

AUDIT COMMITTEE MEETING MINUTES

Date: Tuesday 3 December 2024

Venue: Board room

Time: 5.30pm

Chair	Richard Smith Morgan
Corporation Members	Stephen Critoph, Wojciech Ilowski
Co-opted Members	Thana Nathan
Auditor	Katharine Patel - Auditor (External - Buzzacott) Dakshita Takodra – Auditor (Internal Audit – TIAA) – online Hugh Swainson – Auditor (External – Buzzacott)
Officers in attendance	Gerry McDonald: Group Principal & CEO Andrew Haddon: Interim COO Jamie Stroud: Group Finance Director
Apologies	
Minutes	Elsa Wright – Director of Governance

Item No	Item of business
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
5.	Minutes of the Last Meeting held on 10 October 2024 The minutes of the meeting were agreed as drafted.
6.	Matters Arising and Action Points from the Meeting The action points were reviewed and would be addressed during the meeting. There was an update on the issue around the ESF audit claw back. The audit was reopened and there was one error in the sample size. They had not extrapolated the data and the claw back would be approximately £15k. The MIS Director had done an excellent job. The procurement item would be taken at the March 2025 meeting.
ITEMS FOR DISCUSSION, DECISION OR ACTION	



Item No	Item of business
7.	Year End 2023/24 7.1 Financial Statements, Auditors' Management and Regularity Report and Letters of Representation 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 were separate accounts for NCC and OSE and separate letters of representation. It was a positive report with a good audit process and a stable year. There was a red rated point last year around OSE controls but this was no longer relevant and finances were under the NCC team. P 154. There had been full cooperation and the auditor thanked the Group Finance Director and his team. All outstanding items were routine and would be cleared before formal sign off. Relevant letters and the reconciliation form for the ESFA as well as the questionnaire had been submitted. TPA had been submitted ahead of the deadline. Financial statements – There was a £2.1m surplus stripping out the pensions adjustments. P158 of the pack set out financial health and going concern as well as the net current asset position. Financial health was outstanding on the DFE grading. There was no borrowing and this was a good set of results. There was a discussion about responsibility around monitoring. There had been some changes from the accounts directions. P161 set out the adjustment and the fee presentation which was covered in more detail in Appendix 1. Materiality was covered on p162. This showed the detail above the threshold both in aggregate and individually. Systems and controls were covered in Appendix 2. There were no significant weaknesses with a few B level recommendations around the journals. They should be followed up with a review of journals to identify any where there might be a risk. Payment processes had been reviewed with one duplicate payment. This had been identified and followed up by the Finance team but was ongoing. OSE remained as a separate entity but there was detailed oversight by the central team. There were statutory accounts and detailed management accounts. Audit risk (p164) set out going concern, financial health and income recognition. The ILR data and regularity were covered on the next page. Capital works detailed significant projects in the pipeline with £5m carried forward for assets under construction. There had been costs written off at Epping and the College also wrote off some costs at Poplar. There were costs at Hackney that might be written off but little at the moment. Ardleigh Green would begin shortly and there may be associated costs. The funds had been carried forward on the basis that it was viable with planning due to be submitted later that week. Some land had been sold and a car parking had to be re-provided as a planning requirement from Havering Council. There was a management recommendation around ensuring payment practices were followed and adhered to alongside journal recommendations. The overpayment was discussed and a legal process had started with the other party given 14 days to respond



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	before it went to court. The payment had been requested by estates to get the work done by a tight deadline. It had been paid outside the normal process and the payment had been made twice. The process had been changed and payments would not be made outside the main run. This was now in place. This should prevent future reoccurrence as the contractor was now refusing to return the overpayment. It was noted that the LGPS surplus was capped at nil as it was not deemed recoverable. The only material item was to note that NCC had the lowest contribution rate for LPS at 7% and BSix was 31% in comparison. This reflected the risk and ability to use security to lower contributions. The LGPS looked at ability to pay and where this was strong the contribution rate was low. The charge held on the Hackney campus may be released shortly with the new guarantee announced in the Budget. Recommendations were set out on p177 of the pack with accounting ratios and benchmarking data on subsequent pages. It was noted that some were in line with the sector data and others very different. It was noted that there was continued financial improvement year on year. There were colleges with a stronger current ratio but this was a solid figure. EBITDA was strong and had increased. The NCC policy was to pay off debt and this suppressed the current ratio in comparison with other colleges who were not investing in capital or continued to borrow. NCC had paid of £21m of debt through the mergers and invested £50m plus in the estate. It was an efficient model. The borrowing ratio in the sector was 11% which was high with DFE borrowing in place. Cash days were lower at NCC but the comparison was not on a like for like basis. Some colleges had high cash days but also had debt to finance it. The CEO explained that the investment continued. There was £11m depreciation and NCC would use up to ¼ of net depreciation for capital investment including a lift replacement programme. The ability to absorb shocks was key and the college had to surrender the RCF which was a buffer. Resilience and ability to absorb the unexpected were key for financial security, Size of college was also a factor in the ratios. Two month's pay was the benchmark at NCC. It was noted that the DFE used the indicators on cash, EBITDA and borrowing in Appendix 4 for their planning and monitoring of the FE sector. It was noted that systems were in place for governance and there were changes in this areas in the economy and industry around ESG which would filter through to the sector. The letters of representation were standard with nothing to highlight. The committee noted the letters and recommended them for approval by the Board. The Oxford School of English was a going concern. NCC had supported the losses generated and confirmation of this had been given by the DFE. The CEO explained that diversification of income had been the driver behind the acquisitions as they received no government funding. In 2016 Bournemouth had been purchased and now the OSE was settled in new accommodation. The process to let part of the building had been slow with further discussion with the landlord but the tenants were now in place. There was a discussion about the losses. OSE would have broken even without the management cost, Bournemouth was integrated into the NCC entity and those costs were absorbed. Improvements were



