Audit Completion Report

Grimsby Institute of Further & Higher Education – year ended 31 July 2018

December 2018

Strictly private and confidential

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Mazars LLP
Park View House
58 The Ropewalk
Nottingham
NG1 5DW

The Audit Committee
Grimsby Institute of Further & Higher Education
Nuns Corner
Grimsby
DN34 5BQ

December 2018

Dear Sirs / Madams

Audit Completion Report – Year ended 31 July 2018

We are pleased to present our Audit Completion Report for the year ended 31 July 2018. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented in August 2018. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07552 007 708.

Yours faithfully

David Hoose
Mazars LLP

1. EXECUTIVE SUMMARY

Principal conclusions and significant findings

As outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 3 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum of which the principal ones were:

- Loan to Modal Training Limited;
- Estates Strategy;
- Covenant compliance and going concern;
- Management override of controls; and
- Income recognition.

Misstatement and internal control recommendations

Section 4 sets out internal control recommendations and section 5 sets out audit misstatements; unadjusted misstatements total £71,000.

Status and audit opinion

Our audit work is complete.

We have issued an unqualified opinion, without modification, as set out in Appendix B.

2. AUDIT APPROACH

No significant changes to the audit approach noted from the Audit Strategy Memorandum issued at planning stage.

3. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 11 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

Loan to Modal Training Limited

Description of the risk

The College balance sheet includes a loan balance of £5,540,000 (at 31 July 2017) due from Modal Training Limited.

How we addressed this risk

Given that the trading subsidiary has generated trading losses in previous years, and has done so again this year, there is a risk that the balance is not recoverable.

There is also a risk that HMRC may open an enquiry into the tax treatment of this loan, with a potential worst case scenario of a tax liability arising at 20% of the loan value. There is a risk that any potential liability is not materially provided for or correctly disclosed.

We have assessed the impact of this on our regularity audit.

Audit conclusion

From the audit work performed, and based on the information available at this point, we have not identified any reasons why the loan will not be materially recoverable.

We have reviewed the potential tax impact of this loan and concluded that it is more likely than not that the loan is a Qualifying Charitable Investment ("QCI") and that the College's tax position with regards the QCI is not materially misstated.

3. SIGNIFICANT FINDINGS (CONTINUED)

Estates Strategy	**Description of the risk** In the prior year, the College impaired property formally utilised as the Scarborough campus. We understand from discussions with management that the impairment charge may need revisiting.
	How we addressed this risk We have reviewed the estates strategy in order to determine what, if any, impairment or acceleration depreciation is required. We understand from discussions with management that there is a £600k difference on the Deferred Capital Grant released as part of the previous impairment. We have assessed the accounting treatment of this difference.
	Audit conclusion For our conclusions on the Deferred Capital Grant differences, please see "Significant matters discussed with management" on page 11. We have received confirmation that no further impairment charges are required on either the Westwood Campus or Lady Edith Drive. Our other work in this area has identified no requirements for any further impairment provision or accelerated depreciation charge.

Covenant compliance and going concern	**Description of the risk** Cuts in funding represent a potential issue in respect of covenant compliance and the college remaining a going concern.
	How we addressed this risk We obtained post year end management accounts and the college's financial plan and considered whether these support the going concern assumption. In doing this we considered the reliability of management information provided by comparing actual performance versus budget, and performed sensitivity analysis on the figures included in the financial plan. Our audit included an assessment as to the adequacy of the disclosure made in the financial statements in relation to going concern and the future plans of the college.
	Audit conclusion We have reviewed the bank covenants as at 31 July 2018 and have not identified any non-compliance with these. Our review of going concern has not highlighted any issues in relation to the College applying the going concern basis of preparation for the financial statements.

3. SIGNIFICANT FINDINGS (CONTINUED)

Management override of controls

Description of the risk

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we addressed this risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit conclusion

Our audit approach is designed to mitigate this risk through testing of detailed transactions, performing analytical review to highlight any unusual transactions, agreeing information to third party supporting documentation and testing journal entries to ensure that manual adjustment has not been made to the accounting records. The testing undertaken did not highlight any evidence of management override of controls.

