



AUDIT COMMITTEE

**MINUTES of the Meeting of the AUDIT Committee
held on Monday 14 November 2022 at 11.00 via remote participation**

<p>Members present: Gillian Lancaster Amali de Alwis Imran Razzaq Gurpreet Kaur</p> <p>In attendance: Shachi Blakemore Peter MacKreth Irene Mortimer Tom Fogden Mark Smith Joy Watkins Jacky Gearey</p>	<p>External member and Chair External member External member Co-opted specialist</p> <p>Engagement Partner, Buzzacott for item 2.4 Engagement Manager, Buzzacott for item 2.4 Haines Watts for item 2.6 Dean for item 2.6 CEO Director of Finance & Data (FD) for items 2.7, 2.8 and 2.9 Clerk</p>
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Quorum 2 members		
Agenda Item		Action by
	<p>Apologies for Absence There were no apologies.</p> <p>Declarations of interest There were no declarations of interest.</p>	
2.0	<p>Opening of meeting The Chair opened the meeting at 11.05 and thanked everyone for attending</p>	
2.1	<p>Minutes of Previous meeting The committee approved the minutes of the meeting held on 26 September 2022 as an accurate record. Resolved that the minutes were an accurate record of the meeting held 26 September 2022.</p>	
2.2	<p>Open Matters Arising Item 3.2 - to speak with G Lancaster about the possibility of a BCP refresh being performed by Bank of America. Chair asked that a date be arranged with the Director of Capital Projects – FD to arrange. Item 3.9 - include GDPR updates in CEO reports to the Board going forward Item 3.10 – audit committee SAR under item 2.10</p> <p>All other actions had been closed and there were no other matters arising.</p>	
2.3	<p>Notification of any matters for concern (e.g. fraud, whistleblowing) The FD confirmed that there had been no matters of concern to report.</p>	
2.4	<p>Financial Statements 2021/22</p>	

The Statutory Accounts were prepared by the College and audited by Buzzacott. Shachi Blakemore went through the Post Audit Management Report and Financial Statements for 2021/22 and provided assurance regarding the accuracy of the Report and Financial Statements. Both the FD and Finance Manager were thanked for their work during the audit.

Post Audit Management Report (PAR) 2021/22 (including Regularity Audit)

Buzzacott reported there were some adjustments which needed to be checked and raised the issue of going concern which had not been completed in the PAR reminding the committee that this was for a twelve month period from date of approval i.e. 12 December 2022.

The following points were highlighted:

1. Page 4 – the going concern basis and the three possible options that should be considered i.e. not a going concern, going concern without any caveats and going concern with material uncertainty. The financial model for the College is different to many other colleges due to the element of fundraising through NCDS Ltd. Consideration needs to be given for the income and expenditure forecast for the year until end December 2023 in determining the appropriate going concern disclosure. The Chair asked whether given the current financial challenges in the UK, if this was an issue across all colleges. The auditors explained that some colleges are posting a material uncertainty going concern statement for the current year with the charity sector being particularly impacted. The FD provided more context around the issue of going concern highlighting that the Board needed to decide whether to consider Blossom Street or not in its going concern assessment. The FD referred the committee to appendix 5 and 6 which set out the forecasts with and without Blossom Street project. She noted consideration should be made of issues such as likelihood of funding or the College's ability to pull out at any stage if funding is not available. In addition to this, the College potentially remains exposed to a potential clawback of funding by the ESFA due to ongoing concerns with the documentation to support certain ESFA funding rules in the Apprenticeship Programme. Whilst this cannot be quantified, in the event the College was subject to an ESFA funding audit, some clawback was very likely. The FD said that the issue of going concern would be discussed at the F&R meeting that week and the draft wording provided to the auditors by the end of the week.
2. Page 7 – the two legal entities – observations were made concerning the surpluses being accumulated in NCDS Ltd at the expense of the College. Given the primary purpose of NCDS Ltd is to support the educational operations of the College, consideration should be given to redressing this situation. This had left the College's unrestricted reserves in a deficit position and whilst there was no cause for concern as long as this deficit was rectified. Discussion followed on the revised use of the SLA with the FD explaining that this has been driven partially by the Salesforce grant restricted funding. The FD will look at rectifying the position in the 2022-23 financial year.
3. Page 8 - assurance on apprenticeship income and the reliance on data. This had been identified in the original RSM review in 2020/21 and again by Haines Watts in 2021/2022. The risk of clawback was difficult to quantify and a contingent liability statement was disclosed in last year's accounts. There is still the same risk if an ESFA funding audit were to take place. A robust discussion took place covering how far an audit would go back, the limited assurance provided by the internal auditors, the legal responsibilities in notification of any material irregularities and the need for strong processes to be in place. The auditors advised that there was no need for this to be reported to the ESFA but that it should be covered in the commentary in the statement of corporate governance and internal control i.e. that this has been flagged and action taken. FD said that she would do this. The auditors commented that they were still waiting for the paperwork from the internal auditors for the apprenticeship sample.

