

Minutes of the Virtual Meeting of the Audit Committee
21 September 2022
8:00am to 9:45am

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

Apologies: none

Absent without apology: Dipal Patel

In attendance: John Snow (Deputy Principal – Finance and Resources) 'JS'; Clare Parkes (TIAA Internal Auditor) 'CP'; Claire Boliver (CEP)

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. Philip Atkins joined the meeting at 8:15 am during item 5.	
2.	Declarations of Interest There were no declarations of interest.	
3	Meeting between internal auditors and the Committee <i>JS and CB left the meeting for this item.</i> The Committee and the internal auditor met without management present. CP confirmed there were no issues. The College had provided everything required to complete the internal audit plan in the previous year and the internal audit plan for the current year was agreed with the internal audit visits booked in.	
4.1	Minutes and Action Grid <u>Minutes</u> Resolved: the minutes of the meeting 15 June 2022 be approved as a true record.	JS/ MM
4.2	<u>Action Grid</u> The Committee reviewed the action grid noting the actions closed and the updates on the following items:	
4.3	<u>Procurement</u> The post of procurement manager had been advertised and the appointment would be made by October half term.	
4.4	<u>Additional Actions from the Board Strategy Day</u> JS had received confirmation from the Director of Faculty for Landbased and Animal Zone that the Animal Zone was fully compliant with all applicable regulations. The 3 yearly visit from the zoo regulators had been delayed by covid restrictions and was now 18 months overdue. The Director was chasing this up. It was agreed that a summary of the information supplied by the Director would be circulated to the committee and reviewed at the next meeting. <i>A copy of the information supplied post meeting is attached as appendix 1 to these minutes</i>	
5.1	External Audit Updates JS confirmed the external audit for 2021-22 would commence on 3 rd October. The interim audit had been completed and the operating surplus was now £220,000 (compared to July's prediction of £150,000). There would be an overall deficit due to pension costs which would be reflected in the accounts. There were additional Tamworth assets associated with the sale of the current site at Tamworth which would have to be written down due to assets being wrongly allocated on the register to Lichfield.	
5.2	A governor asked if the same team at Mazars would be working on the Audit. JS confirmed that it was the same partner and senior team with some new juniors.	
5.3	A governor sought clarification around the forecasted outturn. JS confirmed the operating surplus figure of £220,000 discussed earlier and explained that the pension costs were higher than expected at £2.3m resulting in an overall deficit of £2.2m in addition to any write down for the Tamworth site assets which could be up to £1.5m. <i>PA joined the meeting.</i>	
5.4	A governor asked why the assets at Tamworth had not been identified earlier. JS explained that there were some additional assets and equipment that had been missed and wrongly allocated prior to the merger of Tamworth and Lichfield. For example, there was some	