Revenue recognition

Description of the risk

There is a risk of fraud in the financial reporting relating to revenue recognition due to the potential to inappropriately record revenue in the wrong period. Due to there being a risk of fraud in revenue recognition we consider it to be a significant risk on all audits.

How we addressed this risk

For the College we see the revenue recognition significant risk as being principally in relation to:

- Cut-off – accounting for income in the wrong accounting period

We will address this risk by performing detailed testing across each income stream focusing on the recognition of income in the correct period. Our procedures will be conducted so as to understand the policies for income recognition and to consider the risk of revenue being accounted for in the wrong accounting period.

Audit conclusion

No significant issues were noted in respect of revenue recognition from our audit procedures. Cut off testing was performed on revenue both pre and post year end and no material variations were noted.

3. SIGNIFICANT FINDINGS (CONTINUED)

Defined benefit pension scheme assumptions

Description of the management judgement

There are significant assumptions used in calculating the value of the Local Government Pension Fund (LGPS) deficit as at 31 July 2018, the colleges proportion is disclosed in the financial statements.

How our audit addressed this area of management judgement

We obtained a copy of the actuarial valuation report prepared for the LGPS. We assessed the reasonableness of the assumptions used in valuing the scheme and reviewed the disclosures included in the financial statements to ensure it has been accounted for in accordance with relevant accounting standards.

Audit conclusion

East Riding of Yorkshire Pension Fund

Our actuarial team have reviewed the actuarial assumptions used in the calculation of the College's share of the Local Government Pension Scheme deficit. They have concluded that the assumptions are reasonable with the exception of the salary growth assumption, which was set at RPI less 1.0% (i.e. CPI or 2.4%), compared to the lower-end of our expected actuarial range of RPI plus 0.5% (i.e. 3.9%). Adopting the higher salary increase assumption would increase the College's LGPS pension deficit by c. £2,784k.

Management has been advised by the East Riding Pension Fund that the salary increase assumption used is based on that from the last full triennial valuation of the scheme in 2016, The triennial valuation report states "…the Fund have set a salary growth assumption of RPI less 0.8%. This reflects both short term pay constraints and the belief that general economic growth and hence pay growth may be at a lower level than historically experienced for a prolonged period of time." We note that this has been reduced to RPI less 1.0% since the date of this valuation.

We are advised by Management that they are of the opinion that a salary increase of 2.4% is not unreasonable and is within the parameters used in the institution's financial forecasts. Whilst we have not raised an unadjusted error in respect of this, we would wish to discuss this matter further with the Institution's Audit Committees.

On 26 October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, ('GMP'). The Government will need to consider this outcome in conjunction with the Government's recent consultation on GMP indexation in public sector schemes before concluding on any changes required to LGPS schemes. As a result we do not consider this to be an adjusting post balance sheet event that would require you to recalculate your LGPS liability at 31 July 2018. Brief additional disclosure wording will be required in the pensions note in your financial statements.

Enhanced Pension Provision

Our actuarial review identified that the default assumptions used in the model to calculate this provision (as hosted on the AOC website) are no longer appropriate. We believe that more realistic assumptions of 2.8% interest and 2.5% CPI should be used, which would result in a year end provision of £1,161,000. Using the default assumptions has resulted in a provision of £1,090,000. We are satisfied that the provision is materially stated and do not therefore propose an adjustment.

3. SIGNIFICANT FINDINGS (CONTINUED)

Depreciation	**Description of the management judgement** Management have to use their judgement in selecting the depreciation rates to be used.
	How our audit addressed this area of management judgement We considered whether the depreciation methods are appropriate given the estimated useful life of the assets and industry standards. We also considered whether any material profits or losses on disposal in recent years indicate that depreciation rates are inappropriate.
	Audit conclusion Our testing of fixed assets and depreciation did not highlight any significant issues.

