

**Minutes of the Virtual Meeting of the Audit Committee**  
**29 November 2023**  
8:30am to 10:21am

**Governors present:** Helen Simpson (Chair) 'HS'; Andrew Elsby-Smith; David Isteed; Philip Atkins  
**Apologies:** None  
**In attendance:** John Snow (Deputy Principal – Finance and Resources) 'JS'; Roopa Patel-Harji (Internal Auditors – Validera) 'RPJ'; Claire Boliver (CEP) 'CB'; Jo Hutchison (Head of Governance) 'HoG'  
**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; Nicki Truman; Liz Furey; Roger Poynton; Claire Boliver (in her capacity as Governor)

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

<b>Audit</b>	<b>Agenda Item</b>	<b>Actions</b>
	<b>Joint meeting of the Board and the Audit Committee</b>	
1.	<p>Minutes are recorded in the order in which items were taken at the meeting.</p> <p><b>Welcome and Apologies for Absence</b> HS opened the meeting at 8:30am and welcomed the governors and attendees to the joint meeting of the Board of Governors and the Audit Committee. There were no apologies for absence from the members of the Audit Committee. Philip Atkinson arrived at 8:32 before item 2. CB left the meeting at 10:00am after consideration of item 9.2 (Sub-contracting proposal), and before the review of items 8.2 and 9.2.</p> <p>The Chair welcomed Roopa Patel-Harji, from the College's Internal Audit Service, Validera, and asked her to introduce herself to attendees.</p> <p>Apologies had been received from the following Governors who were not members of the Audit Committee; Chris Brewerton, Rose Judeh-Elwell and Daniel Gallagher. The Governors who were not members of the Audit Committee were invited to stay for the remainder of the meeting but left the meeting after item 3.</p>	
2.	<p><b>Declarations of Interest</b> There were no declarations of interest.</p>	
3.1	<p><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 External Audit Completion Report (ACR) from the External Auditor and to raise queries directly with the external auditor.</p> <p><u>External Audit Completion Report</u> DH presented the draft report for 2022-23 and confirmed that the audit was substantially complete with some outstanding matters most of which were routine pieces of work which would be finished off before the audit opinion was signed. DH summarised the outstanding matters which were of substance which were:</p> <ul style="list-style-type: none"> <li>• Confirmation from Yorkshire Bank of the Financial Year 2022-2023 banking covenant calculations</li> <li>• Review of the College's updated Going Concern assessment and Covenant Calculations, and receipt of Barclays Banks variation to the Financial Year 2023-2024 Covenants.</li> </ul> <p>DH also noted:</p> <ul style="list-style-type: none"> <li>• the change in pension accounting which meant that the College's Pension valuation was shown as a net asset rather than a net liability, but this asset was not recognised</li> </ul>	

