

Minutes of the Virtual Meeting of the Audit Committee

15 June 2022

8:00am to 9:53am

Governors present: Helen Simpson (Chair) 'HS'; Philip Atkins; Andrew Elsby-Smith; David Isteed;

Apologies: Claire Boliver (CEP)

Absent without apology: Dipal Patel

In attendance: John Snow (Deputy Principal – Finance and Resources) 'JS'; Clare Parkes (TIAA Internal Auditor) 'CP'; David Hoose (Mazars – External Auditor) 'DH' for items 1-4.

Decisions: in bold; Support: Blue; Challenge: Yellow

Audit	Agenda Item	Actions
1	Welcome and Apologies for Absence HS opened the meeting at 8:00am and welcomed the governors and attendees. Dipal Patel was absent without apology. Claire Boliver was absent and her apologies were accepted. Philip Atkins joined the meeting at 8:27am during item 7.	
2.	Declarations of Interest There were no declarations of interest.	
3	Meeting between internal and external auditors and the Committee <i>JS left the meeting for this item.</i> The Committee and the auditors met without management present. DH confirmed that the early planning meetings had gone well with good discussions around the Tamworth new build project. In response to a question, Mazars confirmed they would be reviewing the covenants in detail as part of the regularity audit. CP confirmed that the internal audit plan was running smoothly and there had been no problems.	
4.1	External Audit Strategy Memorandum DH presented the external audit strategy memorandum and outlined the process. He confirmed there were no fundamental changes to the audit plan for this year and that their considerations would include going concern and the bank covenants. The auditors were required by their regulators to include additional testing on the funding of the local government pension scheme. Mazars would also consider the useful life of tangible fixed assets in relation to the relocation of the Tamworth Campus and make judgements on selecting if the right depreciation rates are being used or if any impairment is required. Fees would be in line with previous years.	
4.2	JS and DI confirmed that the Tamworth Task and Finish Group were also considering the asset movement to the new building.	
4.3	A governor asked about the fees for the extra work around the LGPS. DH confirmed that this additional work would not be charged to the clients as this is work required by the auditors' regulator.	
4.4	A governor asked whether the considerations around going concern would look forward to the impact of inflation and the war in Ukraine. DH confirmed that Mazars would look forward to at least December 2023 and could look further into future years where there were larger bank payment considerations.	
4.5	Resolved: to recommend approval of the external audit strategy memorandum to the Board. <i>DH left the meeting at the end of this item.</i>	
5.1	Minutes and Action Grid <u>Minutes</u> Resolved: the minutes of the meeting 16 March 2022 be approved as a true record.	
5.2	<u>Action Grid</u> The Committee reviewed the action grid noting the actions closed and the updates on the following items: <u>Insurance review</u>	
5.3	JS explained that Risk2Value had not been able to complete the tender project on behalf of the College and he therefore proposed to consider a half yearly renewal (to Jan 2023) with	

