

Minutes of the Virtual Meeting of the Audit Committee

28 June 2023

8:00am to 9:40am

**Governors present:** Helen Simpson (Chair) 'HS'; Philip Atkins 'PA'; Andrew Elsby-Smith 'AES' and David Isteed 'DI'

**Apologies:** None

**In attendance:** John Snow (Deputy Principal – Finance and Resources) 'JS'; Clare Parkes (TIAA Internal Auditor) 'CP'; Claire Boliver (CEP) 'CB'; David Hoose (Mazars External Auditors) 'DH'; Jo Hutchison (Head of Governance) 'HoG' Roger Poynton (Governor)

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

| Audit | Agenda Item  | Actions |
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| 1.1   | <p><b>Welcome and Apologies for Absence</b><br/>HS opened the meeting at 8:00am and welcomed the governors and attendees to the meeting. There were no apologies for absence, however AES left the meeting at 9.15am and PA left the meeting at 9.33am. All items requiring an approval were considered prior to PA leaving the meeting, following which the meeting was no longer quorate.</p>  |         |
| 1.2   | <p><b>Declarations of Interest</b><br/>CP declared an interest in item 10.1, and left the meeting before the item was discussed. There were no other declarations of interest.</p>   |         |
| 2.1   | <p><b>Meeting between internal auditors and the Committee</b><br/><i>CB and JS left the meeting for this item</i><br/><i>[Redacted due to confidentiality]</i></p>   |         |
| 3.1   | <p><b>External Auditors</b><br/>DH presented the Audit Strategy Memorandum for the year to 31 July 2023 and highlighted the following:</p> <ul style="list-style-type: none"> <li>• What had changed in the ESFA Accounts Direction and the Audit Code of Practice which was largely driven the reclassification of FE colleges to the central government sector and the requirement to meet the overall requirements in the document Managing Public Money (MPM). This meant that the self assessment regularity questionnaire which the College would be asked to complete was sufficiently longer this year.</li> <li>• The additional raft of regularity work was expected to mean, from a sector perspective, that there would be more modified regularity opinions across the sector</li> <li>• No new significant risk areas had been identified from the initial planning meeting for the College, however an interesting area across the sector could be capital grant recognition in the correct accounting period due to the number of ESFA grants distributed in 2022-23. This could also lead to covenant challenges for many colleges and the external auditors would work with the finance team to understand this fully to avoid an issue at completion stage.</li> <li>• The audit fees were increasing as a result of the inflationary increase in accordance with the contract, and also as a result of the additional work required given the revised scope of work regarding MPM and an additional fee required as a result of a new audit standard to find out any risks of material misstatements to understand college systems and what could go wrong.</li> <li>• In addition DH reported that, whilst not included in the report presented, there would be a further non-audit fee related to Taking Teaching Further grant income. This grant income was now required to be audited, which was a new requirement, and due to timing issues, this activity had not been captured in the Audit Strategy Memorandum.</li> <li>• The potential for the sector to be required to move to a March year end from 2025 which would bring challenges across the sector.</li> </ul> |         |