Capital expenditure	**Description of the management judgement** The College has continued to develop its estate during the year. Management have used their judgments in classifying the individual items of expenditure as either capital or revenue.
	How our audit addressed this area of management judgement We considered the nature of the expenditure and whether it should be classified as either capital or revenue expenditure.
	Audit conclusion Based on continued use in the College, we note no issues with the current value of tangible fixed assets. The testing of capital expenditure did not identify any issues.

3. SIGNIFICANT FINDINGS (CONTINUED)

Qualitative aspects of the entity's accounting practices

We have reviewed the College's accounting policies and disclosures and concluded they comply with applicable accounting standards and the Statement of Recommended Practice: Accounting for Further and Higher Education 2015, including United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) (FRS 102) "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Significant matters discussed with management

Deferred Capital Grant release - College

During the year management identified £610,000 of deferred capital grants which should have been released to match the impairment of the College's Scarborough campus which was recognised in the Statement of Comprehensive Income in 2016 / 17. This has been released in 2017 / 18. As this is a result of better information on the carrying value of deferred capital grants coming to light, management believe that it is appropriate to recognise this income within 2017 / 18 rather than recognise a prior year adjustment. We concur with this treatment.

Transafe Training acquisition – Modal Training Limited

Goodwill of £250,000 arising on the acquisition in the year of the trade and assets of Transafe Training Limited by Modal Training Limited ("Modal") has been recognised in the Modal financial statements. This has then been fully amortised at 31 July 2018 in line with the company's accounting policy. The charge to the Modal profit and loss account is £250,000.

We have reviewed the cash flow forecasts behind the acquisition and agree with management's assessment.

Significant difficulties during the audit

We note that there were significant changes in the finance team during the year. However, we have incurred difficulties during the audit including the following:

- posting of late journals to the finance system during and after completion of the audit field work; and
- delays in the receipt of supporting documentation for the significant risks as communicated in our Audit Strategy Memorandum.

3. SIGNIFICANT FINDINGS (CONTINUED)

Modifications required to our audit report

We have not identified any issues which would result in us proposing to issue a modified audit opinion. Our draft audit report, in full, is set out in Appendix B.

Regularity assurance

Our regularity assurance engagement was conducted in accordance with The Joint Audit Code of Practice, issued by the Education and Skills Funding Agency.

The Post-16 Audit Code of Practice sets out the framework and reporting requirements on the statement of regularity, propriety and compliance and the Members of the Corporation responsibilities and the scope of our work in our role as independent reporting accountant.

We are required to report to the corporation and the Secretary of State for Education acting through the Education and Skills Funding Agency whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2017 to 31 July 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not confirm to the authorities which govern them.

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 01 August 2017 to 31 July 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

We are required to report to you by way of management letter instances of irregularity that have been identified during the course of our engagement that we conclude are not material by virtue of value or nature, either individually or in aggregate, or does not relate to transactions underlying the annual accounts.

We have reviewed the impact of the loan to Modal Training Limited on our regularity opinion and determined that the correct policies and procedures were undertaken at the time of making the loan. We do not therefore propose to modify our regularity audit opinion in respect of this.

We did not identify any instances of irregularity through the course of this engagement.

4. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	-
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	-
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	3

4. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Other recommendations in internal control – Level 3

Description of deficiency

As a result of the College and the subsidiary companies sharing a nominal ledger, journals have been noted as being raised with one side on one company's ledger and the other in another company.

Potential effects

Period end financials do not balance as, in effect, one sided journals are being posted.

Recommendation

It is recommended that the subsidiary companies are segregated fully from the College on PS Financials. This will also ensure complete transparency over the results of the subsidiaries.

Management response

Noted. The member of the finance team responsible has since left the employ of the College and there have been no further instances identified in the intervening period.

Description of deficiency

Personnel files are not being kept up to date with the most recent salary statements and contracts.

Potential effects

Incorrect personnel files may lead to fraudulent activities, errors and misstatements.