4. Buzzacott advised of a recent Supreme Court ruling on the impact on holiday pay for sessional workers. The FD said that this had been considered and asked if a note should be added to the financial statements concerning this although there is no material impact. The auditors confirmed that if there was no material liability then no disclosure is required.

The Chair summarised that:

1. The wording on going concern to be sent to the committee once agreed by the Finance & Resources committee
2. Haines Watts to be asked about a quantifying position on the error rate regarding the RSM audit.

Finally Buzzacott advised on sector issues covering:

1. Difficulty to recruit staff and finance staff resourcing across sector
2. Increased utility costs
3. Wage increases
4. Should colleges be classed as public sector. There was still no decision on this. Reclassification would allow colleges to access the financial benefits available to state schools, such as the VAT refund scheme and the National Insurance compensation scheme.

The committee recommended the Post Audit Management Report to the Board for approval pending the confirmed wording on the going concern sent to the committee and any final comments from the Audit Committee members (the document had only been circulated on the day of the meeting and the Chair had asked for members to read and provide comments to the FD to send to Buzzacotts)

Resolved that:

- (i) **the Post Audit Management Report including the Regularity self-assessment for the College were received by the committee**
- (ii) **The Going Concern in the Post Audit Management Report to be finalised and sent to the committee before recommending to the Board for approval**
- (iii) **FD to amend statement of internal control and corporate governance in Financial Statements 21/22 regarding assurance on income and reliance on data (RSM) the issue to be flagged and action taken**

Letters of Representation for Ada College and NCDS Ltd

These are standard letters as presented and go to the Corporation for signature. The committee approved these documents subject to the rewording on going concern.

Resolved that the letters of Representation for Ada College and NCDS Ltd were received by the committee subject to the rewording on going concern and to be put forward to the Board for approval and sign-off on 12 December 2022.

Report & Financial Statements 2021/22 for Ada College and NCDS Ltd

The financial statements 2021/2022 for both NCDS Ltd and Ada were presented albeit it was acknowledged that amendments to the internal control and corporate governance section would have to be updated as above and some minor issues finalised. The following was noted:

1. Ada Group

Deficit of £483,970 (£152,314 before depreciation charge)
Reserves £766,486
Cash at year end £1,165,688

2. National College for Digital Skills Ltd

Deficit of £158,205 (Surplus of £173,461 before depreciation charge)
Reserves £1,192,226
Cash at year end £487,786

