



PLUMPTON
COLLEGE

AUDIT COMMITTEE: 2021/2022 ANNUAL REPORT TO CORPORATION

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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 Corporation summarising the Committees activities during the year, including

- a summary of the work undertaken by the Committee during the year;
- the 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 2021 – July 2022

The Committee met 4 times during the year (2020/21: 5 times). In 2020/21 all meetings had been held online due to COVID-19 restrictions. This year all meetings were face-to-face, with facilities for Committee members to attend remotely. Attendance by individual members was as follows:

Member	Attendance
Mike Atkinson (Chair of Audit Committee)	4/4
Steve Waite (Vice Chair of Corporation)	4/4
Tim Laker (Governor)	2/4
Yvonne Hopkins (Co-opted Member of Audit Committee)	2/4
Mark Filsell (Co-opted Member of Audit Committee)	1/4

The Committee monitored, and tracked the follow-up of, external assurance work conducted by the internal auditors and other independent reviewers, together with internal assurance reviews conducted by management. This assurance work was wide-ranging: a list is set out at Appendix 1.

The Committee also agreed and regularly reviewed a forward audit and assurance program based on evolving judgements about the key areas of risk. The program (also summarised at Appendix 1) extends over the following two years and beyond, and is not scheduled rigidly to financial years. It is based on three substantive internal audits a year. It covers not only financial controls but also controls over academic quality, procurement, IT data security, and health and safety.

As regards the external auditors, the Audit Committee Chair continues to meet Mazars each summer, alongside the Finance Director, to discuss particular issues to be considered in the external audit. The Committee as a whole reviews the auditor's reports on regularity and the financial statements, and the responses to the management letter.

Any Significant Issues Arising

There are, for the second year running, 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 internal audit and other assurance reports received during the year raised no significant internal control issues; and Mazar's external audit of our 2021 accounts also gave a clean bill of health to our processes and systems. The College's financial health ended 2021/22 as Good under the ESFA grading criteria, and is projected to be Good by the end of the current financial year. Its operating outturn for 2021/22 was in excess of the budget agreed by Corporation in June 2021, and the College has successfully delivered major projects to time and at costs close to budget.

Academic Quality

There have been no recent Ofsted inspections. The latest Ofsted inspection (February 2018) rated the College as Good. An important and innovative external audit of the College's equality, diversity, and inclusion practices was conducted during the year which indicated ways in which future policy could be developed; the conclusions have been incorporated as a central plank in the College's forward strategy.

Governance

In June 2022 the Corporation carried out an external review of governance in line with the requirements of the funding agreement. This confirmed the conclusion of the FEC Diagnostic Assessment in 2021 that "the College's governance continues to be strong and the Board highly effective".

The Audit Committee's Effectiveness

The terms of reference of the Audit Committee closely follow the ESFA's Audit Code of Practice. The committee includes two qualified accountants – the Chair and a co-opted member. Committee members have recent relevant experience in risk management and assurance.

The ability to meet in person again (with flexibility for Committee members to attend remotely where necessary) improved the effectiveness of meetings. The Committee also now invites departmental managers (as well as senior management) to attend discussion of audit reports in their particular area.

We have pressed for several years for targeted training for Audit Committee members and are pleased at the AoC's initiative during the year to set up networks of Chairs of Audit and Finance Committees. This will help to identify and import good practice from other colleges. During the year the Committee also collectively completed the ETF Governor Development Training P9: Audit for Audit Committee Members, together with the ESFA Guidance: the scope of work of Audit Committees and internal Auditors in College Corporations (updated 12 January 2022). The Committee noted that its forward audit and assurance programme covered most of the areas suggested in the ESFA guidance.

The Audit Code of Practice prohibits members of Finance Committees being members of Audit Committees and vice versa. There is in practice considerable overlap in the work of the two Committees, and it detracts from the Audit Committee's effectiveness not having a member who participates at first hand in Finance Committee discussions. We accordingly continue to press ESFA through the AOC to limit the prohibition on common membership to the Chairs of the two Committees. We have also proposed for 2022/23 joint meetings with the Finance Committee to review the draft of the Corporation's Annual Report and the drafts of finance policies for inclusion in the College's Finance Manual.

The Committee also felt that it would benefit from having a member with IT capability.

Subject to these points, we believe 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 middle management. The overall strength and effectiveness of the governance framework was endorsed in the external review of governance conducted in July; the review identified a number of areas for improving the efficiency of the governance process, and these will be taken forward in 2022/23.

Our 2021 Report referenced our ambition to update and consolidate the College's Finance Regulations and many financial procedures and policies into a single Financial Manual with appropriate cross-referencing to other College policies (eg on governance and HR) so that it can be regularly updated in future. The Committee reviews progress on this work at each meeting. During 2021/2022 the policies on fees, risk management, and procurement (including delegated authority for purchases) were updated. Reviews of the process for appraising and approving major projects, and of delegated authorities outside the procurement area, are outstanding. We are also considering the need for a formal policy on pay.