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	expected this year. Revenues had been flat with currency issues particularly affecting the Japanese market. The juniors market was more buoyant and rental income would be added. The cross charge from the centre of £100k was a sunk costs. OSE had made a £86k surplus in the first year. There was a discussion about a post completion review of delivery. This would be brought to the F&GP committee in the summer term. The committee agreed to recommend the accounts and letters of representation to the Corporation for signature. BSix Hugh Swainson from Buzzacott introduced the report. The audit progress had gone slowly this year. IT issues had caused problems which had continued to affect the audit process. The TPS audit which was due on 30/9 was still outstanding. There was still work to do on the contribution rates but it was getting close to submission with exceptions. It was noted that further work was ongoing in relation to BSix and the accounts would be delayed. There was a deficit in the accounts which was a combination of exiting leases and disposals alongside an underlying deficit which proceeded the merger actions. Merger costs were set out in the report (p203). There were exit costs for senior staff which met the MPM requirements and were in line with the limits in place. There was a discussion about the right offs set out in the report. They did not require approval but the judgements taken as part of the process were outlined. The audit recommendations (p207) included two cleared from last year and there were 2 around declarations of interest which had not been completed for 2023/24. Petty cash balances were not accounted for correctly and there was more cash held than was needed. The key audit risks ceased to exist at merger. There was further work to do on the accounts which would need to be submitted to ESFA. They were not prepared on a going concern basis. The letter of representation would be reviewed in the context of any findings from the additional work but were currently in a standard format. It was noted that there were a number of bad debts and write offs but the external auditor confirmed that they would not require approval. There were also some items including software that did not strictly meet the MPM guidelines. The merger meant the entity no longer existed. Spend on IT had been a concern in the run up to merger with BSix using leased equipment. The Microsoft provider was not on the JISC approved list. The CEO confirmed that the Group IT Director had not been happy with the arrangements in place and they had been switched off as soon as possible. It was impossible to speak to anyone at the company. Post merger, there were potential issues around some transactions. The external auditor confirmed that the letter of representation could not be signed in its current format. The pension information was needed, and the accounts would need further work. The CEO would update the DFE at the regular meeting the following week. HR systems would be aligned at the start of the next tax year. BSix expenses were being run through NCC systems and all systems would be merged in the new year. There was full



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	access to the bank account with the same hierarchy and procedures which had full visibility from the NCC Group Finance Director. The CEO confirmed that he would push to get the pension information that the auditor required. After previous mergers, the accounts had been signed and the aim would be to do so once all the processes and procedures had been worked through Action - The Audit Committee recommended the NCC Financial Statements and the Statement of Governance Controls to the Corporation Action - The Audit Committee recommended the NCC and OSE Letter of Representation for Board to sign Action – CEO to chase the pension information required for the audit Action – BSix accounts to be reviewed in the new year 7.2 Audit Committee Annual Report The Director of Governance 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 principal conclusion from the report would feed into the Chair's 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. The new Deputy CEO would be added to the report. Action – The Audit committee agreed the Annual Report which was recommended to the Corporation The Group Finance Director left the meeting.
8.	Risk Management The Chair introduced the report. The format had been revised but needed a little more work. There was a discussion about the potential financial impact of a cyber attack as well as the practical impact of running the college. It was important the register was succinct but covered all the key risks including any with a potentially high impact. The mitigations in place were detailed. There should be a deep dive at committee level into the mitigations, the actions taken and the impact. The Chair was keen for the register to be simple and high level. The addition of the residual score post mitigation would be helpful along with a RAG rating of the residual risk. It was noted that the numbers were arbitrary if the judgement was wrong. There would be some further updates to the format.



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	ACTION – Risk register format to be update as outlined
9.	Attempted Fraud There were no confirmed items of fraud to report. The committee was updated on an ongoing investigation. Once the report was delivered, there would be a further discussion.
10.	Internal audit reports The IA updated the committee. The first audit of the year was underway and there were a number that would be completed and reported to the committee in March. The committee noted the report.
11.	Any Other Business The Chair thanked everyone for attending.
12.	Date of next meeting The meeting was scheduled for 6 March 2025 at 5.30pm

