



JOINT MEETING OF THE FINANCE AND GENERAL PURPOSES AND AUDIT COMMITTEES

Report: Minutes of the meeting held on Wednesday 1 December 2021
Author: Clerk
Action: Approve
Status: Open other than where marked confidential

Present: Michael Wood-Williams (MWW – Chair of Audit Committee)
Martin Hedley (MH – Chair of Finance and General Purposes Committee)
David Alexander (DA – Principal and CEO)
Aneela Ali (AA) (by Teams)
Robin Bailes (RB)
David Brind (DB)
Gareth Edmunds (GE)
Neil Weddle (NW) (by Teams)

In attendance: Jeremy Cook (JC)
Graham Gillespie (GG – Wylie & Bisset, Internal Audit)
David Hoose (DH – Mazars, External Audit)
Ivan Jepson (IJ)
David Keetley (DK)
Stephen Pringle (SP – Wylie & Bisset, Internal Audit)
Chris Toon (CT)
Rob Walker (RW – Mazars, External Audit)
Emma Moody (EM, Clerk)

JFA/24 Chair's Welcome, Apologies and Conflicts of Interest

It was agreed that MH would chair the meeting. There were no apologies to note.

No conflicts of interest were declared at this point. MH reminded members to declare conflicts if and as soon as they became aware of them throughout the course of the meeting.

JFA/25 Minutes of the last joint meeting of Audit and Finance and General Purposes Committees dated 26 March 2021

The minutes of the meeting held on Friday 26 March 2021 were agreed as a correct record.

JFA/26 Matters Arising / Action Log

Audit committee actions: All actions were confirmed as complete and/or would be covered on today's agenda.

Finance & General Purposes actions: F/040 – Estate strategy to come back to a meeting in the first quarter of next year.

F/062 – Meeting to take place to discuss the Foundation next week. An update to be thereafter brought to this Committee.

F/062 – the data had been worked through and would be reflected in the management accounts.

F/068 – JC confirmed this was complete. However, DB raised the issue of internal audit findings regarding IT systems and how this aligned to the College's own assessment of risk and how this had been taken into account. DA responded to confirmed that the risk management approach was continuing to be developed – and a rolling review of audit actions would be undertaken throughout the year and risks reassessed on a live basis. GE questioned whether the internal audit findings highlighted risks which did not correlate with the grading of the same on the risk register, because if these recommendations were arising from internal audit reports, the challenge for Governors would be understanding if the grading was accurate. DA said that the fact some risks existed and had arisen at an operational level might not mean the strategic risk rating as reported to Board required to change. DA also stated that the actions arising from internal audit actions were being progressed and that the register would be reviewed to consider how the mitigations arising from this could be presented.

Action: if an internal audit review identifies an action, the Committee wish the College's risk register to reflect how this has been taken into account in providing assurance.

Action: F/040, F/062 to come back to a future meeting

JFA/27 Update on Loans: Barclays Redocumentation

The report was presented by JC.

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The report was noted.

JFA/28 Assessment of Going Concern and ESFA anticipated loan covenant breach

The report was presented by JC.

THIS ITEM IS CONFIDENTIAL AND NOT FOR PUBLICATION.

JFA/29 Internal audit – annual report 2020/21 (final version)

The report was presented by JC.

It was confirmed that this is PWC's final report, which the Audit Committee had seen at its last meeting and there were no material changes.

On that basis, the report was noted.

JFA/30 Audit Committee – evaluation of internal auditor 2020/21

The report was presented by JC.

The report was noted and the Committee agreed it could be shared with PWC.

JFA/31 Audit Committee – self-evaluation checklist 2020/21

The report was presented by JC.

The report was noted.

JFA/32 Audit Committee – draft annual report 2020/21

The report was presented by JC.

EM reminded the committee of the purpose of the annual report, it being the document which records the work done by the committee over the course of the year to satisfy itself of the adequacy of internal controls and the management of risk etc. This document is reported to the Board and acts as evidence to confirm this work has properly taken place. In the financial periods 2019 and 2020, this report had been modified in previous years to reflect the fact that despite the committee believing internal controls and systems had been adequate, in fact it has subsequently been demonstrated they had not been at that time, resulting in a financial deficit. The narrative for the last two years reflected this. It was important for the Committee to therefore give this report its attention and be satisfied that the Committee had delivered this work during 2020-21 and were satisfied with the assurances provided.

