

# Agenda

## AUDIT MEETING

Date:	08 <sup>th</sup> December 2022	Time:	11.00 AM
Chairperson:	Martin Hamer	Location:	College Restaurant

Members	Name	Present	Role
	Iain Wolloff (IW)	*	Principal & Chief Executive
	Javaid Iqbal (JI)	*	External Member
	Martin Hamer (MH)	*	External Member (Chair)
	Stuart Compton (SCO)	*	External Member
	Tim Major (TM)	*	External Member
	Tom Rossiter (TR)	*	External Member
Apologies:	Nick Fox (NF)		External Member
In Attendance:	Cathy Wright (CW)	*	Director of HR & Support Services
	Chris Mantel (CM)	*	External Auditor
	Didem Allen (DA)	*	Finance Director
	Jo Houghton (JH)	*	Director of Business & Partnerships
	Lee Hunt (LH)	*	Vice Principal
	Richard Lee (RL)	*	Clerk to Corporation – Minute taker
Quorum:	3 required	*	6 present at start - meeting quorate

### AGENDA ITEMS

Item No.		Reports
1.	<b>APOLOGIES FOR ABSENCE</b> Apologies for absence were received from NF.	
2.	<b>DECLARATION OF INTERESTS</b> No declaration of interests was made.	
3.	<b>FINANCIAL STATEMENTS YEAR ENDED 31ST JULY 2022</b> 3.1. Audit Management Report 2021-22 Audit management report – The report from the external auditor is to record the audit approach taken and the overall results of this work. The auditors’ report to governors any matters that came to their attention during the audit. The primary objective of the audit is to express an opinion on the truth and fairness of the College accounts.  CM noted a clean opinion was given on the Financial Statements and Regularity. CM highlighted section 2.2 of the Management Report regarding opinion around the going concern. CM noted that if capital receipts from the land sale[s] are not received in 2022-23, NC cash facilities will run out; whilst capital receipts (£3	Paper – p.2

million) are scheduled to be received in 2022-23, the land sale is not certain. CM noted that combined with the college sector moving into the public sector pursuant to the ONS ruling (29<sup>th</sup> November), extra checks will be put in place resulting in a changing of audit opinions. CM asked if the land sale contract was signed. IW responded that the big land sale contract was signed and that payment delays are linked to planning permission; receipt of the first tranche of money is projected to be summer 2023.

IW noted that conversations have been held with the ESFA and Further Education Commissioner (FEC) regarding the transition of NC into the central government sub sector of the public sector. From the 29<sup>th</sup> of November if colleges receive capital sums for assets such as land, the proceeds are ring fenced for specific capital projects; conversations held with the ESFA and FEC on the 30<sup>th</sup> of November indicated an exception for NC could be raised and would likely be approved by the DfE. SC asked if this was a general FE sector, or NC specific, exception. IW responded it applied specifically to NC. CM noted that NC would still be a going concern without the land sale, or if capital receipts were ring fenced, as the financial statement includes sufficient alternatives to the capital receipts derived from land sales. CM noted that financial problems generally stem from borrowing related to the PFI contract for the buildings and the sale of assets can be perceived as 'rightsizing' in relation to the original capital build. TM noted it is unlikely land sale receipts will be received in 2022-23. IW responded that alternatives to the receipt of capital receipts from the sale could include an advance on capital receipts or ESFA support - IW noted that the ESFA has supported a number of colleges and the opportunities for this are enhanced now that they are in the public sector. MH asked if colleges have a similar status to schools and academies; specifically, is there an FE equivalent to a letter of comfort which removes school and academy local government pension liability. CM responded liability sits in the local government pension scheme; if the government gave an underwritten assurance from then it would change the risk category NC sits in, and might affect level of annual contributions paid, but would not affect the pension liability or valuation. IW responded that current DfE communication indicates colleges will not be given the same status as academies and schools in relation to pensions.