	<p>in the balance sheet (and instead was recognised as zero on the balance sheet) in accordance with relevant accounting standards.</p> <ul style="list-style-type: none"> <li>the opinion on regularity where no issues on compliance had been identified either in respect of the College's compliance with the previous, nor the new regularity rules introduced this year as a result of Managing Public Money.</li> <li>two internal control recommendations; one around a typographical error on a VAT return <i>[Redacted due to confidentiality]</i>; and the second as a result of starters and leavers testing where leavers were not removed from the monthly payroll summaries, instead being paid a nil amount in the months after leaving to contribute to the year to date calculations. Both recommendations were identified as low risk.</li> <li>the unadjusted and adjusted misstatements and drew the Governors' attention to the adjusted misstatements to accrue for a Kier invoice for the Tamworth project which related in part to work in July 2023, and an accounting adjustment regarding unspent capital grant money (in the amount of <i>[Redacted due to confidentiality]</i>) which had been moved into other creditors in respect of which DH reported that he did not expect it to have any significant impact on financial health scores.</li> </ul> <p>Mazars anticipated issuing an unqualified opinion without modification as set out in Appendix B of the completion report.</p> <p>In response to questions from Governors on (i) the impact of any potential breach of the Yorkshire Bank covenants (ii) when would the Yorkshire Bank loan be repaid, JS reported that this loan would be paid off in July 2024, however the covenant issue with Yorkshire Bank related to 2022-23 and whilst it had been agreed with Yorkshire Bank that all transactions related to Tamworth new build would be excluded from covenant calculations, confirmation from Yorkshire Bank to that effect was required by members.</p> <p>DH highlighted that his concern would be around whether there were cross breach clauses in these loans, such that if there were an issue in respect of the Yorkshire Bank this could lead to an issue with Barclays Bank. JS reported that in the event that there was a covenant breach of Yorkshire Bank, this would be a cross breach.</p> <p>In response to a question from a Governor as to what assurance DH was looking for in respect of Yorkshire and Barclays Bank, DH reported that the level of assurance that both he and the Board would be looking for would be documentary confirmation from Yorkshire Bank of the Financial Year 2022-2023 banking covenant calculations. DH reported that in respect of Barclays Bank, the issue was around whether Barclays would issue the variation so that the covenant calculations could be changed for 2023-24 which would remove the potential breach for 2023-2024.</p> <p>A Governor sought clarification on when we would receive the documentation to provide this assurance. JS reported that Barclays Bank credit panel was reviewing the position today and he expected a response from the bank to agree to an adjustment to the covenants by 30 November 2023.</p> <p>A Governor sought assurance that there was not expected to be a worsening of the terms of the Barclays loan, and JS reported that this was not expected. If this did occur, it would be likely to require ESFA / DfE approval, which would be an issue in terms of timings.</p> <p>A Governor sought clarification on whether the variation with Barclays was expected to extend to 2024-2025 as well as 2023-2024, and JS reported that the variation before Barclays credit panel was in respect of the covenants for both 2023-2024 and 2024-2025.</p> <p>A Governor sought clarification on how confident JS was that these two outstanding covenant issues could be closed off to the extent that the Audit Committee and the Board could have assurance. JS reported that he was very confident, 100% confident in respect of Yorkshire Bank and 99%, maybe 99.5%, confident in respect of Barclays Bank. He reported that the banks had no issue with the College's underlying performance, and they</p>	
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	<p>understood that this was an issue in terms of the capital build and JS reported that he did not expect this to be an issue at the Board meeting on 11 December 2023.</p> <p>The Audit Committee requested that the following actions be taken to seek further assurance:</p> <ul style="list-style-type: none"> <li>• JS to seek written confirmation from both Yorkshire Bank and Barclays Bank to provide assurance over the bank covenants which would be circulated to all Audit Committee members (as well as all Governors) by close of play on Friday 1 December 2023;</li> <li>• The External Auditor be requested to speak to representatives of both banks to seek assurance.</li> </ul> <p><i>[Redacted due to confidentiality]</i></p> <p>JS reported that the Letters of Representation were in the standard form and had (since the version circulated) been updated to include a reference to RAAC and it was agreed that the updated Letters would be circulated by 1 December 2023.</p> <p><b>A Governor sought clarification on whether the Letters of Representation included appropriate references to materiality, and following further review of the Letters this was felt to be the case.</b></p> <p><b>Resolved: subject to the updated versions of the Letters of Representation being circulated to the Audit Committee members, to recommend to the Board the approval and signing of the two Letters of Representation.</b></p> <p><u>Financial Statements 2022-23</u></p> <p>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> <ul style="list-style-type: none"> <li>• The Higher Education student numbers, under the Resources heading in the Strategic Report, would be updated to 88.</li> <li>• The statement on the banking covenants was written on the basis that Barclays would agree to a variation to the covenants.</li> <li>• The going concern assessment would be updated prior to the board meeting</li> <li>• The Day 42 16-18 learners number would be updated to 2985</li> <li>• JS confirmed that the adjusted cash days in hand would be finalised ahead of the Board meeting, however was expected to be around 85</li> <li>• The Head of Governance confirmed that she had reviewed the attendance details set out in the Corporate Governance Statement Student numbers and achievement rates would be updated prior to the board meeting</li> <li>• A brief overview of the remits of the Financial Improvement Group and the Curriculum and Quality Improvement Group had been included in this year's Financial Statements.</li> <li>• The Statement of the Audit Committee to be reviewed and updated in terms of the covenants position and also in respect of the recommendations from the audit of the accounts.</li> <li>• The final Auditors' Report would be included in the finalised set of Accounts.</li> <li>• There would be a figure to include in the Changes in Reserves in respect of a transfer between two reserves which did not affect the Profit and Loss account nor Balance sheet which related to the Tamworth development.</li> <li>• On the Balance Sheet, the figures for Investments reflected the sale proceeds from the Tamworth site.</li> <li>• The reclassification of the development costs of the Tamworth Relocation project from current assets to assets under construction, which would continue into the next financial year.</li> <li>• The Going Concern statement would be revisited, as a result of the discussion in the meeting</li> <li>• Under Operating Costs, the figure for hire of assets under operating leases of £137,000 would be included</li> </ul>	<p><b>JS / DH</b></p> <p><b>JS</b></p>
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	<ul style="list-style-type: none"> <li>Under note 17 (Provisions) this should reference note 23.</li> </ul> <p><u>Going Concern Assessment</u></p> <p>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 2022-23 in its meeting on 11 December 2023. JS outlined the challenges facing the College which included:</p> <ul style="list-style-type: none"> <li>The College considered its going concern status for the next 12 months as part of the approval of the financial accounts for 2022-23.</li> <li>Despite difficult conditions around inflation and energy costs, the College's underlying performance was good and additional 16-18 funding in 2023-24 had provided a welcome financial boost.</li> <li>The sale of the current campus in 2022-23 and expenditure on the new site in 2023-24 meant that the College would breach its banking covenants with Barclays Bank in the 2023-24 and 2024-25 financial years without further intervention.</li> <li>Barclays Bank had agreed to review covenants to ensure compliance, and the College had written approval from the DfE to do this.</li> <li>With receipt of the confirmations from Yorkshire and Barclays Banks the College could be confident that it would be a going concern during the next 12 months.</li> </ul> <p>A Governor sought clarification on the value of the Barclays loan, the process and timescales to seek DfE approval if any changes to the terms of the Bank loans were sought by the bank as part of the variation process. JS reported that this would depend on the nature of the change in terms requested; if the change were in respect of the interest rate DfE consent would be required prior to the College's agreement, which would be expected to take months. If this were the position, the College could alternatively consider repaying the Barclays loan, which had a value of around £1,100,000 from the College's cash balances, and at a later date seeking a replacement loan, which would resolve that bank covenant issue.</p> <p>A Governor noted that the College's financial position was doing well but, the covenant issues were a major risk, and it was important to have contingency arrangements in place if the planned steps to resolve the issues did not result or did not result in the timescales required for Board approval and confirmation by the end of this week was required.</p> <p><b>Resolved: Subject to the Committee's comments, the updates required to be made, receipt of the written confirmations expected from Yorkshire Bank and Barclays Bank and with a request for contingency plans to be made, To recommend to the Board of Governors that:</b></p> <ul style="list-style-type: none"> <li>the Financial Statements be approved; and</li> <li>the Assessment of Going Concern be approved.</li> </ul> <p>The Chair thanked all the Governors for their attendance at this meeting.</p> <p><i>The Governors who were not members of the Audit Committee were thanked for their attendance and invited to remain.</i></p> <p><i>The Governors who were not members of the Audit Committee left the meeting at this point.</i></p>	JS
4	<p><b>Meeting between internal and external auditors and the Committee</b></p> <p>JS and CB left the meeting for this item</p> <p><i>[Redacted due to confidentiality]</i></p> <p>DH left the meeting at this point.</p>	
5.1	<p><b>Minutes and Action Grid</b></p> <p>JS and CB rejoined the meeting at this point.</p>	