MH asked if other committees could undertake a similar annual exercise, and EM confirmed that the Governance Committee had met recently to agree how committees would generally review their business and this would form part of future planning.

The report was confirmed.

JFA/33 Regularity self-assessment questionnaire

The report was presented by JC.

GE asked how the regularity statement reflected the College's current position and JC confirmed that it did – largely through the strengthening of internal controls and systems.

GE asked how the College could be satisfied that ESFA funding rules had been met. JC confirmed that the College completed lengthy submissions to the ESFA referencing learner numbers. IJ also confirmed that internal systems/the ILR had been strengthened so as to ensure the timely withdrawal of learners. DK also confirmed that Mazars had done some work in this area which they would report on.

MH asked if this had been tested. JC asked Mazars to comment. DH confirmed the template was mandated and comprehensive and used in the sector. EM said she felt a more relevant question was that the report was meaningful – and reflective of what was happening on the ground, rather than just statements/words. EM had reviewed with JC and tested the statements made and identified some areas of potential improvement (see below).

DB asked if it came back to the Board before the next year, and it was confirmed that it did not as a matter of course as it was an annual evaluation document. MH asked how the Governors could use it as an assurance tool.

AA asked if this could be a live document. JC confirmed the areas it covered were subject to regular review at management level and by auditors. As stated above, he and EM had reviewed the document in advance of the meeting and identified areas for improvement in practice which would remain under review. **THIS ITEM IS CONFIDENTIAL AND NOT FOR PUBLICATION.**

MWW said this should not be the only document referenced as part of the overall assurance framework, where the Committee relied on other assurance taking place and the entire assurance framework needed to be taken into account.

DA said that there should be work ongoing throughout the year in reviewing this document and would consider this with the management team.

Action: DA and JC to consider with the team the way in which the SAQ could be developed further to support assurance and continual improvement of systems and processes.

The Committee recommended the self-assessment questionnaire to the Board for approval and signature by the Principal and Chair.

JFA/34 Bad-debt write-offs

The report was presented by JC.

MWW asked if the College would work with **THIS ITEM IS CONFIDENTIAL AND NOT FOR PUBLICATION** again. DK confirmed the College maintained a list of bad debtors with whom it would not work again.

DB asked for confirmation that there was sufficient in the budget to carry the bad debt and JC confirmed it did.

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DH stated that the College should seek to confirm there would be no corporation tax liability arising the in Amacus accounts for the year as a result of the bad debt write off and this would be discussed with JC and DK offline.

DB asked if it would create an impairment, and DH confirmed he did not believe it would.

It was confirmed that Amacus would be struck off at Companies House in due course, the management team now being satisfied that all debts and liabilities had been identified and dealt with.

Action: DH and JC to consider any corporation tax liability for Amacus

On the basis of the information presented, the Committee approved the write-off of debts covered in the report.

JFA/35 Risk Register

The report was presented by the Deputy Principal: Finance and Resources.

AA asked if the risk register took into account the foreseeable risks relating to OFSTED and inspection. CT confirmed that a risk relating to OFSTED was included in the risk register and a review of the SAR took place at Curriculum and Quality Committee the previous week and the SAR outcomes would now also be reported to the Board on 15 December. AA asked for confirmation that the

management team had looked at the various risks and could show that they were taking the required actions to mitigate.

JC confirmed there was work going on across the College to mitigate the risks and consider the adequacy of risk mitigation.

GE referred to risks R16 and R18 and the correlation between the two gradings. CT said that the IT security risk was so fluid and so acute in every business right now that it could not be graded otherwise.

DB reiterated his previous query as to whether the risk register dated November took into account the actions arising from internal audit reviews and whether in turn this meant the level of risk assessed reflected the outstanding actions.

DA restated that operational risks arising from internal audit reviews did not necessarily mean that strategic risk ratings needed to change and also recognised that this was a point in time where there was further work to be done to augment the approach to risk and its presentation to the Committee, ensuring the risk mitigation column and accompanying narrative was adequately fulsome. The Board would receive a presentation on risk at its December meeting.

The report was noted and the Board would receive training at the Board meeting.

