

**GRANTHAM COLLEGE**  
**JOINT AUDIT AND FINANCE & RESOURCES COMMITTEE MEETING**

**Minutes of the Meeting held on 8 December 2021, 18.00**  
**Remote via MS Teams**

**Present:**

Mr B Addlesee	Lay Member (F)
Mr N Manoussakis	Finance & Resources Committee Chairman / General Member (F) Appointed Chair at agenda item AFC/21/103
Mr G Brewis	General Member (F)
Mr P Deane	Principal & Chief Executive (F)
Mrs L George	General Member (F)
Mr A Joy	General Member (A)
Mr K Lyon	General Member (A)

**In Attendance:**

Ms A Harrison	Director of Finance
Ms L Smith	Internal Audit, RSM
Mr N Simkins	External Audit, PKF Cooper Parry
Mrs J Taylor-Holmes	Clerk

*Agenda: there were no changes to the agenda.*

	<b>AFC/21/120 - Apologies for absence</b>	
1	Apologies were received from Carolyn Brocklebank (Audit Committee) and Mike Argyle (Audit Committee)	
2	Apologies were also received from Claire Temprell, Vice Principal – HR & Student Services	
	<b>AFC/21/121 – Confirmation of eligibility, quorum and declarations of interest</b>	
3	No notice had been received of any member becoming ineligible to hold office. The meeting was quorate and there were no declarations of interest in agenda items.	
	<b>AFC/21/122 – Election of Chairman</b>	
4	<b>Resolved:</b> Mr N Manoussakis was appointed as Chairman of the Finance & Resources Committee for 2021/22.	
5	<b>Resolved:</b> Mr M Argyle was appointed as Chairman of the Audit Committee for 2021/22.	
	<b>AFC/21/123 – External Audit</b>	

6	Mrs A Harrison, Director of Finance explained that there had been a £180,000 positive adjustment to the year-end position following the successful outcome of the AEB business case. Committee members commented on the positive news of the adjustment and the impact on the year end position.	
7	Committee members welcomed Mr N Simkins from PKF Cooper Parry.	
8	Mr Simkins confirmed that due to restrictions, the audit had been conducted in a remote way, communication and exchange of information had been straight forward. There had been no issues in terms of the accuracy or completeness of information.	
9	Committee members received the External Audit Findings Report.	
10	Mr Simkins referred to the Audit Opinion, two had been offered; one on truth and fairness of the numbers and the second on assurance. Mr Simkins confirmed an unmodified audit opinion. Second opinion on assurance report on regularity. Issuing an unmodified opinion.	
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12	As part of the sign off process, required two signed letters of regularity. Statement from the Corporation to state that provided all necessary information and made all the disclosures.	
13	Assessment of going concern and whether the College is going to be in existence in 12 months. Both the Corporation and Auditors have to give an assessment on going concern. No issues had been identified from the Auditors.	
14	This issue would be considered by the Corporation at their forthcoming meeting.	
15	Mr Simkins explained that a number of control improvements had been identified.	
16	Key audit risks were referred to on page 2, Mr Simkins confirmed that no significant issues were identified in the key risk areas.	
17	There was a requirement to report in relation to adjustments, the final adjustment related to the successful AEB bid which was a positive adjustment. There were a small number of immaterial adjustments identified which were under £10,000 in value. Due to the value, there was no requirement to adjust the financial statements.	

18	The overall results for the year resulted in a trading activities deficit of £270,000 and a pension fund deficit. The pension scheme deficit was in relation to the Local Government scheme. It was noted that this was revalued every year, the total deficit was just over £1million, which resulted in a £816,000 net balance	
19	It was noted that whilst the £7.3million pension valuation sits on balance sheet, it is an actuary valuation. Mrs Harrison confirmed that pension contributions are included in the budget. Any repayments back to the fund are being contributed on an annual basis.	
20	Mr Simkins referred to page 5&6 which provided more detail about key audit risks, a number were sector wide but there was one in relation to loan covenants which was specific to the College.	
21	Mr Simkins referred Committee members to the summarised conclusions and the overall conclusion that there were no material matters to be brought to the attention of the Committee.	
22	Page 7 referred to audit adjustments.	
23	Mr Simkins referred to the recommendations on pages 8,9 & 10. It was noted that there was one high risk recommendation in relation to loan covenants. Of the six recommendations, four had already been completed. Mrs Harrison confirmed that the bank had now clarified the covenants and the College was are now aware of those in place. The medium risk recommendations were in relation to third party transactions and one in relation to the register of interest. There was also one recommendation identified in relation to the fixed asset register to ensure that those with nil value were removed. Mrs Harrison had provided a management response and Mr Simkins confirmed that the response was appropriate and accepted.	
24	Committee members asked for additional information in terms of pension reserve and questioned what would happen if the pension balance sheet total was the same value as the reserve. Mr Simkins confirmed that that does happen and sometimes the deficit is bigger than the net asset. Mr Simkins explained that many loan covenants exclude the pension fund liability which means that this does not impact or breach the loan covenants.	
25	It was noted that the Financial Statements contained all information in accordance with the rules and regulations in relation with the ESFA and model accounts. All disclosures and notes to the accounts were checked.	