	<p><u>Minutes</u>  <b>Resolved: the minutes of the meeting 20 September 2023 be approved as a true record and noted that the Committee had recommended the Internal Audit Strategy to the Board prior to its approval on 25 October 2023.</b></p>	
5.2	<p><u>Action Grid</u>  The Committee reviewed the action grid noting the actions closed and that the remaining items would be covered on the agenda.</p>	
6.1	<p><b>Fraud, Irregularity, Impropriety, Cybersecurity and Whistleblowing</b>  <u>Annual Fraud, Bribery and Irregularity Report</u>  JS presented the annual report for 2022-2023 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.  <i>[Redacted due to confidentiality]</i></p> <p>A Governor requested that JS consider what measures could be put in place to reduce the medium risk areas, as well as high risk areas, down to low.</p>	JS
6.2	<p><u>Policies Reviews</u>  JS presented the Policies report which related to the IT Acceptable Use Policy (staff facing). He reported that:</p> <ul style="list-style-type: none"> <li>• The Policy was an update of the existing Policy from 2020</li> <li>• The Policy included references to the updated Data Protection Regulations Policy</li> <li>• <i>[Redacted due to confidentiality]</i></li> <li>• <i>[Redacted due to confidentiality]</i></li> </ul> <p>When asked by a Governor if there was anything else which should be considered to be included in the policy, RPH confirmed that she had no comments on the policy, <i>[Redacted due to confidentiality]</i> she would ask her IT specialist colleague to review the Policy and provide any comments to JS.</p> <p>A Governor sought assurance around how staff were made aware of these policies, how well they were embedded and how did the College know that staff were taking the policies seriously. <i>[Redacted due to confidentiality]</i></p>	
6.3	<p><b>Resolved: To recommend the IT Acceptable Use Policy (staff facing) to the board for approval.</b></p> <p><u>Update</u>  JS reported that there was no further update to provide as there had been no whistleblowing, no data protection issues, no cyber security issues. JS reported that a Health &amp; Safety Committee had been held a couple of weeks ago which was attended by the Health &amp; Safety Link Governor, David Isted. There were no incidents which required any RIDDOR reporting.</p>	RPH
7.1	<p><b><u>Internal Audit Reports and Action Grid</u></b></p> <p><u>Planned Internal Audits</u>  RPH reported that all Internal Audit Briefs for the five planned audits for this year had been shared with the College and start dates would be shortly agreed for the first two audits which were planned to be Safeguarding and Performance Management, with these planned to be reported to the March 2024 Audit Committee meeting.</p> <p>Following discussion the Chief Executive Principal requested that the planning of the first two would be agreed before Christmas so that the audits could be commenced at the start of</p>	RPH