JFA/36 Draft Financial Statements 2020/21

External Auditor Findings Report and Letter of Representation

The report was presented by DH of Mazars.

DH mentioned a small change to the impairment figure, which would not impact on the bottom line but would be an accounting adjustment.

DH confirmed the earlier discussion regarding going concern and confirmed Mazars were satisfied with this conclusion.

DH confirmed that there was nothing arising from the external audit sampling to bring to the attention of the Committee.

Regarding the conclusion on regularity, Mazars had nothing to bring to the Committee's attention.

Regarding the position of subsidiary companies, DH confirmed that there was a liability in ZCF for which actuarial advice had now been received.

DH confirmed that Mazars' letters of rep and audit opinions were all "clean".

DB asked for Mazars view on the College 1-18 full time recruitment numbers for 2021-22 being lower than had been anticipated. Mazars confirmed this was a sector wide challenge in their view, and there was nothing untoward in College numbers that put it as an outlier with other comparable organisations.

DA said it was important to reassure the Committee that the numbers are realistic and have been tested. He thanked the finance team, and the Mazars team, for turning this around on time and effectively, and to respond to the AEB business case outcome at the end of last week. DA said this would allow the College to keep the cash it has as surplus, and it would be important for the College to deliver the budget this year to support future sustainability.

Subsidiary financial statements

The report was presented by JC.

JC confirmed the statements formed part of the consolidated accounts, but individual accounts would be prepared for each company in due course, noting that only two were active.

The Committee recommended the financial statements to the Board for approval, together with any associated or ancillary documents thereto, subject to satisfactory completion of the final pieces of work undertaken by the external auditor.

JFA/37 October Management Accounts

The report was presented by JC.

DB thanked the team for the presentation of the accounts and the prompt work on this. DB said there may be areas for further improvement in the presentation of the management accounts and this could be fed back to DB and JC.

DB mentioned the bank often applied an informal 10% tolerance level for any covenant breach. JC said Barclays covenant levels had been set by sector benchmarks. DB's concern was that some of the figures may result in a fine margin of tolerance for the College. He said the management must be alive to those areas in particular as they could risk a marginal covenant breach, but still a technical breach.

DA confirmed that the presentation of the accounts was in a format which was used by and useful to the management team.

The report was noted.

JFA/38 Rolling Audit Recommendations Tracker

The report was presented by JC.

DA raised a query regarding the timing of the review of the financial regulations. JC is at the early stages of reviewing and revising this for presentation at a meeting in the New Year.

GE mentioned the IT risk and the allocation of a "non-urgent" timeframe for action. DA confirmed the timescale had been reviewed by the auditors and agreed between them and the College team. CT said that the high risk nature was substantially reflective of the significant impact of a situation crystallising. Mitigating actions would need to be properly planned and tested, before implementation. However, this did not mean that the College was exposed to an intolerable risk in this area, because there were currently mitigations in place.

The report was noted.

JFA/39 Subcontracting Update

The report was presented by IJ.

The report was noted.

JFA/40 Any Other Business

A paper was presented regarding the taking of a short term lease of two units in the metro centre. RB asked about any IT costs and it was confirmed that it would be laptop based and therefore no fit out costs.

MWW asked if there was any liability for dilapidations and it was confirmed that there was not, with very light tenant repairing obligations.

IJ also raised that the College was looking to take space on a short term basis in relation to a project and asked for a delegated authority to enable this to be progressed between meetings.

The Committee resolved:

1. It being in the best interests of the College to do so, and in pursuit of its strategic ambition:

a) that the College enter into the short term lease arrangement with the Metro Centre, on the terms presented to the meeting;

b) that the College be authorised to execute any deeds, documents or other instruments required to give effect to the same, and that if required, the College seal be affixed to any document executed as a deed, attested by the signatures of any two Governors.

2. And otherwise, to delegate to any two members of the Finance and General Purposes Committee authority to oversee the negotiation of short term lease arrangements together with the executive, and to report back to the Committee on the exercise of its authority in this respect.

JFA/41 Date of Next Meeting

The dates of the next meetings were confirmed as:

Audit Committee – Wednesday 16 February 2022 at 4.00pm

Finance and General Purposes Committee – Friday 21 January 2022 at 10.00am