

Minutes of the Virtual Meeting of the Audit Committee

28 November 2022

8:00am to 10:00am

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

**Apologies:** Philip Atkins

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

**In attendance for items 1-4:** David Hoose 'DH' (Mazars)

**Governors present for the joint meeting between the Board and the Audit Committee (items 1-3)**

Mike Rowley (Chair of the Board); Yvonne Bradshaw; Gail Steptoe-Warren; Nicki Truman; Claire Boliver (in her capacity as Governor)

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

Audit	Agenda Item	Actions
	<b>Joint meeting of the Board and the Audit Committee</b>	
1.1	Minutes are recorded in the order in which items were taken at the meeting. <b>Welcome and Apologies for Absence</b> HS opened the meeting at 8:00am and welcomed the governors and attendees to the joint meeting of the Board of Governors and the Audit Committee. Philip Atkins was absent and his apologies were accepted. The Governors who are not members of the Committee left the meeting after item 3.	
1.2	David Isteed's connection to the meeting was intermittent which resulted in the meeting not always being quorate. It was therefore agreed that items which the Committee were recommending to the board for approval should be circulated to the Committee after the meeting by email and their recommendations confirmed – see Appendix 1	
2.	<b>Declarations of Interest</b> There were no declarations of interest.	
3.1	<b>External Audit</b> In compliance with the Post 16 Audit Code of Practice, all governors had been invited to attend the meeting to hear the report from the External Auditor and to raise queries directly with the external auditor.	
3.2	<b>External Audit Completion Report</b> DH presented the draft report for 2021-22 and confirmed that the audit was substantially complete with some outstanding matters that would not impact significantly on the audit opinion. Mazars anticipated issuing an unqualified opinion without modification as set out in Appendix B of the completion report.	
3.3	DH summarised the outstanding matters and significant risks which included: <ul style="list-style-type: none"> <li>The final going concern assessment which would be considered separately by the Committee</li> <li>The impairment for the assets at Tamworth</li> <li>The College's assessment of its liability as a result of the Harpur Trust v Brazel decision (on part-time employee holiday pay)</li> </ul>	
3.4	DH also noted: <ul style="list-style-type: none"> <li>the change in pension accounting which mean that the College's Pension valuation was shown as a net asset rather than a net liability but this asset was not recognised in the balance sheet in accordance with relevant accounting standards.</li> <li>1 internal control recommendation around account coding of bank accounts which had already been resolved.</li> <li>the unadjusted and adjusted misstatements and drew the Governors' attention to the adjusted misstatements for the capitalisation of eligible Tamworth costs, the de-recognition of the net pension asset and the correction to the demolition of a building where the cost was incorrectly capitalised to fixed assets.</li> </ul>	
3.5	A governor sought clarification on the write down of assets at Tamworth and how post-balance sheet movements were taken into account. DH confirmed that he had discussed the position with the College management and would be led by the board's view of the	