7.2	<p>January, such that Internal Audit Reports for these audits would be presented to the March Audit Committee meeting.</p> <p><u>Internal Audit Recommendation Tracking Grid</u></p> <p>JS presented the tracking grid and confirmed that at the end of TIAA's follow up work there were eight outstanding, of which six had now been completed. <i>[Redacted due to confidentiality]</i> The other outstanding recommendation related to procurement, and this remained outstanding. JS reported that he intended to try to recruit to this position one more time as this remained his preferred solution, although this would also be considered further as part of the procurement of the new finance system.</p> <p>A Governor sought clarification on any progress on the action to prepare a preferred supplier list which remained outstanding. JS reported that there was a preferred supplier list however, this was not College wide and targeted high volume areas, such as Estates. However, further work was required to ensure that a formal review / market testing process was in place College wide. JS reported that this was where the College was lacking a procurement resource to support in this area.</p> <p>The Committee asked that an update on progress in respect of the preferred supplier list work, recruiting to fill the procurement position and in terms of the new finance system, be provided at the March 2024 meeting to provide the Committee with assurance in this area, noting that an internal audit was planned for this year as well.</p>	JS
8.1	<p><b>Risk Management</b></p> <p><u>Annual Risk Management Report</u></p> <p>JS presented the Annual Risk Management Report for 2022-23 which considered the key indicators for the College's internal control and risk management environment was operating which started with a review of the financial outcomes and the outcomes for educational Provision which was generally positive. JS confirmed that headline financial targets had been exceeded and student achievement rates had been met.</p> <p>The report set out the key areas of assurance available for the assessment of risk management and internal control 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> <p>A Governor suggested and the Committee discussed and recommended that the report be updated to include further detail in the following areas before it was provided to the Board:</p> <ul style="list-style-type: none"> <li>• around the board's role in reviewing risk management</li> <li>• additional text on the focus the Audit Committee had given to bank covenants and strategies for managing that risk</li> <li>• on the focus that the Tamworth Relocation Project Group provided in addition to the Audit Committee on those risks and the assurance that provided</li> <li>• the role of the executive in reviewing College risks.</li> </ul> <p><i>Item 9.2 was considered next on the agenda prior to CB leaving the meeting.</i></p>	JS
9.2	<p><b>Subcontracting Proposal</b></p> <p>JS presented the Subcontracting Proposal Report to the Committee and highlighted the following:</p> <ul style="list-style-type: none"> <li>• The College had the opportunity to work with a FMBS, a Private Training Provider based in the Midlands. The contract would be with a subsidiary of theirs.</li> </ul>	