Recommendation

Ensure the personnel files are kept up to date and reviewed on a regular basis.

Management response

Noted.

4. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Description of deficiency

We are currently unable to match the deferred capital grants to the associated fixed assets within the balance sheet. We have performed alternative procedures to gain comfort over the release during the 2017 / 18 year. However, were a grant funded building to be disposed of, the current records would be unable to identify the relevant share of deferred capital grant that required release or repayment.

Potential effects

Deferred capital grants are released to the Statement of Comprehensive Income at a rate that is different from the depreciation of the associated assets, resulting in material variances in the financial statements and income recognition.

Recommendation

It is recommended that the fixed assets and deferred capital grants are reconciled ahead of the audit of the 2018 / 19 financial statements.

Management response

We will endeavour to reconcile as requested, however as far as we are aware the required information to carry out this process is not currently available.

4. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Follow up of previous internal control points

We set out below an update on internal control points raised in the prior year by the prior auditors.

Description of deficiency

It was noted during the review of the controls in relation to journals posting that journals can be deleted after being approved by any user.

Potential effects

This increases the risk that financial information can easily be manipulated therefore removing the end users ability to get a true and fair value of the financial statements.

Recommendation

It is recommended that the ability to delete journals is removed from PS Financials or that an exceptions report is run frequently to identify any individuals who have deleted journals and these are investigated.

Management response

An exception report is being run to identify all deleted journals. All deleted journals will be investigated.

Current year update

No instances noted during our audit processes of inappropriate deletion of journals.

4. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Description of deficiency

Our work on unrecorded liabilities identified one invoice in Support Staff Services Limited (formally Workforce Skills Limited) that had not been accrued for at the year end. On investigation, it was identified that this was a result of the purchase invoices not being approved on a timely basis for this subsidiary. Management assessed whether there were other such invoices in this entity and identified that that accruals totalling £7k had been omitted and an adjustment was proposed.

Potential effects

The Group policies and procedures include a thorough review for year-end accruals. However, these policies and procedures were not followed for this subsidiary due to a human error relating to the review of unapproved invoices at year-end.

Management need to ensure that Group policies and procedures on year-end accruals are being followed as this then reduces the risk of material misstatement in the financial statements. We note that no such issues were identified in the other entities in the Group and this appears to be isolated to one subsidiary.

Recommendation

It is recommended that unapproved invoices are always reviewed at period end and there are clear procedures in place to ensure all accruals are captured.

Management response

It is already policy, procedure and practice that unapproved invoices are reviewed at year end and therefore we cannot accept this as a recommendation as written. We do, however, concur that this is a necessary and appropriate approach.

We accept that an exception has been identified of £7k, however, we suggest that an exception of this scale should not be assumed to be extrapolatable to an increased risk of material misstatement of liabilities at the balance sheet date. Larger value invoices would inevitably attract a heightened level of attention around the year end and in the period beyond and therefore are more unlikely to be omitted from accruals in error.

Current year update

No such exceptions have been noted.

5. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified during the course of the audit, above the level of trivial, for adjustment. The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted misstatements 2017/18 - College

		SOCI		Balance sheet	
		Dr £'000	Cr £'000	Dr £'000	Cr £'000
1	Dr Pension costs	71			
	Cr Enhanced pension provision				71
	Being the impact of more appropriate assumptions on the Enhanced Pension Provision				
2	Dr Creditors			127	
	Cr Tangible fixed assets				127
	Being the cumulative impact of prior year unadjusted misstatements on the current year financial statements				
	Total unadjusted misstatements	71	-	127	198

There were no unadjusted misstatements identified during the course of the audit for the subsidiary companies Modal Training Limited, Support Staff Services Limited or Grimsby College Training Limited.

