AUDIT COMMITTEE MEETING MINUTES	
Date:	Tuesday 6 December 2022
Venue:	Board room
Time:	5.30pm

Chair	Neil Yeomans
Corporation Members	Nazia Faiz, Richard Smith Morgan
Co-opted Members	Thana Nathan
Auditor	Katharine Patel - Auditor (External - Buzzacott)
Officers in attendance	Gerry McDonald: Group Principal & CEO Suri Araniyasundaran: Deputy CEO
Apologies	All members were present
Minutes	Elsa Wright – Director of Governance

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1.	**Welcome and Introductions** The Chair welcomed everyone to the meeting.
2.	**Apologies for Absence** All members were present.
3.	**Declaration of Interests** None received.
4.	**Audit matter for consideration – members and auditors only** Minuted separately – see Part 2 Thana Nathan arrived. Officers joined the meeting
5.	**Minutes of the Last Meeting held on 22 September 2022** The minutes of the meeting were **agreed** as drafted.
6.	**Matters Arising and Action Points from the Meeting** The action points were reviewed. Committees would be added to the risk register.
	ITEMS FOR DISCUSSION, DECISION OR ACTION
7.	**Year End 2021/22** **7.1 Financial Statements, Auditors' Management and Regularity Report and Letters of Representation** The Deputy CEO introduced the report. There were three sets of financial statements which had been reviewed by the F&GP committee for the financials. The F&GP committee

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	concluded that the financials were in line with the management accounts and the end of year positions reported to the F&GP committee meeting in October. Letters of representation, which had been reviewed by the External Auditor, and the post audit report from the External Auditor were also included in the pack for the committee to review. The External Auditor, Katharine Patel from Buzzacott, introduced the post audit report. It had been a positive process with good cooperation from the team. There had been a few delays in terms of finalising the statements but nothing significant. There were some final outstanding points on the file to clear but the expectation was that the auditor would issue an unqualified audit opinion with no material matters to report on regularity and confirmation that the TPA audit had been submitted ahead of the 30 September deadline. The going concern final sign off would be checked along with the letters of representation and post balance sheet events. There was a suggested wording for the post balance sheet statement. This mainly affected colleges with going concern issues which required borrowing but these did not apply to NCC. The ONS reclassification would lead to some changes but at this point most of the actions were for 2023 and 2024 including a new financial handbook. VAT recovery had not been committed to. The College had drawn down £2 million on the RCF to ensure there would be no cash flow concerns and there would be a discussion about whether to cancel the remaining £8 million in January. The financial results for the year stood at a £630k deficit. There were a number of uncertainties and unknowns including the current inflationary pressures for the 2022-23 position. The cash position was positive for the opening of the year. P13 covered going concern and income recognition. There was confirmation that the Ardleigh Green car park sale had completed with the final 5% paid. Accounting estimates showed that the pension scheme liability had gone down from £104m to £26m due to discount rate movement. This had doubled due to inflation and interest rate increases. The scheme was 128% funded but NCC still had to supply £50m assurance with a charge against the estate. There would be a decrease in pension contributions from 14.4% to 7% from 1 April which would have a positive impact of £1m in revenue. The Epping charge would be released and Hackney has decreased to £50m. There could be further movement with a reverse anticipated in 2024 as interest rate fell. Revenue gain on contributions were currently £3m favourable. There was a discussion about a guarantee from central government which was given to schools and the AOC and the sector continued to lobby for this to be extended to the FE sector. There had been some changes in audit standards with the details set out in appendix 2 on p141. There were three priority C recommendations where some tidying up was needed in relation to cashing in sheets at OKN1, some delays in payments and assets that had been fully depreciated. The Deputy CEO explained that the latter had been left on the register for insurance purposes. There had been some long term sickness which had resulted in some misallocated items. This was an area that the business improvement team was reviewing.