3.6	<p>position as at the balance sheet date. DH confirmed that the project should be expensed until the college felt that, on the balance of probability, the building was more likely to be created and then it could be capitalised. Governors discussed and agreed it would depend on the receipt of the tender bids for the construction and whether the project was affordable.</p>	
3.6	<p><b>In response to a governor question</b>, it was confirmed that the outcome of the tender bids would be known at the time of approving the report and accounts and therefore the Board could feel comfortable with capitalising the costs as an asset under construction depending on the outcome of the bids.</p>	
3.7	<p><b>A governor asked about the depth of testing on covenants.</b> DH confirmed that no issues had been identified when checking compliance at the end of the year 2022. The going concern assessment would consider management forecasts and consider any sensitivity analysis done by management and consideration of any other information.</p>	
3.8	<p><b>The Chair noted that there was still work to be done, particularly in respect of the Tamworth Project and asked DH whether he was confident that Mazars would complete their work in time for the Audit Committee to have proper scrutiny of the completed accounts for recommending to the board.</b> DH confirmed he had no fundamental concerns once the issues around going concern had been resolved. JS confirmed that the figures were complete subject to an adjustment for holiday pay of £58,000 so it was just the narrative around going concern and some other minor matters that was outstanding.</p>	
3.9	<p><b>Financial Statements 2021-22</b> The Committee and Governors in attendance reviewed the annual report and accounts in detail and with <b>JS answering questions</b> and noting the following:</p>	
3.9	<ul style="list-style-type: none"> <li>• The going concern assessment would be updated prior to the board meeting</li> <li>• The section on the Tamworth Project would be updated</li> <li>• JS confirmed that the College had been graded as 'Outstanding' Financial Health in-year in 2021-22 (relating to 2020-21) however it was expected that it would move to 'Good' by the end of the current year. JS confirmed that the holiday pay adjustment of £58,000 would not affect this grading.</li> <li>• Student numbers and achievement rates would be updated prior to the board meeting</li> <li>• The governance tables would be updated</li> <li>• The statement from the audit committee would be updated</li> <li>• There had been no grants awarded in year</li> <li>• There had been no contingent liabilities in-year. The holiday pay of £58,000 would be recorded as an accrual</li> <li>• A statement would be included in the section on judgements to explain the treatment of the LGPS fund as an asset.</li> </ul>	
3.10	<p><b>The Chair asked whether the ONS change to the status of colleges would be a separate disclosure note.</b> DH confirmed that it would be a post-balance sheet disclosure but this will depend on the outcome of the DfE announcement which was due on 29<sup>th</sup> November. DH would work with the College to agree the wording.</p>	JS/ MM
	<p><b>It was agreed that the updated financial statements would be circulated to the Committee by email for review and further comment prior to the board meeting on 8<sup>th</sup> December 2022.</b></p>	
3.11	<p><b>Annex B – Regularity Self-Assessment Questionnaire</b> JS presented his report and confirmed that the Covid-19 Annex to the Self-Assessment Questionnaire (which had been approved at the previous meeting) was also required for approval by the board.</p>	
3.12	<p>JS confirmed the responses were the same as in the previous year with the inclusion of the addition of the Cyber Essentials+ and ISO27001 kitemarks awarded to the College during the year.</p>	
3.13	<p><b>Governors reviewed the questionnaire and agreed to re-circulate it to the Audit Committee by email to confirm their recommendation of the responses to the questionnaire to the board.</b></p>	JS/MM
3.14	<p><b>Going Concern Assessment</b> JS presented his report and explained that the Board would consider its going concern status for the next 12 months as part of the approval of the financial statements for 2021-22</p>	

	<p>in its meeting on 8 December 2022. JS outlined the challenges facing the College which included:</p> <ul style="list-style-type: none"> <li>• Inflation, energy costs and cost of living impact on staff recruitment and pay</li> <li>• The affordability of the Tamworth Project as a whole</li> <li>• Sale of current site at Tamworth in 2022-23 and the expenditure on the new site in 2023-24 would lead to a breach of covenants in 2023-24</li> <li>• Limited capacity to borrow</li> <li>• The impact of reclassification following the ONS review</li> </ul>	
3.15	<p>JS confirmed that despite these challenges, the College could be confident that it was a going concern as it was in a good position operationally due to likely increased funding in 2023-24 and falling debt. The financial impact of the Tamworth Relocation Project was out of scope for the current 12 month going concern discussion (due later in 2023-24), however, the project could be managed financially with the correct debt facility in place and the right tender return. JS confirmed that the College had had good discussions with the ESFA who had indicated that they would be willing to discuss concerns around capital funding issues.</p>	
3.16	<p><b>A governor noted that the relocation of the Futures provision should also be included in the paper for the full board.</b> JS agreed that it should be included and key elements of the paper should also be included in the report and accounts.</p>	
3.17	<p>JS outlined the capacity of the college to borrow an additional £1.8m of debt and both Lloyds and Barclays were willing to support this need in theory. JS confirmed that he was speaking to both banks to seek assurance around the 2023-24 covenant issues and that he should have written confirmation of this by the Board meeting.</p>	JS
3.18	<p><b>The Chair requested that JS also seek assurance from Yorkshire Bank even though their loan would be repaid by 2023-24.</b></p>	
3.19	<p><b>In response to a question,</b> JS confirmed that the financial reforecast would be brought to the Board meeting in December and could confirm the College was in a position to move closer to break even in the current year.</p>	
3.20	<p><b>In response to a question,</b> CB confirmed that staff pay had been considered and approved at the board meeting in July and there were no current proposals for any changes unless there were changes to in-year funding from the ESFA.</p>	
3.21	<p><b>The Chair thanked JS for the paper</b> and asked for the updated paper to be recirculated to the Committee with the figures prior to the board meeting for their comments and recommendations to the board.</p>	JS / MM
3.22	<p><b>The Chair thanked the Governors who were not members of Audit Committee for their attendance</b> and the joint meeting of the board and the Audit Committee was brought to a close.</p>	
	<p><i>The Governors who were not members of the Audit Committee left the meeting at this point.</i></p>	
4	<p><b>Meeting between internal and external auditors and the Committee</b></p>	
	<p><i>JS and CB left the meeting for this item</i>  <i>[Redacted due to confidentiality]</i></p>	
	<p><i>DH left the meeting at this point.</i></p>	
5.1	<p><b>Minutes and Action Grid</b>  <u>Minutes</u></p>	
	<p><b>Resolved: the minutes of the meeting 21 September 2022 be approved as a true record.</b></p>	
5.2	<p>Action Grid</p> <p>The Committee reviewed the action grid noting the actions closed and the updates on the following items:</p>	
5.3	<p>Procurement</p> <p>The post of procurement manager had been advertised but there had been no applications. The post would be re-advertised in January and JS would also consider buying in a service or sharing resources if the recruitment was unsuccessful.</p>	
	<p><b>Internal Audit Reports</b></p>	
	<p>Tamworth Capital Project</p>	