6. SUMMARY OF MISSTATEMENTS (CONTINUED)

Adjusted misstatements 2017 / 18 - College

		SOCI		Balance sheet		
		Dr	Cr	Dr	Cr	
		£'000	£'000	£'000	£'000	£'000
	Profit before adjustments					1,077
1	Dr Intangible accumulated amortisation			47		
	Cr Intangible amortisation charge		47			47
	Being the adjustment of amortisation to bring the charge in line with the accounting policy of 20%.					
	Profit after adjustments					1,124

Adjusted misstatements 2017 / 18 - Modal Training Limited

		SOCI		Balance sheet		
		Dr	Cr	Dr	Cr	
		£'000	£'000	£'000	£'000	£'000
	Loss before adjustments					(987)
1	Dr Prepayments			11		
	Cr Income		11			11
	Being the adjustment to the Drivermetrics prepayment not recognised.					
2	Dr Deferred capital grants			122		
	Cr Income		122			122
	Being the correction of the over release of deferred capital grants.					
	Loss after adjustments					(854)

APPENDIX A – DRAFT MANAGEMENT REPRESENTATION LETTER

Dear Sirs

Grimsby Institute of Further & Higher Education - audit for year ended 31 July 2018

This representation letter is provided in connection with your audit of the financial statements of Grimsby Institute of Further & Higher Education ("the College") for the year ended 31 July 2018 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with applicable accounting standards and the Statement of Recommended Practice: Accounting for Further and Higher Education 2015, including United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

We confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the following representations to you.

Our responsibility for the financial statements and accounting information

We believe that we have fulfilled our responsibilities for the true and fair presentation and preparation of the financial statements in accordance with applicable accounting standards and the Statement of Recommended Practice: Accounting for Further and Higher Education 2015, including the Financial Reporting Standard Applicable in the UK and Republic of Ireland for charities (FRS 102).

Our responsibility to provide and disclose relevant information

We have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the company you determined it was necessary to contact in order to obtain audit evidence.

We confirm as governors that we have taken all the necessary steps to make us aware, as governors, of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as we are aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

We confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all management and corporation meetings, have been made available to you.

APPENDIX A – DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

Accounting policies

We confirm that we have reviewed the accounting policies applied during the year in accordance with the requirements of applicable accounting standards and the Statement of Recommended Practice: Accounting for Further and Higher Education 2015, including the Financial Reporting Standard Applicable in the UK and Republic of Ireland for charities (FRS 102) and consider them appropriate for the year.

Accounting estimates, including those measured at fair value

We confirm that any significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the company have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with UK law and UK GAAP, including the Financial Reporting Standard Applicable in the UK and Republic of Ireland for charities (FRS 102).

Laws and regulations

We confirm that we have disclosed to you all those events of which we are aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

APPENDIX A – DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

Fraud and error

We acknowledge our responsibility as the Corporation, for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

We have disclosed to you:

- all the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the entity involving:
- management and those charged with governance;
- employees who have significant roles in internal control; and
- others where fraud could have a material effect on the financial statements.

We have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Related and connected party transactions

We confirm that all related relationships, transactions and balances, (including sales, purchases, loans, transfers, leasing arrangements and guarantees) have been appropriately accounted for and disclosed in accordance with the requirements of UK Law and UK GAAP, including the Financial Reporting Standard Applicable in the UK and Republic of Ireland for charities (FRS 102).

We have disclosed to you the identity of the College's related parties and all related party relationships and transactions of which we are aware.

Impairment review

To the best of our knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the tangible and intangible fixed assets below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Charges on assets

All the company's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

APPENDIX A – DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

Future commitments

We have no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

We confirm all applicable accounting standards and the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 requiring adjustment, or disclosure, have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, we will advise you accordingly.

Going concern

To the best of our knowledge there is nothing to indicate that the College will not continue as a going concern in the foreseeable future. The period to which we have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Unadjusted misstatements

We confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix.

Yours faithfully
Chief Executive Officer …………………………….
For and on behalf of Grimsby Institute of Further & Higher Education

APPENDIX B – DRAFT REGULARITY REPRESENTATION LETTER

Dear Sirs

Regularity Assurance Engagement for the period ended 31 July 2018 – Letter of representation

We confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the following representations to you.