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|     | <p>A Governor sought further clarification on whether there were any other areas, beyond the covenant compliance aspect related to the Tamworth development, which the college should be considering generally from an external audit view, relative to the sector as a whole. DH reported that other than the additional regularity work required generally and the work associated with covering the Tamworth development to ensure all the costs associated were accounted for properly, there was nothing specifically else.</p> <p><b>Resolved to recommend approval of the External Audit Strategy Memorandum to the Board</b></p> <p>A Governor requested that the Taking Teaching Further grant income audit documentation be circulated to the Committee for its review as it had not been included within the External Audit Strategy Memorandum.</p> <p><i>DH left the meeting at the end of this item.</i></p>   | JS |
| 4.1 | <b>Minutes and Action Grid</b><br><u>Minutes</u>   |    |
| 4.2 | <p><b>Resolved: the minutes of the meeting 15 March 2023 be approved as a true record.</b></p> <p><b>Action Grid</b></p> <p>The Committee reviewed the action grid noting the actions closed and the updates on the following items:</p> <p>Procurement – as the re-advertisement in spring 2023 had not resulted in an appointment, JS reported that he was seeking a contracted service and was following up on a contractor who could provide services for around one day per week after the summer.</p> <p>Bank Covenants – JS confirmed that Barclays wanted to see the 3-year forecast which would be available in July 2023 before providing any waivers. They would then consider that and it was expected that ahead of the signing of the financial accounts in December they would be able to give us some comfort for 2023/24 and possibly for 2024/25 so that the Board would be able to sign off the accounts on a going concern basis.</p>  |    |
| 5.1 | <p><b>Fraud, Irregularity, Impropriety, Cybersecurity and Whistleblowing</b></p> <p><u>Report on the effectiveness of Data Protection Training</u></p> <p>JS reported that this was an action which came out of the 15 March 2023 meeting which had asked for further assurance around the effectiveness of the training. JS introduced the reported and highlighted the following:</p> <ul style="list-style-type: none"> <li>• Data Protection training was mandatory and was an online module provided by an external provider which was linked to an HR system so that completion by staff could be monitored. For new starters it was a required element of the induction checklist.</li> <li>• <i>[Redacted due to confidentiality]</i></li> <li>• New systems for student records and HR systems were in place and had security protocols in place to ensure the safety of data and there was extensive training on these.</li> </ul> <p>A Governor asked for details of the % of staff who had completed mandatory training modules, which JS agreed to provide.</p> | JS |
| 5.2 | <p>JS reported that there were no other items in respect of fraud, irregularity, impropriety, cybersecurity or whistleblowing to report. There was one investigation into potential fraud by a supplier who was based at one of our sites. A Governor requested that, once completed if there were any learnings or implications, could this be reported back to the Committee.</p>  | JS |
| 5.3 | <u>Other regulatory matters and RIDDOR Report</u>  |    |

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|     | <p>JS presented the report which outlined three recent RIDDOR reportable events and highlighted the following:</p> <ul style="list-style-type: none"> <li>• When incidents needed to be reported to the HSE, and normally this related to incidents which led to a member of staff being off work for more than 7 days.</li> <li>• Incident 1 related to a member of staff who had been hit by a reversing minibus on site and went to hospital. The circumstances of the incident were investigated and to reduce the risk of a similar incident occurring the area had been made a no parking zone which kept the area clear with good visibility for vehicles and pedestrians.</li> <li>• Incident 2 occurred in the Animal Zone when a member of staff was bitten by a snake and attended hospital after receiving first aid treatment. The member of staff did not use the snake hook as per the risk assessment. The risk assessments and safe systems of work were in order therefore there were no further mitigations to put in place.</li> <li>• Incident 3 related to a slip and trip where a staff member caught their foot on a sluice grate. Estates team investigated the sluice gate and repositioned it and added warning tape and signage to raise its visibility.</li> </ul> <p>A Governor asked what assurance the Committee could take that the risk assessments had been updated and lessons learnt and all relevant reporting had been undertaken as a result of these events.</p> <p>JS reported that risk assessments were all required to be reviewed regularly (with dates specified for review) and the H&amp;S Manager undertook spot checks in respect of these. In addition the H&amp;S Committee met termly and reviewed all H&amp;S statistics (first aid and injuries) and unions reps were involved in these meetings.</p> <p>A Governor asked about the recording of near misses and where these were reported and how they were monitored?</p> <p>JS reported that staff were encouraged to report near misses and they were reviewed by the H&amp;S Committee and reported in the annual H&amp;S Report. JS reported that the College was working with union reps to undertake work place assessments and look at methods of working and reviewing assessments and the focus was on high risk areas.</p> <p>A Governor sought clarification as to whether any reporting to any animal regulatory bodies had been required and / or made?</p> <p>JS reported that the animal regulators were focussed on animal welfare, so would only be interested in incidents affecting animal welfare, which could be relevant for Incident 2, but not the other incidents. As the College had a zoo licence there was an annual review for this and the only areas identified in respect of that was that the College had a dog kennels and cattery on the same site as the zoo and work was underway to relocate the kennels and cattery to outside the perimeter. JS reported that all required reporting had been completed.</p> |  |
| 6.1 | <p><b>Internal Audit Reports and Action Grid</b></p> <p><u>Treasury Management</u></p> <p>CP presented the audit report which had an assessment of reasonable assurance and identified 1 important action point. CP highlighted the single recommendation which recommended that financial planning models use sensitivity analysis to show key banking covenants to evaluate the impact of different scenarios over time, which management had accepted.</p> <p><u>Cyber Security</u></p>   |  |