7.1	CP presented the report which had resulted in an assessment of Reasonable Assurance with 2 important recommendations. CP confirmed that the board had retrospectively confirmed the approval of the submission of the planning permission at its recent board meeting in October 2023 and that the risk register for the project should be updated and reviewed more regularly to provide assurance to the Committee. CP also noted that the Future High Street Funding (FHSF) agreement with Tamworth Town Council was still to be agreed but this was out of the College's control. CP confirmed she had taken all the discussions and reports which had gone to board and audit committee so all actions had been documented and the board had been provided with all the information it required.	
7.2	JS explained that the McBains project risk register was too complex and not updated sufficiently regularly to be of use to the Committee so JS had created a separate register for the Committee which was included in the papers for the meeting. <b>The Committee thanked CP for her comprehensive report.</b> <u>Tamworth Risk Register</u> <i>[Redacted due to confidentiality]</i>	
8.1 – 8.8		
6.1	<b>Policies to Recommend for Approval</b> JS presented the updated Fraud Policy and Action Plan and the updated Data Protection Policy.	
6.2	JS confirmed that the Fraud Policy had been updated to include references to statutory sources and the Nolan Principles together with links to other relevant policies. The Data Protection Policy had been expanded to include further information about ISO 27001, other legislation and related policies together with information on how and why the college collects personal data.	
6.3	When asked, CP confirmed that she had no comments on either policy from an internal auditor's point of view.	
6.4	<b>The members of the Committee present had no comments on the policies and the Clerk was asked to circulate them to the committee for confirmation that they recommended them to the board for approval.</b>	
6.5	<b>Fraud, Irregularity, Impropriety, Cybersecurity and Whistleblowing Annual Report</b> JS presented the annual report for 2021-2022 which provided a fraud and bribery risk assessment for the College and information on incidents in the previous year. There had been 3 declarations on the Gifts and Hospitality Register from 2 different members of staff. JS confirmed that the College would continue to raise awareness of the gifts and hospitality policy with staff to ensure that gifts were declared.	
6.6	<i>[Redacted due to confidentiality]</i>	
6.7	<i>[Redacted due to confidentiality]</i>	JS
7.3	<b>Internal Audit Recommendation Tracking Grid</b> JS presented the tracking grid and confirmed that there were 15 completed actions and 6 outstanding recommendations. 3 of these were not yet due and 3 were overdue. Of the 3 that were overdue, the procurement officer recruitment issues had delayed the preparation of a preferred supplier list; HR systems issues had delayed the Induction Checklist but this would be completed by December 2022; the learner data collection had been completed however the scope for initial advice and guidance had changed which had resulted in further changes to the process which would also be completed by December 2022.	
7.4	CP confirmed that there had been an audit of curriculum planning with the report in draft however, there were no recommendations arising from the report.	
7.5	<b>The Chair sought assurance that all the overdue recommendations would be completed by the end of the calendar year.</b> JS confirmed that he would have an update for the March 2023 meeting but the HR and procurement recommendations were challenging.	
	<b>Risk Management</b>	