	<p>Again the FD flagged the issue of going concern which had been previously discussed under the PAR, but which had also to be addressed in the Financial Statements. The Chair asked the committee for any questions concerning the following.</p> <ol style="list-style-type: none"> 1. Whether it was possible/viable for the provision of letters of support from business partners/DfE to support that there is no material uncertainty. CEO said this might be very challenging as there are not always contractual agreements year on year with all business partners. 2. Blossom Street, Manchester move which is pivotal to Ada's expansion, could there be any other alternatives for premises. If a decision has not been made could this be excluded from going concern and forecasts as there is the option not to proceed. The CEO explained the benefits of pursuing this site explaining that other opportunities maybe available but at a far greater cost than the peppercorn rent offered by DfE. If the IoT is signed there is some financial commitment although around £18-20k and with a six month notice period to withdraw. 3. DfE costs for Broad Lane and did this exclude the support in the cashflow. The FD referred to the scenarios that had been presented in paper 2.4 and to the F&R committee at prior meetings. 4. Confidence on £500k fundraising which was separate to any additional requirement for Blossom Street. All scenarios included the £500k target which the CEO said was broadly on track but this could not be confirmed until June next year. 5. Confidence level on achieving the apprenticeship income target of £3m which was a key variable to be achieved although historically budgeted targets have never been hit. In note 2 of Ada, the learner volume growth for the College is 15% per annum and the figure for 2022-23 is circa £2.2m 6. What approach was being taken regarding the increased salaries and utilities costs. The FD said that there was no provision for a pay rise on current salaries for 2023-23 however some provision had been made for additional staff in Victoria plus a 100% increase in utility costs had been included in the forecast from 1 August 2023. 7. Financial Statements to be updated after F&R meeting before going to Board. <p>Resolved that the Financial Statements for 2021/2022 for Ada College and separately for NCDS Ltd were received and noted by the committee</p> <p>The Chair thanked both Shachi Blakemore and Peter Mackereth for their work.</p> <p>Shachi Blakemore and Peter Mackereth both left the meeting at 11.53</p>	
2.5	<p>Audit Committee's Annual Report 2021-2022</p> <p>The Clerk advised that some information was still to be confirmed by Buzzacott and therefore until this had been received the report could not be reviewed and approved. The committee agreed that the finalised report would be sent out to the committee for approval by remote decision.</p> <p>Resolved that the finalised Audit Committee's Annual Report to be sent out to the committee for approval via a remote decision.</p> <p>Irene Mortimer, Hanes Watts joined the meeting at 12.19</p>	
2.6	<p>Internal Audit Report</p> <p>Irene Mortimer from Haines Watts, which provides internal audit services to the College, advised that 3 reviews had been undertaken 2021-22 which the Committee had discussed at its meeting in September. The internal audit annual report summarised the activity undertaken and provided an overall opinion on the adequacy and effectiveness of the College's risk management, control and governance processes. As</p>	

	<p>previously minuted Haines Watts had provided overall positive assurance and analysis on two of the three reviews carried out (Financial Controls and Risk Management). The report confirmed that Haines Watts was satisfied that, for the areas reviewed during the year, the College had reasonable and effective risk management, control and governance processes in place.</p> <p>A point raised concerned bank reconciliation controls and whether this should be covered as part of internal audit and if so for this to be part of the scope for this coming year. The FD agreed that this would be done.</p> <p>The third review was a follow up to an RSM review during 21/22 and concerned Apprenticeship On-Boarding. It was noted that the administration of apprenticeships was challenging due to complex funding regulations and that the sign-up of an Apprentice involved a significant amount of data based on 14 individual documents for each apprentice. This was manually intensive and person dependent. The FD asked for confirmation from Haines Watts on the ability to quantify the error in this area which Haines Watts said was not part of the work done. The sample size was small but proportionate to the number of days of the audit. The Dean provided a further update on Apprenticeship On-Boarding confirming that since the return of the Compliance Manager from maternity leave, there had been good progress on enrolment compliance for all documents across all intakes currently at 70% but from next month this would be 82%. The most recent intake was nearly 100% compliant.</p> <p>Gurpreet Kaur left meeting at 12.35.</p> <p>There were no further questions and the Chair thanked Irene Mortimer for her work on this.</p> <p>Resolved that:</p> <ul style="list-style-type: none"> (i) Internal audit annual Report was received by the committee (ii) Bank reconciliation controls to be covered off as part of internal audit for this coming year <p>Irene Mortimer left meeting at 12.43</p>	
2.7	<p>Risk Management Risk Management Annual Report</p> <p>The report presented the risk management activity undertaken during 2021-22 and summarised the improvements made to the College's risk management policy and risk registers. Additionally the Internal Auditors Haines Watts, conducted an internal audit on the College's risk management arrangements in September 2022 which were considered adequate for an organisation of the College's size and maturity. A number of improvements were identified, some of which have been actioned others will be taken forward in the year ahead. The committee approved the report.</p> <p>Risk Management Policy</p> <p>The College's risk management policy was in place and subject to annual review. There was an addition to the policy covering the role and name of the risk champion in the College's risk management processes. The Committee approved the policy.</p> <p>Risk Registers</p> <p>The strategic risk register is reviewed regularly by the ELT. Two changes have been introduced to the College's strategic risk register this last year and both were recommendations from the internal audit report. The impact and likelihood scoring for the residual risk has been added to make it more transparent in how it differs from the inherent risk scoring. Furthermore a column was added to show a RAG rating of movement, with risks moving in a positive or negative direction or no changemaking this a better tool for communication to Board and Audit committee members and focus attention on risks that have moved since the last review.</p>	