5.4	the current insurer and then restarting the tender process in January. It may also be possible to get a better value in January. A governor asked why the College did not run its own tender. JS explained that this was an extensive piece of work which required the collation of a lot of information. Risk2Value had been appointed in March so the College had tried to plan carefully for this.	JS
5.5	A governor noted that inflation could be a concern if going to re-tender in January. The committee asked JS to keep the committee updated on progress and to also find out what other Colleges were doing around this. JS confirmed that Risk2Value were widely used by many colleges.	
5.6	<u>Staff Costs</u> Staff costs continued to be reviewed as part of the management accounts. It was agreed that this action could be closed and it would now sit with FIG and be reported back to board in future.	
5.7	<u>Procurement</u> The post of procurement manager had been advertised	JS/MM
5.8	<u>Health and Safety Fire Drills</u> JS confirmed that the new processes were now all in place and fire drills had taken place with no issues. The chair asked for this matter to be cross-referenced with the health and safety committee minutes to ensure this action was closed down.	
5.9	<u>Additional Actions from the Board Strategy Day</u> Additional actions for the Autumn Term would be checking regulatory compliance for the Animal Zone/Zoo and receiving the Tamworth New Build Project Risk Register.	
5.10	The committee agreed that it would be helpful to have a list of all areas which had external regulatory compliance requirements.	
6	Fraud, Irregularity, Impropriety, Cybersecurity and Whistleblowing JS confirmed there had been no significant cybersecurity or data protection issues. There were no significant health and safety incidents to be brought to the attention of the committee. A concern about an accident in equine had been raised by a parent and JS confirmed that risk assessments and first aid were all in place. In response to a question from a governor, JS confirmed that all accidents and injury statistics were carefully reviewed and assessed by the health and safety committee.	
7.1	Internal Audit Reports <u>Learner Records</u> CP presented the audit report which had an assessment of substantial assurance and identified 4 routine action points. CP highlighted the importance of apprentices logging all the off the job training hours and keeping their records up to date.	
7.2	The Chair asked whether substantial assurance on internal audits was the norm for colleges in this area. CP confirmed that it was expected and it was a reflection on the changes made by the college in this area and the hard work of the staff. CP had used her discretion to keep the recommendations as routine as a reflection of the work done in this area. In response to a question, CP confirmed that the area of most concern was the recording of the off the job training hours, however this was something the College was already aware of and working on.	
7.3	The committee agreed it was another good audit report and asked for the Committee's thanks to be passed onto the staff.	
7.4	<u>Strategic Control</u> CP presented the audit report which had an assessment of substantial assurance and identified 5 routine action points. CP highlighted the two key points on succession planning and undertaking the external review in the next academic year.	
7.5	The Chair thanked the Clerk for all her work in this area and for making the meetings of the board run smoothly.	
7.6	Internal Audit Plan 2022-23 CP presented the draft Internal Audit Plan for the next academic year. CP outlined the plan and the focus for the year and the planning for future years. 27 days were planned for 2022-23.	
7.7	A governor asked whether an audit for the Tamworth New Build Project should be included. It was agreed that the risk registers for the project would come to the Committee going forward. After a short discussion it was agreed that a capital projects audit should be included in the annual plan and this should take place before the Tamworth New Build	

7.8	<p>project started. CP would revise the plan and replace the 3 day Performance Monitoring Internal Audit with the Tamworth Capital Project Internal Audit. The scope of the audit would cover governance, procurement, risk and delivery of the project.</p> <p>It was agreed that</p> <ul style="list-style-type: none"> • CP would share the scope of the audit with the Committee in September prior to the start of the audit. • The revised audit plan would be circulated to the Committee prior to presentation to the Board for approval in July. 	CP/ MM
7.9 7.10 7.11 7.12	<p><u>Internal Audit Recommendation Tracking Grid</u></p> <p>The Committee reviewed the action grid with 12 incomplete recommendations including 5 actions with extended completion dates. JS outlined the progress on these 5 items and confirmed they would continue to be monitored at each meeting.</p> <p>The Chair asked for the tracking grid to be re-circulated to the Committee with the revised dates and updated narrative before the board meeting in July.</p> <p>CP confirmed that TIAA would also carry out a follow-up audit this term which would provide a report to the Committee.</p> <p>The Chair sought assurance on the procurement audit which had received limited assurance and JS confirmed that the tracking grid listed all outstanding recommendations and there was only 1 item left outstanding from that audit. Items were not removed from the tracking grid until signed off by the internal auditor.</p>	JS
8.1 8.2 8.3 8.4 8.5 8.6 8.7	<p>Risk Management</p> <p>The Committee noted that the Risk Register for the Tamworth New Build Project would also come to every meeting of the committee from September 2022.</p> <p>JS presented the corporate risk register and confirmed that the covid risk register had been replaced by risk C20.</p> <p>JS outlined the following risks with very high residual risk score and/or increasing risks: <u>C4 – Risk of losing staff, being unable to recruit new staff or not having succession plans in place.</u></p> <p>The College was struggling to recruit and retain good quality staff. The College was managing this risk by employing agency staff where necessary, however it was an expensive option. The College has addressed lecturer pay in an attempt to retain teaching staff and make the College more competitive on pay in the West Midlands region. Further pay considerations would be made as part of the 2022-23 budget.</p> <p><u>C5 – Failure to maintain and improve student achievement rate measures</u></p> <p>Maintaining learner achievement rates at last year's levels will be difficult due to the high levels achieved in 2020-21. For 2021-22, some learners have struggled to enrol on and attend classes. Drop outs in the early few months were high, and the number of learners struggling with formal exams after lockdown is high. Mental health issues appear to be on the risk. This is likely to translate into lower retention and achievement across England, and for the College. The reintroduction of exams has been difficult for some learners and there are issues with GCSE exam performance. Attendance at SSC has been relatively good.</p> <p><u>C9 – Failure to maintain financial results leading to a breach of covenant(s) and inadequate levels of cash to support investment.</u></p> <p>This risk is at the same level as the last meeting but still has a very high residual risk. Initially there was concern about increasing energy costs, but these have been further compounded by supply concerns resulting from the Ukraine conflict as well as rampant inflation levels. These concerns will be partially addressed by the 2022-23 budget, where most of the inflationary effect will take place. Initial pricing for April suggests that electricity prices have increased by around 130-140% compared to March 2022.</p> <p>In response to a question JS confirmed this would equate to an increase of over £600,000 for utilities. JS confirmed the College was looking into ways of reducing the usage of power.</p> <p><u>C16 – UK Economic Outlook and risks to public spending</u></p> <p>The Government recently allocated more funding to Education during the 2021 Budget which results in a £1.2m increase in funding for the College. However, this is balance by increased National Insurance rates, high inflation, rising gas and electric prices and the inevitable pressure on general pay settlements. The 2022-23 budgeting process will seek to manage some of the expenditure risks and will include a suggested pay award for all staff.</p>	