1. We acknowledge as governors our responsibility under the requirements of the Further and Higher Education Act 1992, subsequent legislation and related regulations, for ensuring that expenditure (disbursed) and income (received) is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. All records and related information have been made available to you for the purposes of your assurance engagement.

2. We are not aware of any irregularities, including fraud, or possible non-compliance with laws and regulations or the funding agreement which might result in the college suffering penalties or other loss. Nor are we aware of any allegations of such irregularities or non-compliance.

3. The College has given no guarantees, letters of comfort, or indemnities that would incur contingent liabilities for the College.

4. The College has made no use of funds for political or campaigning purposes that would not be permitted by charity law.

5. The College has not undertaken any fundraising activities that are restricted by the Charity Commission under publication CC20.

6. The College is not aware of any whistle-blowing allegations or investigations.

Yours faithfully

……………………………………. ………….

Signed for on behalf of Grimsby Institute of Further & Higher Education

Date

APPENDIX C – DRAFT AUDIT REPORT

Independent auditor's report to the members of Grimsby Institute of Further & Higher Education

Opinion

We have audited the financial statements of Grimsby Institute of Further & Higher Education (the 'College') for the year ended 31 July 2018 which comprise the Consolidated and College Statement of Comprehensive Income and Expenditure, the Consolidated and College Statement of Changes in Reserves, the Consolidated and College Balance Sheet, the Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2018 and of the College's deficit of expenditure over income for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporation have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the College's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

APPENDIX C – DRAFT AUDIT REPORT (CONTINUED)

Other information

The Corporation are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post 16 Audit Code of Practice issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- the information given in the report of the Members of the Corporation, including the operating and financial review and statement of corporate governance, is inconsistent with the financial statements; and
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Corporation

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page [X], the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intend to cease operations, or have no realistic alternative but to do so.

APPENDIX C – DRAFT AUDIT REPORT (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit report

This report is made solely to the Corporation as a body in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Corporation as a body for our audit work, for this report, or for the opinions we have formed.

Mazars LLP
Chartered Accountants and Statutory Auditor
Address
Date

APPENDIX D – DRAFT REGULARITY AUDIT REPORT

To: The corporation of Grimsby Institute of Further & Higher Education and Secretary of State for Education acting through the Department for Education ("the Department")

In accordance with the terms of our engagement letter and further to the requirements of the funding agreement with the Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Grimsby Institute of Further & Higher Education during the period 1 August 2017 to 31 July 2018 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post 16 Audit Code of Practice ("the Code") issued by the Department. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which the Department has other assurance arrangements in place.

This report is made solely to the corporation of Grimsby Institute of Further & Higher Education and the Department in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Grimsby Institute of Further & Higher Education and the Department those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the corporation of Grimsby Institute of Further & Higher Education and the Department for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Grimsby Institute of Further & Higher Education and the reporting accountant

The corporation of Grimsby Institute of Further & Higher Education is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2017 to 31 July 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

APPENDIX D – DRAFT REGULARITY AUDIT REPORT (CONTINUED)

Approach

We conducted our engagement in accordance with the Code issued by the Department. We performed a limited assurance engagement as defined in that framework.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the college's income and expenditure.

The work undertaken to draw to our conclusion includes:

- Reviewed the statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding.
- Reviewed the College's completed self-assessment questionnaire on regularity.
- Read the financial memorandum with the ESFA.
- Tested a sample of expenditure disbursed and income received to consider whether they have been applied to purposes intended by Parliament and in accordance with funding agreements where relevant.
- Obtained the policy for personal gifts and/or hospitality.
- Obtained the register of personal interests.
- Obtained the financial regulations/financial procedures.
- Obtained the College's whistleblowing policy.

Conclusion

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 2017 to 31 July 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Signed:
Mazars LLP
Date:

APPENDIX E - INDEPENDENCE

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.