

PART A Draft Minutes of the Audit Committee meeting held on 26 January 2021 @ 4pm via MS Teams

Present Walter Leschenko, Mike Stopper and Keith Pearson

In Attendance Erika Stoddart, Chair of the Corporation, Susan Bailey Clerk to the Corporation, Adrian Clarke, Group Director Corporate Services, Tony Lawlor Group Director Finance, David Hoose Mazars, Steph Rushton Head of Finance ERC

The Chair welcomed all present to the meeting.

1 Apologies

1.1 Apologies were received from Andrew McCulloch, TIAA and John White

2 Declarations of Interest

2.1 There were no declarations of interest.

3 Minutes of the Audit Committee Meeting held on 8 December 2020 and any matters arising

3.1 Members agreed that the action plan resulting from the Self-Assessment of Audit Committee performance undertaken in November 2020 accurately reflected members agreed actions which the Clerk stated would be followed up during the course of the academic year. The Chair stated that he and the Clerk had also agreed a number of appropriate pre-audit committee meeting training sessions for Audit Committee members to undertake throughout 2021 including a visit to Modal and a face to face visit to meet members of the Finance Team, subject to COVID-19 restrictions being lifted.

3.2 Members were informed that the Value For Money Policy and a draft Board Assurance Framework would be submitted as planned to the next meeting of the Audit Committee.

3.3 RESOLVED The minutes of the Audit Committee meeting held on 8 December 2020 were accepted as a true and accurate record to be duly signed by the Chair electronically.

4. Internal Audit Service – Annual Plan 2020-21

4.1 The GD Finance submitted the Internal Audit Service Annual Plan 2020-21 reminding members that the due to the Covid-19 pandemic and associated pressures on staff there had been no audits undertaken during the Autumn Term and that the review of Examinations had also been postponed. Members noted the planned audits to be undertaken during the Summer Term 2021 as follows:

- a) Capital Spend: for purchase to pay (P2P)
- b) Management Accounts and Reporting
- c) Debt Collection

4.2 Members agreed that the planned Internal Audit reviews were appropriate but requested that a review of Examinations and Cyber Security be recorded in next year's audit plan. The CEO stated that following recent cyber attacks on neighbouring colleges having undergone recent cyber internal audits, management were looking to invest significantly in external specialist services to undertake a comprehensive review of the TEC Partnership's Cyber Security arrangements.

4.3 Due to the significant threat of a potential cyber-attack it was agreed that cyber security remain a standing agenda item at meetings with a request for the Group IT Director to provide further updates to the committee as and when appropriate

4.3 **RESOLVED** The Internal Audit Service Annual Plan 2020-21 was approved.

5. **Self-Assessment Regularity Questionnaire 2019-20 for GIFHE and ERC**

5.1 Members considered the Self-Assessment Regularity Questionnaire 2019-20 for both GIFHE and ERC, completed by the GD Finance and Head of Finance ERC respectively and subsequently signed by the Chair of the Corporation and Accounting Officer. Members were informed that a Covid supplementary schedule had been added for this year. The GD Finance confirmed to members that as ERC was no longer a legal entity post merger there was no longer the requirement to complete a Self-Assessment Regularity Questionnaire for ERC.

5.2 **RESOLVED** The Self-Assessment Regularity Questionnaires 2019-20 for GIFHE and ERC were received.

6. **TEC Partnership Audit Completion report – year ended 31 July 2020 (January 2021)**

6.1 Mazars submitted the External Audit Service Audit Completion Report year ended 31 July 2020 reporting that the year end audit had now been substantially completed. Mazars confirmed that there were no concerns about going concern or any issues relating to the risks detailed within the report. In conclusion the GD Finance reminded members that not all FE Colleges were in such a satisfactory position as the TEC Partnership due to issues encountered with remote working during Covid. Members thanked the GD Finance and his team for achieving a positive outcome under the currently very challenging operating environment. The report included the following for Audit Members approval:

- Executive Summary
- Audit Approach
- Significant findings
- Internal Control recommendations
- Summary of misstatements
- Draft 'True and Fair' management representation letter
- 'Regularity' management representation letter
- 'True and Fair' Audit Report
- Draft 'regularity' assurance report
- Independence statement
- Accounting and related matters

6.2 Principal conclusions and significant findings in relation to the following were highlighted in the report:

- Loan to Modal Training Ltd
- COVID-19, covenant compliance and going concern
- Management override of controls
- Revenue recognition

6.3 Mazars confirmed that Modal remained a going concern but that a letter of support would be required.

6.4 Mazars stated that subject to satisfactory conclusion of the remaining audit work External Audit anticipated issuing an unqualified opinion, without modification. In relation to one of the internal control recommendations included within the report members noted that management had agreed to, as a matter of priority, review the composition of the Audit Committee and put in place time-bound plans to ensure its composition complied with the Post -16 Audit Code of Practice. It was agreed that whilst the decision to operate as they currently did the Corporation was now in a position post-merger to recruit at least one new member to the Audit Committee and invite an existing member of the Audit Committee to become a full member of the Corporation.

