



**AUDIT AND RISK ASSURANCE COMMITTEE
MINUTES OF THE MEETING HELD ON TUESDAY 25th JANUARY 2022 @11.00
FOR GENERAL RELEASE**

Present: **Ian Falconer, Chair**
Gwyn Arnold, Member
Dave McIntyre, Member
Prof. David Vaughan, Member

In attendance:

Alan Doyle, Finance Director
Michael Rigby, Leonherman
Ben Norris, Clerk
Kate Sayer, Secretary

1. WELCOME AND APOLOGIES FOR ABSENCE

The Chair welcomed the Committee and the representative from Leonherman. The order of the agenda was altered so that the items pertinent to the External Audit were covered at the start of the meeting whilst the representative from Leonherman was present. All other committee business could then be undertaken later in the meeting. Original agenda numbers are shown in brackets after headings and actions numbers refer to original agenda sequencing.

2. REPORTING ASSURANCE (7):

- a. ARAC Annual Report (7a)– the Committee was happy to adopt the draft Report (subject to deleting the 3rd bullet of para 22 and amending the 4th bullet to reflect the opinions of the committee concerning the draft Accounts) and will commend the report to the Board of Directors.

3. RECEIVING ASSURANCE (5):

- a. Financial Management (5b)- the Financial update was provided which included the pre-audited Profit and Loss Accounts for year 2021, the Balance Sheet for 2021, the Actual Cashflow for 2020/21 and a Cashflow Forecast for 2021/22. [This section contains commercially sensitive information and has been redacted.] It was noted that the Committee would like to see the Q1 accounts which will be shown to the Board of Directors (BoD) in February. The schedule of meetings should be looked at to ensure the management accounts can go to ARAC each quarter before they go to the BoD wherever possible.
- b. External Audit (5a)– The Director’s Report was scrutinised, and a few small amendments were recommended, most importantly:
 - i. the expansion of the Statement of Corporate Governance and Internal Control to include the results of the effectiveness reviews of the various committees, including the summary of ARAC’s own annual opinion just agreed (item 7a)
 - ii. explicit confirmation of Going Concern, and confirmation of the lack of Post Balance Sheet Events.

These additions were necessary to address all the requirements of the OfS Accounts Direction.

The Statement of Responsibilities of the Board was tabled, and the Committee was happy to advise the Board that this was an accurate statement of its responsibilities, and, based on its review of the finance update provided by the Finance Director including the cashflow forecast, that Futureworks was a Going Concern.



The External Auditor then presented his findings to the Committee. The audit work began in November and the main risks scrutinised were Going Concern, cash forecast and student numbers. [This section contains commercially sensitive information and has been redacted.]

A copy of the Letter of Representation required from the Board of Directors by the auditor was still outstanding and will be forwarded to Futureworks by Leonherman after the meeting. Subject to the auditor's assurance that the Letter would only contain the usual paragraphs per the Auditing Standards template, the Committee was content to recommend that the Board could give the representations requested by the auditor.

Overall, the proposed audit opinion was clean, and this was welcomed by the Committee. Any control recommendations should be added to the action tracker. The committee concluded that the external auditor had remained independent and therefore in a position to issue his opinion.

A discussion took place regarding the publishing of the financial accounts and the associated deadlines. The committee recommended that the accounts were filed as soon as possible and not at the last minute, as prompt filing was a good external indicator of a well-managed organisation.

[Action: FD to circulate the Q1 accounts to the committee when complete.] (5b-1)

[Action: Secretary to look at the order of meetings when planning the governance and management committee dates for AY22/23 to ensure the financial accounts are presented to ARAC before the BoD wherever possible.] (5b-2)

[Action: FD to make amendment in the Directors report to make the Financial Outlook section more specific.] (5a-1)

[Action: FD to make amendment in the Directors report to note there is only one independent member of the Academic Board.] (5a-2)

[Action: Review of effectiveness of the governance committees to be added into section 6 of the Directors report.] (5a-3)

[Action: Coversheet to be provided with the next year's audited accounts, detailing the rules for filing accounts online and with Companies House etc. and the respective dates.] (5a-4)

[Action: FD to move declarations related to Going Concern and PBSE from notes section to Director's report.] (5a-5)

[Action: FD to send updated cash position, expected student loan money and final management accounts to Leonherman.] (5a-6)

[Action: Clerk to add control recommendations to action tracker.] (5a-7)

4. DECLARATION OF INTEREST (2)

None.

5. COMMITTEE BUSINESS (3):

- a. Minutes of 21.09.21 for Accuracy (3a)– the minutes were approved in terms of content and accuracy by the Committee.
- b. Action Tracker (3b)– the completed actions were approved by the committee. It was agreed that the future arrangements for both internal audit and external audit were to be reviewed as part of the regular business of the Committee. [This section contains commercially sensitive information and has been redacted.]
- c. Matters Arising (3c)- Terms of Reference –. These small amendments to the Terms of Reference regarding the inclusion of Academic Risk and the appointment of a Deputy Chair were accepted by the Committee.