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| 6.2 | <p><i>[Redacted due to confidentiality]</i></p> <p><b>Staff recruitment and Retention</b><br/>CP provided a verbal update on this audit which provided reasonable assurance and there were 2 important recommendations made; to ensure that the annual HR report includes an update against the strategy, and to ensure that relevant staff were aware of all the relevant policies and procedures. The final report would be presented at the September Committee.</p> <p><b>Internal Audit Recommendation Tracking Grid</b><br/>JS presented his report confirming that the College started with 19 active recommendations, 8 had been added during the year, of these 21 recommendations had been completed, leaving 6 incomplete audit actions, 5 of which were not yet due, such that there was one overdue recommendation (regarding preferred supplier / contractor list) which had been discussed earlier on the agenda and was being worked on.</p> <p><b>Internal Audit Follow up Report</b><br/>JS provided a verbal update confirming that the follow up work had been completed last week. The final report would be presented at the September Committee.</p> |    |
| 7.1 | <p><b>Risk Management</b><br/><b>Corporate Risk Register</b><br/>JS presented the updated risk register for 2022-23 which had been reviewed in advance by the risk management group and by ELT. JS confirmed that most risks had remained fairly similar but there were some changes and he highlighted:</p> <ul style="list-style-type: none"> <li>• C4 in terms risk of losing staff which remained a high risk area</li> <li>• C5 achievement rates remained a high risk</li> <li>• C5 there had been no significant changes, however the review of local skills which was a new requirement</li> <li>• C8 executing college property strategy was an increasing risk and focussed on Rodebaston and Lichfield</li> <li>• <i>[Redacted due to confidentiality]</i></li> <li>• C14 was a reducing risk as some of the legal /contractual risks had been resolved</li> <li>• C21 improving risk in terms of governance and recruiting new Governors</li> <li>• C24 was a new risk related to T Levels and sourcing sufficient good quality work experience.</li> </ul> <p><i>[Redacted due to confidentiality]</i></p>   | JS |
| 7.2 | <p>A Governor suggested that further consideration be included on how the RIDDOR reporting were being captured in the Risk Register, and JS agreed to review C11 further in this regard.</p> <p><b>Covenant Compliance</b><br/>JS presented the covenant risks and confirmed that the College was in a good position for the current year however the future years would be challenging due to the timing of the Tamworth Relocation Project. Currently the costs of the project were being covered by the grants received and in this 2022/23 financial year the risks of covenant breach were low. Yorkshire Bank had requested that all one offs be striped out from covenant calculations which left debt service covenant at 124% (in May 136%) against a minimum of 120%.</p> <p>For 2023/24 JS advised that once the 3 year forecast had been prepared the College would speak with Barclays.</p> <p><i>AES left the meeting</i></p> <p>A Governor requested that comfort in writing be sought from Barclays at an early opportunity and what more the College could do to seek this assurance.</p>  | JS |