	<ul style="list-style-type: none"> <li>• There were two proposed activities, both of which were adult education budget funded (online accountancy and warehousing &amp; logistics).</li> <li>• The proposal fitted within with the stated aims of the Supply Chain Fees and Charges policy and met local priorities and employability and were in areas the College did not provide directly itself</li> <li>• The College did not deliver any subcontracted provision in 2022-23, although it did have experience in the past of delivering sub-contracted provision.</li> <li>• Final approval from the DfE to subcontract provision was required</li> <li>• A full subcontracting contract would be required which</li> </ul> <p>A Governor asked whether the financial health checks had yet been completed on the proposed sub-contractor, which JS reported would be undertaken as part of the overall due diligence checks on the suitability of Financial Management &amp; Business School (FMBS) as a subcontractor from a financial, quality and qualifications perspective.</p> <p>A Governor sought clarification on whether appropriate assurance could be provided on this process in the absence of procurement expertise. JS reported that from a contractual perspective the College would be seeking to purchase and use the legal sub-contracting terms from Eversheds solicitors.</p> <p><b>Resolved: Subject to the contractual procurement checks being undertaken and the further checks to provide assurance set out under College Requirements, detailed on page 4 of the report, resolved to recommend this approach to the Board</b></p> <p><i>CB left the meeting.</i></p>	JS
8.2	<p><b>Risk Management</b> <u>Corporate Risk Register</u></p> <p>JS presented the updated risk registers for 2023-24 which had been reviewed by the Risk Management Group and the Executive Leadership Team prior to consideration by the Audit Committee. JS Highlighted that the key risks remained around:</p> <ul style="list-style-type: none"> <li>• The Tamworth project</li> <li>• Recruitment and retention of staff</li> <li>• Level 3 Qualification reform</li> </ul> <p>In terms of Risk C1 and C23 JS confirmed that whilst for the current year and next year the expectation was that student numbers would continue to be strong, after that there was an increased risk that T Levels and the ability of learners to join T Level programmes would impact on the recruitment of 16-18 students to the College.</p> <p>In terms of Apprenticeships, significant work continued in this area to improve the quality of this provision and as a result of the new processes enrolments were slower which had a financial impact, however in the longer term this was expected to deliver higher quality provision.</p> <p>A Governor sought clarification on the status of the action in respect of the Apprenticeships risk to measure enrolments and success rates through the Aspire process where JS reported that updates were provided regularly to the Curriculum and Quality Improvement Group who scrutinised progress.</p> <p>In terms of C4 (Recruitment and Retention of staff) JS reported that whilst this remained high, there were actions in place to address this risk including a new KPI on retention of staff which would be monitored closely. A Governor questioned whether this risk was expected to improve going forwards as a result of the actions put in place and JS reported that whilst some aspects of this risk were outside of the College's control and related to market factors, the recent pay award had assisted, and the staff satisfaction survey indicated that for staff who were retained the college was a good place to work.</p> <p><i>[Redacted due to confidentiality]</i></p>	JS

	<p><u>Covenant Risk Register</u> This risk area had been covered in detail earlier in the meeting as part of the Financial Statements item, with the Committee requesting contingency plan be provided (Item 3).</p> <p><u>Tamworth Relocation Risk Register – [Confidential item redacted from published minutes]</u></p>	
9.1	<p><b>Annual Report of the Audit Committee</b> The Committee received the draft annual report of the Committee which summarised the work of the committee and the outcomes of the internal audits in 2022-23. The Head of Governance 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.</p> <p><b>Resolved: Subject to any comments the Committee had following circulation of an updated version, to recommend the Annual Report to the Board for approval.</b></p>	
10	<p><b>Any Other Business</b> There was no other business.</p>	
11	<p><b>Meeting between the remaining members of the Committee and Management</b> <i>RPH left the meeting for this item.</i> <i>[Redacted due to confidentiality]</i></p>	
12	<p>The meeting closed at 10:21am The next meeting is at 8.30am Wednesday 13 March 2024 at 8:30am via Microsoft Teams</p>	

**Approved as a true record by the Audit Committee at their meeting on 13 March 2024**



**Chair of the Committee**