	<p>Resolved that</p> <p>(i) The Risk Management Annual Report was received by the committee and to be put forward to the Board for approval</p> <p>(ii) the Risk Management Policy was received by the committee and to be put forward to the Board for approval</p> <p>(iii) the Risk Register was received and noted by the committee</p>	
2.8	<p>Annual Fraud Assessment Report</p> <p>In accordance with the Post-16 Audit Code of Practice the aim of this assessment is to provide a framework for the College to consider and to document a fraud assessment. The FD confirmed that the report (to be sent after the meeting) confirms that there has not been any fraudulent activity during the period from 1 August 2021 to date and that a Fraud Policy was in place and communicated to all staff.</p> <p>Resolved that the Annual Fraud Assessment Report was received by the committee and recommended to the Board for approval</p>	
2.9	<p>Health & Safety</p> <p>Health & Safety Annual Report 2021-22</p> <p>Responsibility for Health and Safety has moved from the Director of Finance and Data to the Director of Operations when the role was created in June 2022. All mandatory Health and Safety checks have been carried out this past year and whilst not mandatory, a defibrillator at the Broad Lane site has also been installed. The College's internal Health and Safety Committee has met twice this year and covered:</p> <ul style="list-style-type: none"> • Training requirements for staff relating to H&S, fire marshals, first aid • Scheduling of fire drills • First aid incidents • Updates required to H&S policies, fire evacuation documents Policy updates • a separate H&S Policy for Manchester which was signed off by the CEO in September 2021. Minor updates have been made to reflect correct contact details. • The London H&S policy remains unchanged. • Fire evacuation plans for Broad Lane and Vallance Road have been updated. <p>Health & Safety Policy</p> <p>FD confirmed that there is a separate policy for Manchester office signed by CEO and the London policy remains unchanged. The committee approved the policy as presented. The FD advised that a Health & Safety statement would be updated.</p> <p>Resolved that:</p> <p>(i) the Annual Health & Safety Report was received by the committee</p> <p>(ii) the Health & Safety Policy was received by the committee and recommended to the Board for approval</p> <p>(iii) a Health & Safety statement to be updated and actioned by FD</p>	
2.10	<p>Committee annual self-evaluation</p> <p>Comments from the self-evaluation were noted and points raised to be addressed.</p> <p>Resolved that the committee annual self-evaluation was received and noted by the committee</p>	
2.11	<p>Any Other business</p> <p>There was no further business.</p>	
2.12	<p>Items to be taken forward to next Board Meeting</p> <ol style="list-style-type: none"> 1. Letters of Representation for Ada and NCDS Ltd (once approved) 2. Post Audit Management Report 2021/22 (including Regularity Audit) (once approved) 3. Audit Committee Annual Report (once approved) 4. Risk Management Annual Report 5. Risk Management Policy 6. Health & Safety Policy 7. Strategic Risk Register 	Clerk

2.13	Date of Next meetings 1. 6 February 2023 2. 19 June 2023	
	Close of Meeting Meeting closed at 12.56	