<p>8.8</p> <p>8.9</p> <p>8.10</p> <p>8.11</p> <p>8.12</p> <p>8.13</p> <p>8.14</p> <p>8.15</p> <p>8.16</p> <p>8.17</p> <p>8.18</p> <p>8.19</p>	<p><u>ONS Review of the status of FE Colleges</u> JS explained that this was not a risk on the register however the ONS was reviewing the status of FE Colleges and whether they should become public bodies. This could have an impact on the College's ability to borrow money and the year end date may have to be moved. There could, however, be benefits relating to utilities and pay. The chair confirmed she had recently attended an AoC event which discussed this and the Clerk would circulate the slides from the event to the Committee.</p> <p><u>Covenant Risks</u> JS confirmed the covenants are reviewed in the College management accounts and monthly meetings are undertaken with the three lenders.</p> <p>Lloyds Bank are low risk.</p> <p>Barclays Bank debt service covenants were assessed as being medium risk however, following the approval of the variation agreement at the board meeting on 8th June to align the capital grant income to capital grant costs, the covenant has become low risk.</p> <p>Yorkshire Bank covenants are high risk and, without support from the bank itself, the covenants will breach in the 2021-22 financial year. The calculation of the debt service covenant is tougher than the other banks and this is compounded by the College paying down £186,000 of additional debt in-year. Yorkshire Bank have committed to provide a waiver for the Debt Service covenant, as they have done for the last two years on the basis that their debt is small and cash balances at the College sufficiently cover the risk of any default.</p> <p>JS did not therefore expect any issues with the bank covenants before the end of the financial year.</p> <p>The Chair noted that the next financial year would be a challenge with the energy costs and Tamworth New Build. JS confirmed that the year would begin well with less debt however, the next year will be tough. JS outlined the income sources and confirmed the budget had been planned carefully to include as much expenditure as possible.</p> <p>The chair noted that the college would end the year with less risk around the covenants but the risk would increase in the following year. JS agreed that covenants were always a risk but noted that the Yorkshire Bank loan was the most difficult. However it was small and could be repaid if there were issues. JS confirmed that Yorkshire Bank were very supportive.</p> <p><u>Fraud Risk Assessment</u> JS presented the annual fraud risk assessment and confirmed that "cash handling" remained the highest risk as the most likely source of fraud. Following Covid the College is handling less cash and therefore has less risk. Procurement is a potential risk and received poor 2020-21 internal audit assurance. The College is currently recruiting for a Procurement Manager to work on this area.</p> <p><u>Other risks</u> JS outlined the other medium risks which include:</p> <ul style="list-style-type: none"> • Debtors and Income – received reasonable assurance in 2019-20 • Recruitment – received reasonable assurance in 2019-20 • Portable Fixed Assets – no changes • IT Systems and Data Security – further work completed, much better audit results and working towards ISO27001 • Network Security and Hacking – further work completed, much better audit results and working towards ISO27001 <p>It was noted that Student Funding Systems was the only area to have its risk reduced. This was due to the clean ESFA funding audit and the completion of the implementation of the new systems which have proved to be highly effective.</p> <p>The Committee then carefully reviewed the whole risk register and noted each risk and the actions for each risk.</p>	<p>MM</p>
<p>9.1</p>	<p>Governance <u>2021-22 Post 16 Audit Code of Practice and Committee Terms of Reference</u> The Clerk presented a report which summarised the changes following the publication of the Post 16 ACOP and the subsequent amendments to the Audit Committee Terms of</p>	