[Action: ARAC to suggest that the Action Tracker is provided to the Board of Directors as an appendix to the ARAC minutes.] (3b-1)



6. FURTHER READING (12):

- a. Minutes and action plans of other committees (12a):
 - i. Board of Directors (12ai)
 - ii. Academic Board (12aii)
 - iii. Executive/Management Committee (12aiii)
 - iv. Actions plans (12aiv)

The common theme from these minutes centred around the significant risks associated with recruitment, retention and marketing. Marketing is becoming embedded into all-staff activities in order to improve recruitment figures in all programmes. These risks would be considered further as part of the next agenda item.

7. COMMISSIONING ASSURANCE (4):

- a. Risk Register (4a)– it was stated that the main risks for Futureworks currently are related to recruitment, retention and academic quality, which in turn effects the risk of low income. Having sufficient advanced warning of student recruitment/retention issues will allow for better financial planning. [This section contains commercially sensitive information and has been redacted.] It was noted that the Academic Board should be more involved in identifying and mitigating against the strategic risks it was responsible for - such devolved responsibility for risk was a key feature of a risk mature organisation.

[Action: Short to Medium Term Strategy to be circulated to ARAC members after the Board of Directors meeting in February 2022.] (4a-1)

[Action: Clerk to revise risk register and develop a more targeted assurance plan for risks associated with income and academic risk.] (4a-2)

8. RECEIVING ASSURANCE Cont. (5):

- a. Futureworks Annual Report (5c)– this was presented to the committee. The report was written in keeping with the revised report structure approved by the Academic Board and the Executive Committee. The report has been seen by the Board of Directors and will go to the Academic Board at the upcoming meeting. ARAC welcomed and accepted the report and asked for Board assurance that sufficient resource was available for the timely implementation of the report’s recommendations.
- b. Review of compliance returns (5d)– a list of recent and upcoming returns was provided to the Committee. ARAC was assured that all previous returns due since the last meeting have been submitted ahead of necessary deadlines.
- c. OfS Regulatory Advice 16: Reportable Events (5e)–the list of items which are now considered reportable in every instance was provided to the Committee. The list has been reduced and providers have been given a greater ability to judge whether a matter is considered material. More emphasis is being given on providers reporting material concerns within 5 days of becoming aware of them. [This section contains commercially sensitive information and has been redacted.] The Committee recommended that future Board reporting included a KPI on Reportable Events.
- d. Audit of completed actions (5f)– an audit of completed action from the Board of Directors and the Audit and Risk Assurance committee was completed by David McIntyre in November 2021 as requested at the ARAC meeting in July 2021. A separate review of closed actions from the Academic Board was completed by Fiona Guernaoui in September 2021. Overall, 47 actions were reviewed and in all but one case, actions were found to be fully complete. One action from the Board of Directors meeting in January 2021 was found to be only partially implemented. The



action which was intended to provide copies of all OfS correspondence regarding financial matters to the Board was worded in a more general manner, indicating that all correspondence (no matter the subject) should be provided. It was recommended that the action be revisited to define what exact correspondence should be provided, and that going forward more precise wording of actions be noted. The Committee welcomed the extremely positive assurance provided by the reviews and suggested that an audit of completed actions be carried out periodically every 2-3 years.

[Action: Secretary to amend wording of action BoD Jan 21 7a(1) to include the term financial matters.] (5f-1)

[Action: Secretary to add review of completed actions to workplan for every 2-3 years.] (5f-2)

[Action: Request that the Board of Directors consider providing some assurance to ARAC that the Academic Board action plan is achievable and adequately resourced.] (5c-1)

[Action: Request that the Board of Directors consider including consideration of KPIs for reportable events in its indicative work schedule.] (5e-1)

9. MANAGING ASSURANCE ARRANGEMENTS (6):

a. (6a) N/A

10. REVIEW OF MEETING AND MATTERS FOR REPORTING TO THE BOARD OF DIRECTORS (8):

- ARAC are to commend the ARAC Annual Report to the Board of Directors.
- ARAC are happy to advise the Board that the Statement of Responsibilities was accurate and that Futureworks is a Going Concern.
- The Committee was content to recommend that the Board could give the representations requested by the auditor.
- ARAC suggest that the Action Tracker is provided to the Board of Directors as an appendix to the ARAC minutes.
- ARAC asked for assurance from the Board that sufficient resource was available for the timely implementation of the recommendations in the Futureworks Annual Report.
- Request that the Board of Directors consider providing some assurance to ARAC that the Academic Board action plan is achievable and adequately resourced.
- Request that the Board of Directors considers including consideration of KPIs for reportable events in its indicative work schedule.

11. AOB (9):

OfS Consultation on Student Outcomes and Experience – this document had been published a few days prior to the meeting. [This section contains commercially sensitive information and has been redacted.] The Committee noted the guidance and welcomed the Vice Principal's early briefing; the information will go to the Board of Directors and the ARAC committee will be updated with the findings in due course.

[Action: ARAC to be kept informed of the outcome of the Office for Students 'Student Outcomes and Experience' consultation.] (9a-1)

12. ITEMS FOR FUTURE DISCUSSION (10):

None.

13. DATE OF NEXT MEETING (11)

The next scheduled meeting of the Audit & Risk Assurance Committee is:
Thursday 28th April 2022 @ 11.00 via Teams and at Futureworks.