CM noted the draft management letter EBITDA number has been changed to £536,000. IW noted a positive EBITDA of c.500,000 would be likely to improve the NC financial health rating; previous EBITBA ratings have been negative keeping the College in the needing improvement category, a positive EBITDA should move the College into the good category for financial health.

MH asked, given NC has an income of £10.5 million and an expenditure of £11.5 million how much of the £1 million deficit is paid for the PFI per year. IW responded that PFI annual cost is around £2.2 million per annum, of which around £1.3 million will be saved after the PFI ends. The remaining deficits includes all adjustments for non-cash and accounting practises.

Jl asked why the pension liability has dropped by £7 million. CM responded there is an actuarial variation to which discount rates are applied (to assets and liabilities). The discount rate has increased because liabilities that have

	<p>systematically risen in previous years have been rightsized based on the latest valuation (March 2022) of the local government scheme.</p> <p>Jl asked for clarification regarding the holiday entitlement of 5.6 weeks statutory leave for workers. CM affirmed that staff on an annual contract are entitled to a 5.6 week entitlement for holiday pay. IW responded the new legal rule does affect certain types of staff at NC; CW noted potential costs for the last 2 years are being calculated and contracts are being reconsidered.</p> <p><b>MH asked the Committee to recommend the report for approval by the FGB. The Committee unanimously agreed that the audit report be recommended for approval by the FGB.</b></p> <p>3.2. Annual Report and Financial Statements 2021/22 Annual Report and Financial Statements – are compiled by the Auditors on behalf of the College, based upon the financial data.</p> <p>3.3. Letters of Representation Letters of Representation - the Committee was asked to note the contents of the two letters of representation, one relating to the audit of the financial statements and the other the Regularity Assurance Engagement. This is an annual requirement, with the draft wording being provided by the auditors for governors to approve and sign at the meeting of the Board at which the audit outcomes are presented.</p> <p>CM noted the letters of representation are standard documents that provide key information such as an agreement to notify auditors about potential fraud, why the College believes it is a going concern etc. IW noted the letters will be signed by the relevant people once approved by the Board.</p> <p>3.4. Regularity Self-Assessment Questionnaire Regularity Self-Assessment Questionnaire - The ESFA publishes a regularity self-assessment questionnaire (RSAQ) to provide clarity of the accountability framework, key requirements and the type of evidence corporations may need to provide to their reporting accountant. This must be prepared annually to support corporations in drafting their statement of regularity, propriety, and compliance. Corporations must provide a copy of their completed RSAQ to the reporting accountant, signed by the accounting officer and chair of governors.</p> <p>IW noted NC is compliant, can evidence this in relation to the accountability statements and that this detail has been provided to Alliotts (external auditors).</p> <p><b>MH asked if the Committee would recommend the RSAQ to the Board for approval. The committee unanimously agreed the RSAQ be recommended to the Board for approval.</b></p>	<p>Paper – p.72</p> <p>Paper – p.77</p>
<p><b>4.</b></p>	<p><b>ANNUAL REPORT OF THE WORK OF THE AUDIT COMMITTEE 2020-21</b> The committee was asked to review the attached Annual Report of the work of the Audit Committee and approve submission to the Corporation. The Audit Committee is required under the Standing Orders of the Corporation to produce</p>	<p>Paper – p.87</p>

an annual report for the governing body. This report must also be submitted to the ESFA in compliance with the Post 16 Audit Code of Practice.

MH noted the Annual Report of the Audit Committee is a legal requirement. IW noted that the report information is extracted from minutes, membership details as well as items considered in internal and external audits. IW confirmed that MH will have to sign the Report.

**MH thanked IW and the auditors.**

**MH recommended the Annual Report of the Audit Committee to the Board for approval.**

**The Board unanimously approved the recommendation of the Annual Report of the Audit Committee to the Board for approval.**



Martin Hamer (Mar 13, 2023, 12:42pm)



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**Parties involved with this document**

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