Historically, many policies have focused on management's control of income and expenditure. We have asked that policy reviews should also explicitly articulate the Corporation's role in setting the policy framework and the upward reporting arrangements.

Strategic planning

As regards the longer-term assurance arrangements, the Corporation has anchored its strategic planning since 2020 on

- Achieving free cash reserves of £2.0m –£2 .5m by July 2023 and £2.5m-£3.5m by July 2025;
- Achieving an average operating surplus of 3-5% over the strategic plan period to 2025;
- 4 growth areas (agrifood, vet nursing, horticulture, and viticulture);
- A site development masterplan for the Plumpton site endorsed by the local planning authority, including completion of our new Agrifood Centre in 2023.

During the year the Corporation reviewed its long-term strategy, including its high-level objectives, values, and risk appetite, taking into account the views of both internal and external stakeholders as well as evolving Government policy towards the FE sector. Further

work is being undertaken during 2022/23 to set SMART KPIs for the business, to articulate a business strategy for the farm and detailed targets for the College's sustainability agenda.

Audit Committee believes that a fundamental and careful strategic review along these lines is most likely to lead to a robust and effective five-year strategic plan, with strong buy-in from stakeholders.

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 relatively high, 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.

As regards efficiency, the Corporation has hitherto treated the ratio of staff cost to income as a primary measure. The ratio of 53.9% achieved in 2021/22 puts Plumpton among the most cost-efficient colleges, comfortably within the guideline of 55% the FEC has set for land-based colleges. However the Committee warns that the FEC guideline of 55% is unlikely to be compatible with the sector's ambition to align the pay of college staff more closely with our school counterparts; and suggests that the primary KPI for staff efficiency should be expressed in terms of staff hours rather than staff costs.

As regards bought-in goods and services, the College's primary KPI is the percentage of purchases made without a purchase order number. In 2021/22 this percentage was 18%; the aim is to reduce it to 10% in 2022/23. The College also has in place KPIs which cover all aspects of college performance including its business performance and efficiency of a non-academic activities (farm, residential utilisation, etc). Performance against these key indicators is reported to Corporation on a monthly basis.

Committee accordingly believes that the framework of controls over effectiveness and efficiency is strong.

Solvency of the Institution

In addition to the strategic targets for free cash reserves set out above, the Corporation has also adopted a short-term liquidity target of £0.8m at all times. The College is confident of achieving all these targets. It has also put in place an overdraft facility of £1.0m with Virgin Bank. The Corporation continues to monitor the 2-year forward cash flows at each of its meetings.

Audit committee is accordingly confident that the college is a going concern, and has confidence in the processes for ensuring that this continues to be the case.

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 with 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. To reduce the risk of backlogs in maintenance and minor capital works leading to impairment of major assets the College increased its budgets for these headings in 2021/22 and 2022/23.

As reserves build up over the three years, the College will need to consider how best to invest the cash that is surplus to immediate requirements, particularly given the risk that rising inflation will erode its value in real terms. Developing the Treasury Management policy to address this is seen as an important task for 2022/23.

Subject to this, the Committee is satisfied that the arrangements for safeguarding the Colleges assets are sound.

Appendix 1

Audit and Assurance Programme

Date	Area	Completed by
Summer 21	Procurement, Value for Money and Best Value	ICCA
Feb 22	College Improvement Fund - Additional funding contract with robust assurance framework	DfE
Autumn 22	Equality, Diversity and Inclusion – Whole college audit	Consultant – Derek Hooper
Oct 21	Department/Divisional SAR & QIP	Keith Boulnois
Nov 21	Department/Divisional SAR & QIP	David Baber (Ofsted Consultant and Ofsted HMI)
Mar 22	Peer Review – themes: classroom learning at level 3, practical learning, understanding students and their needs and the impact of staff TLA support and training on implementation.	Landex
May 22	Residential review: Mock Ofsted Inspection	Landex
Summer 22	External Board Review	Consultant (NLG) – Shirley Collier
Apr 22	Health and Safety (using the Health and Safety Management Profile (HASMAPP) standard for Higher Education Institutions. The focusing on the Farm).	EEUK Group Ltd
Apr 22	Safeguarding s175 Audit	Self-Assessment by DSL
Spring 22	HE programme external examiner reports	Various external examiners
Apr 22	Mock Funding Audit	ICCA
Mar 22	One Garden Brighton – cash handling and stock control	
Forward programme 22/23	Work placement - to confirm that the College has established adequate, effective, and efficient systems, controls and processes over its framework for work placements.	ICCA
Forward programme 22/23	Payroll	ICCA
Forward programme 22/23	HE/OfS compliance	ICCA

Date	Area	Completed by
Forward programme 22/23	Internal Audit of Strategic Development Fund (SDF) grant claim	Mazars
Forward programme 22/23	Teachers Pension Audit	Mazars
Forward programme	<ul style="list-style-type: none"> • Audit of the Single Central Record • External review of s175 Audit • IT and IT security 	TBC