5.5	<p>confusion over the transfer of assets from another building owned by the College in Lichfield that should have been transferred to Tamworth on the sale of that property.</p> <p>A governor asked whether there was a risk that there may be further adjustments at a later date relating to the above issues. The governor also asked whether the assets mentioned above were now classed as assets for sale. JS felt confident that there were no further adjustments expected and that all these matters would be discussed with the external auditors. The external auditors would agree the value of the Tamworth site and the write down of any assets to reach the agreed value for the site of £6m. JS confirmed it would not affect the overall financial health calculation.</p>	
5.6	<p>A governor asked if there would be any similar issues between the other sites. JS confirmed that it had mainly been an issue between Tamworth and Lichfield. Lichfield classification of assets had therefore been reviewed at the same time. JS confirmed that after the audit, the College would look at Cannock and Rodbaston to ensure that everything was classified correctly.</p>	
5.7	<p>A governor asked about assurance around the bank covenants with regard to the external audit. JS confirmed that there were no concerns with the current year, and the banks were aware that there would be issues in the next year due to the development of the new site at Tamworth. There was a potential issue with Barclays relating to debt service cover which was likely to be resolved this week. In response to a question, JS confirmed that the issue could be classed as a breach however Barclays were unlikely to call in the loan as it would not affect the overall financial health of the College which would remain Good.</p>	
5.8	<p>JS provided an update to the Committee after the meeting which is attached as appendix 2.</p> <p>The Chair confirmed that the committee were mindful of going concern for the years ahead and JS confirmed that the grant funding would cover the Tamworth build costs to February 2024 and the college contributions would not be due until that date.</p>	
6.1	<p>Fraud, Irregularity, Impropriety, Cybersecurity and Whistleblowing</p> <p>JS confirmed there had been no issues with Fraud, Irregularity, impropriety or Whistleblowing and no significant cybersecurity or data protection issues. There were no significant health and safety incidents to be brought to the attention of the committee.</p>	
6.2	<p><u>Gifts and Hospitality Register</u></p> <p>JS presented the register and confirmed that there had been no individual gifts over £20 however, one member of staff had received a number of gifts from different students which totalled £24. JS confirmed that the College would continue to raise awareness of the reporting requirements with staff.</p>	
6.3	<p>The Chair asked for future reports to list the cost of individual items.</p>	JS
7.1	<p>Internal Audit Reports</p> <p><u>Key Financial Controls</u></p> <p>CP confirmed that the audit had resulted in an assessment of Reasonable Assurance with 2 important recommendations and 1 routine recommendation. CP noted that invoicing and payment processing had been handled by one member of staff due to staffing issues however, there were adequate controls in place. JS confirmed that this had now been resolved as and a new purchase ledger clerk had been appointed that week. The 3 recommendations had been agreed by the college and in response to a question from the Chair, JS had confirmed they had been implemented in accordance with the timescales and this would be confirmed when the Internal Audit Tracking Grid was reviewed later in the meeting. CP confirmed that the recommendations were all straightforward to implement hence the quick implementation dates.</p>	
7.2	<p><u>Follow up review (2)</u></p> <p>CP presented the report and confirmed it was carried out in June. There had been 3 implemented recommendations and there remained 7 outstanding from previous reviews. Most of the 7 outstanding recommendations were due to be completed by 30th September.</p>	
7.3	<p>Internal Audit Annual Report 2021-22</p> <p>CP confirmed that TIAA were satisfied that, for the areas reviewed during 2021-2022, the college had reasonable and effective risk management, control and governance processes in place. The report confirmed that a total number of 6 assurance reviews had been undertaken during the academic year, which had resulted in outcomes of 4 'substantial assurance' and 2 'reasonable assurance'. There had been no audits with limited or no assurance. In total, 16 recommendations had been made, comprising of 5 'important' and</p>	

7.4	<p>11 'routine'. This was a substantial improvement on the previous year (28 recommendations and 1 limited assurance).</p> <p>The Chair thanked CP and her team for the work carried out in the previous year and also thanked the College management and their staff for the improved audit outcomes.</p>	
7.5	<p><u>Internal Audit Recommendation Tracking Grid</u></p> <p>The Committee reviewed the action grid with 7 incomplete recommendations. 3 had not yet reached their implementation date and 4 which were overdue but would be completed by October 2022. 12 outstanding recommendations had been completed during the year.</p> <p>7.6 A governor asked why the MIS (Learner Numbers) recommendation had not been completed over the summer. JS explained that they had completed the other recommendations from that audit but this particular recommendation had been deferred until after enrolment.</p> <p>7.7 A governor asked why there had been a delay implementing the recommendation regarding the Business Continuity Plans (Business Continuity and Disaster Recovery). JS confirmed that process mapping was being carried out for all areas. The College had proved that it could operate during difficult times (i.e. Covid). It was noted that the College would need to be prepared for the disruption caused by the move to the new building in Tamworth.</p> <p>7.8 A governor warned of the risks with the new development around false invoicing and that the college should monitor its contractors closely. JS confirmed that there would only be one main contractor which reduced the risk for the College. The College would closely monitor this main contractor.</p>	
8.1	<p>Risk Management</p> <p><u>Corporate Risk Register</u></p> <p>8.1 JS presented the updated risk registers for 2022-23 which had been reviewed in advance by ELT. JS outlined the rationale for including the 3 new risks on the register (C19 - the ONS review of the status of FE colleges; C21 the risks of not recruiting governors to the board with the relevant skills, knowledge and experience; C22 the risk of not fully contributing towards meeting local skills needs) and then explained the change in narrative for 4 risks (C2 renamed as the Quality of College Apprenticeship Provision; C6 changed to the risk of not retaining Ofsted Good at the next inspection; C14 adapted to be specifically about the Tamworth Town Centre Development (with C8 now dealing with general risks around the Property Strategy) and C20 now includes other public health concerns with Covid19). The Chair confirmed it was a useful report and clarified that the report explained the change in narrative. The Chair asked for future reports to explain where the risk has gone up or down.</p> <p>8.2 JS noted that the high risks to the College were around finances, Tamworth new Build and Apprentices. The Committee then carefully reviewed and discussed the risks noted as high risk on the register with JS providing a detailed commentary on all the individual risks on the register highlighting where the risks had improved or worsened. The Chair noted that the College seemed to have plans in place as far as it could for the high risks.</p> <p><u>Covenant Risk Register</u></p> <p>8.3 JS presented the covenant risk register and confirmed that the College was in a good position for the current year, however future years would be impacted by the Tamworth development.</p> <p>8.4 A governor noted that there were significant risks around costs for the Tamworth redevelopment as the price of materials was increasing substantially. The governor asked whether it would be useful to have key decision dates noted so that the College was prepared for discussions with the banks if required. It was agreed that the board should have contingency plans in place if the costs rose and the development became unaffordable. Governors noted their discussions earlier in the meeting and that the discussion with Barclays would be important. Governors asked JS to provide an update on the Barclays discussion as soon as it was concluded.</p> <p><i>JS provided an update to the Committee after the meeting which is attached as appendix 2.</i></p> <p><u>Tamworth Project Risk Register</u></p> <p>8.5 JS presented the Tamworth Project Risk Register and explained the assessment of risk and valuing and costing for the risks. The Committee then closely considered the 5 high severity risks in detail – 14 – Construction Impact on neighbouring properties; 26 – availability of materials; 49 – sustainability targets; 54 – archaeological risks; 58 – inflation affects current market place.</p>	JS