6.5 RECOMMENDED that the External Audit Service Audit Completion report year ended 31 July 2020 and all associated letters of representation be approved by the Corporation under Chairs action (Corporation agreed 15 December 2020 Ref Min 16.3)

7. Draft Financial Statements 2019-20 for GIFHE including all subsidiary companies

7.1 The GD Finance submitted the draft financial statements 2019-20 for GIFHE year ended 31 July 2020 including all associated subsidiary companies stating that the results were very pleasing and testament to staff at the College during a difficult time. Key highlights of the Financial Statements were as follows:

- Group Surplus before tax of £2,542k (including Modal asset impairment)
- Despite 4 months of lockdown, revenue finished the year only £1m down on 2018/19, a drop of less than 2.5%
- Pay costs were £1,298k better than prior year on the back of the one- off pension settlement of £2.7m relating to the transfer of YCC in 2010. In real terms, pay costs were £1.4m up year on year
- Empty buildings and remote working for 4 months yielded £1.2m of less spending in non-pay costs. This was a one off.
- Cash balances finished the year in excess of £7m, up £4m on prior year
- Despite the big jump in pension liability, net assets remained healthy at above £23m, which included £1.7m provision for Modal Loan.
- The TEC Partnership had achieved a clean Audit Completion Report, a financially 'outstanding' health check and key ratios better than prior year

- Management had agreed to £2m of £5m merger loan paid back in December 2020 with a view to paying off another instalment in early 2021
- There had been no breaches or near breaches in bank covenants
 - **GIFHE** (as part of the Group had achieved a surplus for the year of 3.17m with commendation for the digital response to Covid.

7.2 Members wished to congratulate the CEO and GD Finance and his team for their work in achieving such an excellent result and thanked Mazars for the production of a very satisfactory report.

7.3 GIFHE's associated active subsidiary companies were confirmed as follows:

- Grimsby College Trading Ltd
- Support Staff Services Ltd
- Modal Training Ltd

7.4 The Clerk confirmed that the Annual Report of the Audit Committee 2019-20, approved by the Corporation on 15 December 2020 would be sent with the Financial Statements 2019-20 to the ESFA by the agreed deadline of 31 January 2021.

7.4 **RECOMMENDED** that the Financial Statements 2019-20 for GIFHE including all associated subsidiary companies be approved by the Corporation under Chairs action (Corporation agreed 15 December 2020 Ref Min 16.3)

8. Modal Letter of Support

8.1 The GD Finance submitted the Modal letter of support confirming that GIFHE as the ultimate parent company undertaking Modal Training Ltd would make available sufficient funds to enable the company to continue for at least 12 months from the date of approval of the financial statements for the year ended 31 July 2020.

8.2 **RECOMMENDED** that the Modal Letter be approved by the Corporation under Chairs action (Corporation agreed 15 December 2020 Ref Min 16.3)

9. Any other business

None received.

10. **Date and time of next meetings** Tuesday 9 March 2021 @ 4pm

Chair of the Audit Committee

Signed _____

Date _____

Chair of the Audit Committee

Action Schedule

| No | Minute Title | Action by | Action required |
|----|--|---------------------|--|
| 3 | Minutes of the last meeting and matters arising | Clerk GD Finance | Arrange pre-meeting Audit Committee training Submit VFM and Board Assurance Framework reports to next meeting 9 March 2021 |
| 4 | IAS Internal Audit plan 2020-21 | GD Finance | Review of Examinations and Cyber Security to be included in IAS Audit Plan 2021-22 |
| 6 | TEC Partnership Audit Completion report – year ended 31 July 2020 (January 2021) | GD Finance | Arrange signing by Chair |
| 7 | Draft Financial Statements 2019-20 GIFHE and Subsidiary Companies | GD Finance | Arrange signing by Chair, CEO and GDF and return to ESFA by agreed deadline including annual report of the audit committee 2019-20 |