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| 7.3 | <p>JS reported that he expected to have something in place by the Audit Committee meeting by the November meeting. JS reported that once the 3 year forecast was approved by the Board (expected 11 July 2023) this would be submitted to the ESFA and would be shared with the banks and he could at that point seek further assurance over the covenant position.</p> <p><i>At this point the meeting considered item 8 (Governance). Following completion of item 8, the Committee considered the Capital Project Risk item and then considered the Business Continuity Plan item, following which PA left the meeting. The Committee continued to discuss the remaining items which were for discussion and information, noting that the Committee was not quorate from that point.</i></p> <p><u>Capital Project Risk – Tamworth Relocation Project 'TRP'</u></p> <p><i>[Redacted due to confidentiality]</i></p>   | JS |
| 7.4 | <p><b>Business Continuity Plans</b></p> <p>JS presented his report and highlighted the additions regarding cyber issues.</p> <p><b>Resolved that the Committee recommended the Plans to the Board for its approval and that the Board be asked to delegate authority to the Audit Committee to review and approve any future changes to the Critical Response Plan and the Business Recovery Plan, noting the Board would continue to approve the Business Continuity Policy.</b></p>  |    |
| 8   | <p><b>Governance</b></p> <p>The Head of Governance presented her report and highlighted the following:</p> <ul style="list-style-type: none"> <li>• A review of the Post 16 Audit Code of Practice (ACOP) had been undertaken to identify changes noting the reclassification of FE Colleges to the central government sector.</li> <li>• The Code of Good Governance for English Colleges required Governing Bodies to undertake a regular self-assessment of performance</li> <li>• The Committee's Terms of Reference had been reviewed (in light of the changes to the ACOP) and two additional area were suggested for inclusion in the Terms of Reference (i) regarding Subcontracting of provision in excess of £100,0000 and (ii) in respect of business continuity oversight.</li> <li>• Parts of the draft Evaluation Questionnaire had been completed for the Committee to further refine and then to consider the impacts and areas of improvement for inclusion;</li> <li>• The schedule of business and schedule for next year's meetings had been prepared for the Committee's consideration prior to forwarding for Board approval</li> </ul> <p>Self Evaluation – it was agreed that the Head of Governance would circulate to members section 8 of the form for members completion by email.</p> <p><u>Schedule of Business &amp; Terms of Reference</u> - The Committee's schedule of business would be updated to include the receipt of an update on Business Continuity annual to the June meeting.</p> <p><b>Resolved to recommend to the Board the approval of the proposed updated Terms of Reference to include the additional 2 areas highlighted.</b></p> <p><u>Schedule of Meetings 2023/24</u> - the Committee discussed and agreed that four meetings per year was sufficient, that they should normally be held on TEAMS and start at 8.30am</p> <p>The Schedule of meetings for 2023/24 were agreed as follows:<br/>Wednesday 20 September 2023 at 8.30am</p> | JH |

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|      | <p>Wednesday 29 November 2023 (financial statements 2022-23) at 8.30am<br/>         Wednesday 13 March 2024 at 8.30am<br/>         Wednesday 26 June 2024 (Budget and 3 year financial plan) at 8.30am</p> <p><i>PA left the meeting</i></p>   |  |
| 9    | <p><b>Any other for all Attendees Business</b><br/>         There was no other business for all attendees and CP left the meeting at this point. HS thanked CP for her contribution.</p>   |  |
| 10.1 | <p><b>Appointment of Internal Auditors</b><br/>         JS presented his report and the suggested timetable. Members of the Committee supported the importance of completing this work and agreed to make themselves available as required over the summer period in order to meet the deadlines set out in the timetable.</p> |  |
| 11   | <p><b>Meeting between the members of the Committee and Management</b><br/> <i>[Redacted due to confidentiality]</i></p>  |  |
|      | <p>The meeting closed at 9:40am<br/>         The next meeting is at 8:30am Wednesday 20 September 2023 via Microsoft Teams</p>   |  |

Approved as a true record by the Audit Committee at their meeting on 20 September 2023