8.6	The Committee discussed the general concerns around the current economy including energy costs, sustainability targets, capital expenditure and running costs. JS confirmed that he was in discussions regarding the supply of photovoltaic panels with a local company. It was noted that many risks would be put on the main contractor for the project. It was confirmed that this risk register is also monitored by the Tamworth Project Task and Finish Group.	
8.7	The Committee noted that the corporate risk register and the Tamworth Project risk register would go to the full board in October so that all governors would be aware of the full risk registers. The Chair noted that the committee could take a decision in November as to whether the risk registers would need to go in full to future board meetings.	
8.8	The Chair asked whether the covenant risk register should go to the board as well. JS confirmed that the covenants were included in the management accounts and could be raised by the Chair and JS when presenting the report from the audit committee.	
	Annual Insurance Report	
9.1	JS presented the annual insurance report confirming that the College had renewed its insurance with Zurich Municipal for 1 year. The retendering process for a longer term contract would be restarted in December 2022.	
9.2	The outstanding claims were reviewed and noted.	
	Subcontracting Report	
9.3	JS presented the annual subcontracting report and confirmed that in 2021-22 there had been no subcontracted provision and there were no plans for subcontracting provision for 2022-23. The College did have partnership provision to support adult learners in English and Maths but this was not sub-contracted provision.	
	2021-22 Regularity Audit Self-Assessment Questionnaire	
9.4	JS presented the responses to the questionnaire and confirmed that the responses demonstrated that the College was compliant in all areas.	
9.5	The committee reviewed the responses to the questionnaire and RESOLVED to recommend approval of the document to the Board.	
	Any Other Business	
10	There was no other business. There were no matters discussed in the meeting that could be regarded as confidential.	
	Meeting between the Committee and management	
11	CP left the meeting for this item. JS and CB confirmed that there were no concerns with either the external auditor or the internal auditor.	
12	The meeting closed at 9:45am. The next meeting is at 8am Wednesday 30 November 2022 at 8am via Microsoft Teams	

Appendix 1
Information regarding Animal Zone Compliance

From Marcus Roberts (Director of Faculty for Landbased)

We are fully zoo licenced and therefore comply with all established zoo licensing regulations. This includes regular inspections from the County Council, who issue the licence. The animal collection itself is also BALAI accredited. This covers the import and export of live animals and the welfare of such animals. The Animal Zone which is inspected annually to check on health care and disease prevention which could affect the export of animals. The last check was in January 2022 and we had no conditions or recommendations.

The County Council issue our zoo licence (every 6 years) and we are currently overdue our interim (3-year review). However, we have been chasing the Council contact to try and get this booked in but they have not come back to us yet. Our 6-year review is due in October 2023.

The Council also do health and safety inspections every couple of years and also undertake food hygiene inspections for the Visitor Centre, where food and drinks are served to visitors.

Appendix 2
Update regarding the Barclays Covenant

Following on from the concerns shared at the recent Audit Committee, JS confirmed that all Barclays covenants including the debt service covenant are compliant. After a short discussion between JS and the Barclays Relationship Director it was agreed that the calculation required a small change which resulted in a significant beneficial swing in our debt compliance ratio.