTON

COLLEGE

Annual Report of the Audit Committee 22/23

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Introduction

Under the ESFA's post – 16 Audit Code of Practice, Audit Committees are required to produce an annual report for their Corporations summarising the Committees activities during the year, including:

- a summary of the work undertaken by the Committee during the year;
- any significant issues arising up to the date of preparation of the report;
- any significant matters of internal control included in the reports of audit and assurance providers;
- the Committee's view of its own effectiveness and how it has fulfilled its terms of reference;
- the Committee's opinion on the adequacy and effectiveness of the Corporation's assurance arrangements, 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.

A copy of the Audit Committee's report must be sent to the ESFA. This report follows the structure set out above.

Summary of Work Undertaken August 2022 – July 2023

The Committee met 5 times during the year (2021/22: 4 times), making use of both face to face and online options to allow flexibility and promote the most inclusive opportunity to all members.

Member Attendance

The audit committee met five times in the year to 31 July 2023. The members of the committee and their attendance records are shown below:

Committee member	Meetings attended
Mike Atkinson	2/2
Tim Laker	2/2
Doug Jackson	2/3
John Moore-Bick	5/5
Scott O'Brien	3/3
Tamara Roberts	2/2
Yvonne Hopkins (Co-opted Member)	1/2
Mark Filsell (Co-opted Member)	3/5
Tim Laker (Co-opted Member)	1/3

The Committee monitored, and tracked the follow-up of, assurance work conducted by the internal auditors and other independent reviewers, together with internal assurance reviews conducted by management (see Appendix 1).

The Committee also agreed and regularly reviewed a forward audit and assurance programme based on evolving judgements about the key areas of risk. The programme (also summarised at Appendix 1) extends over the following year and beyond. Broadly, it is expected that three audit areas will be reviewed each year, although the Committee is willing to flex its approach taking into account emerging risks, parallel or equivalent assurance activity and emerging themes and issues. Audit activity covers not only financial controls but also controls over academic quality, procurement, IT data security, safeguarding and health and safety.

External auditors continue to be available to the Audit Committee Chair and relevant executives, to inform the external audit plan. The Committee reviews the auditor's reports on regularity and the financial statements, and the responses to the management letter.

Any Significant Issues Arising

There are no significant issues to report.

No instances of financial fraud were identified. The college's whistle-blowing process was used on two occasions. One of these uncovered a serious irregularity in academic assessment that led to a notification to City and Guilds and the suspension of the staff concerned.

Any Significant Matters of internal Control included in Reports of Audit and Assurance Providers

Finance

The last year saw a substantial shift in the foundational risks and controls facing the college, following the reclassification of the college from private to public sector by the Office for National Statistics (ONS) at the end of the previous year. While the impact on the control environment brought about by this change has yet to be determined or codified (pending publication of the Colleges Handbook by the Department for Education (DfE)), the most immediate impact has been to the ability of the college to borrow on commercial terms, including for its existing development facility and planned refinancing.

The uncertainty caused by this change was substantial, but the college's leadership responded strongly, both in terms of exercising its influence with DfE in seeking assurances and in pragmatically managing its budgets to respond to potential funding shortfalls. The latter demonstrated the benefit of prudent budget management in previous years, establishing reserves which have so far allowed the College to ride out this unforeseen challenge effectively.

Under the EFSA grading criteria, the College's financial health ended 2022/23 as Requires Improvement, as a direct result of the impact of ONS reclassification delaying the planned refinancing of the loan for the Agri Food building. This had an adverse impact on the College's current ratio, triggering this classification.

It is projected that this position will be resolved once the public works board provides alternative refinancing options in 2023/24, and the classification should not be seen as the consequence of poor financial planning or management.

Beyond this, the internal audit and other assurance reports received during the year raised no significant internal control issues. At the time of writing, Mazar's external audit of our 2022/23 accounts also gave a clean bill of health to our processes and systems, while only available in draft.

Academic Quality, Safeguarding and Administration

The College is subjected to two Ofsted inspections for education, training and skills provision and for residential provision. The College has an Ofsted inspection of its residential provision in May 2023 and was rated as Outstanding on all measures, as it has in the last 4 inspections going back to February 2013.