	<p><i>David Isteed left the meeting at this point and the meeting was no longer quorate. The meeting continued so as to provide an update and information for the remaining members of the Committee.</i></p>	
8.9	<p><b>Annual Review</b></p> <p>JS presented the Risk Management Annual Report for 2021-22 setting out the key areas of assurance available for the assessment of risk management, along with comparative data from the previous year including:</p> <ul style="list-style-type: none"> <li>• Achievement of business targets;</li> <li>• Internal and external audit reports;</li> <li>• Risk management processes;</li> <li>• Fraud risk;</li> <li>• Regularity assessments; and</li> <li>• Policy framework and other factors</li> </ul>	
8.10	<p>JS confirmed that headline financial targets had been hit however, student achievement rates had not due to comparison of exam results with the assessment rates during the Covid pandemic. It had been a strong year for internal audit outcomes. There had been no new risks added to the corporate risk register and the separate covid risk register had now been removed and included as a risk in the main register. There were no issues around fraud or impropriety.</p>	
8.11	<p>The Chair noted that the report could in future also include reference to the new and emerging risks around the Tamworth Project which had been discussed in detail at Committee meetings.</p>	
8.12	<p><b>Corporate Risk Register</b></p> <p>JS presented the updated risk registers for 2022-23 which had been reviewed in advance by ELT. JS confirmed there had been no significant changes to the assessment of the risks. <b>Governors sought assurance on the risk around the Quality of Apprenticeships.</b> CB confirmed that a consultant had been appointed to work with the department and that she was confident the College was now in control of the issues and interviews were being held for a head of apprenticeships to support the team.</p>	
8.13	<p><b>Covenant Risk Register</b></p> <p>JS presented the covenant risk register and confirmed that the College was in a good position for the current year, Governors noted their discussions earlier in the meeting and asked JS to keep the Committee updated with progress on the written confirmations from Lloyds and Barclays' Bank regarding the potential breach of covenants in 2023-24.</p>	
9	<p><b>Annual Report of the Audit Committee</b></p> <p>The members of the Committee who were present received the annual report of the Committee which summarised the work of the committee and the outcomes of the internal audits in 2021-22. The Clerk confirmed that the report would be updated to reflect the presentation of the annual report and financial statements in this meeting and would then be re-circulated to the Committee for recommendation to the board for approval.</p>	<b>MM</b>
10	<p><b>Any Other Business</b></p> <p>There was no other business.</p> <p>It was noted that some of the discussions around the Tamworth Relocation Project could be commercially sensitive and those parts of the minutes should be regarded as confidential.</p>	
11	<p><b>Meeting between the remaining members of the Committee and Management</b></p> <p><i>CP left the meeting for this item.</i></p> <p><i>[Redacted due to confidentiality]</i></p>	
12	<p>The meeting closed at 10:00am</p> <p>The next meeting is at 8am Wednesday 15 March 2023 at 8am via Microsoft Teams</p>	

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Appendix 1

**Updated approvals following the meeting**

After the meeting the following items were approved by the Committee by email

1. Annual Report and Financial Statements –updated to reflect the discussions during the meeting

Extra features include:

- A completely re-written Going Concern section (based on the going concern paper that went to Audit Committee)
- Corrections to the governance section as mentioned in the Audit meeting
- A re-write of the risk management section with a risk removed (tuition fees) and two risks added in (Recruitment/Pay and Quality/Achievement Rates)
- Some tidied up numbers plus the last missing stats in the members report and figures in the notes
- An additional three pages (up from 55 to 58!)

**Approved by the members of the committee by email and recommended to the Board for approval**

2. Annex B of the Self-Assessment Regularity Questionnaire

No changes since the meeting however the meeting was not quorate at the time of this item.

**Approved by the members of the committee by email and recommended to the Board for approval**

3. Paper on the Assessment of Going Concern

Revised and updated to reflect the discussions at the meeting together with an updated section on the ONS review of the status of colleges

**Approved by the members of the committee by email and recommended to the Board for approval**

4. Tamworth Relocation Project Risk Register

Included for information as the register presented at the meeting was missing the 3<sup>rd</sup> page  
**Noted by the Committee**

5. Data Protection Policy and Fraud Policy and Action Plan

No changes since the meeting, however, the meeting may not have been quorate at the time of this item

**Approved by the members of the committee by email and recommended to the Board for approval**

6. Annual Report of the Audit Committee

This report was the same as in the meeting except that the section referring to the approval of the accounts (4.1) has now been completed. The meeting was not quorate at the time this report was presented at the meeting

**Approved by the members of the committee by email and recommended to the Board for approval**

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**Agreed as a true Record at the meeting of the Audit Committee held on 15<sup>th</sup>  
March 2023**