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	It was confirmed that the holiday accrual pay was simply required as the college financial year end did not match the annual leave year end. Appendix 4 set out the comparison of financial ratios. The F&GP committee had questioned the basis for the current ratio calculation. The College sat firmly in the expected range. Colleges could have a high current ratio and be indebted but NCC was debt free. EBITDA was slightly lower than expected. Wage costs were creeping up but it was clear that colleges represented costs differently. There was a narrow view of the factors contributing to the financial health score which was unsophisticated. The External Auditor would add some further notes about this. Three year trends were more important for the college rather than the sector. All the ratios were fine and the college was in good financial health. The Chair thanked the external audit team for their work. The committee was reassured by the fact that there were no audit adjustments and only some small housekeeping recommendations. It was good to hear that the finance team had worked well with the audit team. The committee agreed to approve the report and to recommend the accounts to the Corporation for formal sign off. The committee was content with the letters of representation. The letters were standard and consistent with the financial statements and audit report. There was a discussion about NCF and OKN1 and the losses reported. Both companies' losses were supported by the college as they delivered the curriculum. There had been a discussion at F&GP and they would also look at the Oxford School of English over the next few months. There was no real reason to keep them as separate companies as the Corporation did not benefit from them running as separate companies and this would be confirmed after with the Corporation. There was a write off of 600k and this was provided for in the accounts. Letters of support were in place. There may be further impact from the ONS changes which would need to be explored but this did not affect the college accounts. The Auditor would seek clarification around any DFE consent that might be required to issue the letters. The committee approved the letters subject to clarification on any consent. The letters of representation for the companies were to be signed by the CEO. The Chair thanked the Auditor and her team for their work and Katharine Patel left the meeting at 6.15pm The Chair and the committee recorded their thanks to the finance team for getting through the process with no audit judgements and 3 minor recommendations. The Deputy CEO would convey this message to the team. **Action - The Audit Committee recommended the Financial Statements and the Statement of Governance Controls to the Corporation** **Action - The Audit Committee recommended the Letters of Representation to the Corporation** **7.2 Audit Committee Annual Report** The Chair introduced the item which was a report of the committee's work throughout the year. The items highlighted in yellow would be confirmed once the accounts were signed off at Corporation. The principle conclusion from the report would feed into the Chair's

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	statement and comments on governance and internal control in the financial statements. This would mirror the statement the CEO made in the accounts. The report followed a similar format than in previous years setting out the work for the year. The committee discussed the report and agreed that it should be reported to the Corporation and form part of the evidence for the CEO to sign the regularity statement. **Action – The Audit committee agreed the Annual Report which was recommended to the Corporation**
8.	**Attempted Fraud** There were no items to report.
9.	**ESFA Audit Reports – for information** The College had been audited three times by the ESFA and GLA. There were two reports included in the pack from the ESFA. In total, the audits covered £61m of income. The checks included ensuring students existed and were registered and that there was evidence to support enrolment, timetabling and completion. There were 187 fields for each student. There would be an additional report on the GLA audit to follow. There was no claw back by the ESFA. There were some recommendations on the tuition fund audit but the points were not significant. This was a great result for the MIS team and all those involved. The audits should take place every 4 years but the organisations ran a risk profile to decide frequency. The assurance review for 16-18 was the report at p 177. This had covered all areas and given a clean bill of health. The Tuition fund report was one page with £6k returned. The GLA had not reported any issues. These reports were noted as alternative sources of assurance for the committee and the Board.
10.	**Whistleblowing policy** There were no changes proposed from the annual review of the policy. Governors asked how it was publicised. It was on the website, included in the staff handbook and new staff were made aware of it as part of their induction. In response to questions, the Director of Governance confirmed that there had been one disclosure in the last three years. **Action – the committee agreed to recommend the policy to Corporation for approval.**
11.	**AOB** Governors asked about the impact of the ONS decision. The biggest impact could potentially be on the development of Hackney. . On the positive side, the College had been notified of £1m capital payment related to green infrastructure. There had been £53m for colleges. There would be another £150m capital for FE colleges on an allocation basis which was positive. VAT had been decoupled, and would be reviewed under a separate process and there were some constraints on senior pay in line with the public sector, mainly around new appointments from May 23. Those most badly affected were colleges who were mid capital

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	project and had been working on the basis of drawing down funding as they went. The government had announced a £300m investment but it was cash flow brought forward. There would be further updates as details emerged over the next few months.
12.	**Date of next meeting** The meeting was scheduled for 2 March 2023 at 5.30pm
13.	**Confidential Items** There were no items to report.