The latest Ofsted inspection of education, training and skills provision (February 2018) rated the College as Good. Other audit and assurance activity continues to present a good picture of the College's overall control environment and performance against expected standards across financial, academic and safeguarding areas, and in terms of the general administration of the college.

The Audit Committee's Effectiveness

The terms of reference of the Audit Committee closely follow the ESFA's Audit Code of Practice. The Committee benefits from a broad range of skills and experience, including accounting qualifications, finance, risk and assurance experience in both the public and private sectors, commercial viewpoints and longstanding involvement in the governance of further education settings.

Beyond this, the Principal, Finance Director and members of the College SMT regularly attend meetings to present College plans, update on progress in delivering against key actions and respond to challenge. The Committee is grateful for their input and professionalism.

The Audit Code of Practice prohibits members of Finance Committees being members of Audit Committees and vice versa. However, where there is clear overlap in responsibilities, mechanisms for ensuring appropriate interlock between the priorities and oversight of these committees has been established.

The Audit Committee continues to be an effective forum for scrutiny and challenge.

The Committee's Opinion on the Adequacy and Effectiveness of the Corporation's Assurance Arrangements, 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.

Corporation's Assurance Arrangements - In-year

As regards in-year assurance and risk management arrangements, the Committee believes in-year control processes in the College are strong and effective. In addition to full and frequent management reports to Corporation and its Committees, and frank and open discussion at meetings between the Senior Management Team and Governors, the College has an effective Link Governor scheme which allows Governors to develop dialogue with other College leaders and managers.

Strategic planning

The College operates a Strategic Delivery Plan, which is approved by Corporation each year and reported on regularly through the year. This plan also benefits from ground-up input from across the College staff and its student base, with KPIs established to ensure in year measurement of delivery against plan.

From a financial perspective, prudent goals are established for delivering a modest surplus in the central estimate. Plans are reviewed and adjusted quarterly, ensuring in-year income goes to the benefit of students in the current cohort, while safeguarding the financial standing of the College as a going concern. As noted above, the reclassification of Colleges created additional complexities, which the College managed successfully.

Effective and Efficient Use of Resources

In our core academic business, effectiveness is primarily evidenced by retention, achievement, value-added indicators, and by student feedback; and it is externally validated by OFSTED inspections and Landex peer reviews. Performance in all these areas remains good, with frequent detailed reports to governors and governor engagement with reviews of individual departmental performance. There are detailed plans in place to address pockets of provision capable of further improvement.

Based on its review of key metrics through the year, the Committee considers that the framework of controls over effectiveness and efficiency is strong.

Solvency of the Institution

The shortfall in the College's target liquidity ratio in year is noted, although this is wholly due to reclassification of commercial loans to current liabilities as a direct result of the ONS reclassification. In reality, reserves have proven sufficient and cash pressures arising from challenges such as a significant rise in utility costs have been managed effectively.

It is noted that the external auditors were unable to provide a definitive going concern opinion until the impact of the ONS reclassification on the College was clear and alternatives to planned commercial borrowing had been brought forward by DfE. As such, the Audit committee could not be confident that the College remained a going concern, although it remained confident that any rational approach by Government would alleviate the pressures that emerged in year.

Safeguarding of the Colleges' Assets

There are insurance arrangements in place and the claims experience is reported to Corporation annually.

The Corporation has taken a conservative view in assessing the book life of its assets; and it is the Corporation's policy to assess all assets for impairment annually. Audit Committee takes assurance from the valuation survey previously undertaken by Virgin Money and the rebuild cost survey with FE Protect which both indicate values of the College property 2-3 times higher than shown in the financial statements.

Appendix 1

Audit and Assurance Programme

Date	Completed by	Area of Audit / Assurance
Autumn 22	Self Assessment	Mental Health and wellbeing
Nov-22	Landex	Annual Peer Review
31.03.23	ESCC	Safeguarding s175 Audit
Jan-23	ESCC	14-16 provision - safeguarding
Summer 22	Mazars	Review of Strategic Development Fund (SDF) grant claim
Autumn 22	Mazars	Teachers Pension Audit
3 x yearly	Careers Leader	Annual Assessment against Gatsby Framework
May-23	Ofsted	Residential provision
Dec-22	ICCA	Payroll