9.2	Reference. The Clerk confirmed that there were no significant changes which affect the work of the Audit Committee. The key changes to the Terms of reference for the Audit Committee were as follows: <ul style="list-style-type: none"> • Clarifying the eligibility and requirements for appointment of members to the Committee • Moving the responsibility for appointing the Chair of the Committee to the Board • Confirming that the Committee may hold a joint meeting with the Board to receive the external auditor's annual report (in compliance with paragraph 60 of ACOP) • including oversight of significant health and safety incidents – a recommendation in ACOP para 26. • Minor corrections and clarifications 	
9.3	The Chair thanked the Clerk for the thorough work in this area. The Chair sought confirmation that the terms of reference would allow the Committee to ask for additional audits. The Clerk confirmed that the final provision gave the committee the right to access and scrutinise any activity within its terms of reference.	
9.4	CP confirmed that the TOR followed the Post-16 ACOP guidance.	
9.5	Resolved to recommend approval of the TOR to the Board.	
9.6	Schedule of Meetings and Business The Committee agreed the meetings next year would be held virtually at 8am on the following dates: Wednesday 21 st September 2022 Wednesday 30 November 2022 Wednesday 15 th March 2023 Wednesday 28 June 2023	
9.7	The Committee reviewed the schedule of business for the Committee for 2022-23 and resolved to recommend it to the board for approval.	
9.8	Committee Evaluation Questionnaire 2021-22 The Committee reviewed and discussed the questionnaire prepared by the Clerk and agreed that overall the performance of the Committee could be graded as Good based on the Ofsted grading system for governance.	
9.10	The Committee agreed that the minutes would show the impact of the Committee. The Committee agreed that training should be a target for next year. It would be helpful if the report could show how the work of the Audit Committee had improved outcomes for students.	
9.11	JS noted that the Audit Committee had specifically requested work to be carried out by the College around Apprenticeships meant that the ESFA funding Audit which took place this year resulted in no clawback.	
9.12	The Chair noted that the Committee spent a lot of time carefully reviewing the risk registers. The Committee discussed and agreed that it was important to spend time reviewing the risk registers as the Committee provided assurance to the Board enabling them to focus on strategy.	
9.13	The Clerk was asked to update the form and circulate it to the Committee and invited members of the Committee to provide additional comments by email.	MM
10	Any Other Business There was no other business. There were no matters discussed in the meeting that could be regarded as confidential.	
11	Meeting between the Committee and management <i>CP left the meeting for this item.</i> JS confirmed that there were no concerns with either the external auditor or the internal auditor. It was noted that the Internal audit contract would be put out to tender for September 2023.	
12	The Chair gave her thanks to the members of the Committee for their hard work and support over the past year. The meeting closed at 9:50am. The next meeting is at 8am Wednesday 21 st September 2022 at 8am via Microsoft Teams	

Agreed as a true record at the virtual meeting of the Audit Committee held on 21 September 2022