26	Mrs Harrison explained that she would check if any other OfS disclosures were required and whether these were complete before presentation of the accounts to the Corporation.	<b>Action: Mrs Harrison December 2021</b>	
27	Committee members thanked Mrs Harrison and Mrs T Hart, Director of Planning, Funding and Information for their work to achieve the AEB bid success which had resulted in the College regaining a good financial health assessment.		
28	Committee members noted the required letters of representations. No significant issues had been identified in those letters.		
29	<b>Resolved:</b> Committee members recommended the following to the Board for approval; <ul style="list-style-type: none"><li>• Audit Completion document – Year ended 31 July 2021</li><li>• Letter of Representations</li><li>• Draft Audited Financial Statements – Year ended 31 July 2021</li></ul>		
<b>AFC/21/124 – Minutes of the previous meetings</b>			
30	<b>Resolved:</b> The minutes of the previous Audit Committee meeting held on 23 June 2021 were approved as a true and accurate record.		
31	<b>Resolved:</b> The minutes of the previous Finance & Resources Committee meeting held on 23 June 2021 were approved as a true and correct record.		
32	There was no urgent business notified.		
<b>AFC/21/125 - Matters Arising</b>			
33	All matters arising from the previous meetings were either complete or for consideration at a future meeting.		
<b>AFC/21/126 Audit Follow Up Register</b>			
34	Mrs Harrison presented the Audit Follow Up Register.		
35	Mrs Harrison explained that the report detailed progress against Internal Audit recommendations and that these were the management agreed follow up actions.		
36	Actions from future Internal Audit reports presented to the meeting would be added to the Register following the meeting.		
37	Mrs Harrison referred to the follow up register and commented that the green rated actions would be removed.		

38	Outstanding recommendations related to the home working Policy, Staff computer use Policy and fixed assets.	
39	In relation to fixed assets, recommendations from Internal Audit would be combined with responses from External Audit to provide clarity and ensure that all recommendations are recorded and delivered at the same time.	
40	Committee members noted that many recommendations had now been cleared with move to the new payroll system.	
41	In relation to the asset register, Mrs Harrison confirmed that some items would still be in use even with a nil value. Work would continue to review the items.	
42	<b>Resolved:</b> Committee members received the Audit Follow up Register.	
<b>AFC/21/127 Risk Management Update</b>		
43	Mrs Harrison presented the Risk Management Update.	
44	Minutes of the Risk Management meeting on 9 November 2021 and changes to the Risk action plan were noted.	
45	Changes made at the last Risk Management meeting were in blue within the risk register.	
46	Committee members questioned why the business risk had been classed as significant. Mrs Harrison explained that whilst the College had invested in cyber security protection, this continued to be threat and the classification ensured the appropriate concentration on the issue. It was noted that a number of Colleges had been targeted by ransomware, this issue remained a high risk within the sector.	
47	<b>Resolved:</b> Committee members received the Risk Management Report.	
<b>AFC/21/128 Internal Audit Reports</b>		
48	Mrs L Smith, RSM presented the reports	
49	Mock Funding Assurance review – Mrs Smith explained that this had been undertaken as a response to the changes to the Post 16 Audit Code of Practice and the lack of ability to rely on the ESFA report.	
50	In discussion with PKF Cooper Parry and Mrs Harrison, Mrs Smith explained that the report had focussed on apprenticeship provision on the basis that this was the highest area of risk. Toolkit reports were also reviewed along with ILR reports. Mrs Smith explained that there was a	

	sample of 30 apprenticeship records, which was the sample size undertaken by the ESFA.	
50	Some areas of non-compliance were identified including that the apprenticeship agreements were not being signed on or before the apprenticeship start date. It was noted that it was now the case that the risk is reduced if learning could be demonstrated and recorded.	
51	There were some issues identified where the ILR was not accurate where the employer had changed within the apprenticeship. This represented a slight risk but wouldn't be classed as a material change.	
52	Some quality issues were identified, and Mrs Smith referred Committee members to page 4 and 5 of the report.	
53	Estates Management - It was noted that the first substantive report of 2021/22 was in relation to the estates management strategy to reflect the condition survey and planned preventative maintenance programme.	
54	Mrs Harrison confirmed that a comprehensive condition survey had been undertaken, the College had a list of contractors upon which due diligence had been undertaken. There was an online log system and good tracking process for responsive maintenance.	
55	It was noted that there was a comprehensive strategy in place.	
56	Mrs Smith explained that one high priority recommendation had been identified, this reflected that the survey hadn't yet been included within the Strategy and the Maintenance programme. This had been acknowledged by management and it was noted that the survey had only been undertaken in March 2021. It was accepted that this was a large undertaking and Mrs Smith confirmed that she had been assured by Management that this would be undertaken and the College was in the process of prioritising the work.	
57	Mr Deane provided assurance around the progress of the work in this area.	
58	Internal Audit Annual Report – Mrs Smith explained that this report summarised the work undertaken up to 31 July 2021 and referred to page 2 and the scope and limitations. Though COVID-19 pandemic, some of controls might have changed in terms of approach as the College needed to ensure that they could maintain business as usual.	
59	Mrs Smith confirmed the opinion, that the College has an adequate and effective assurance framework in place.	

60	Mrs Smith confirmed that some improvement actions had been highlighted to enhance and improve the framework, which could be seen in the Audit Follow up report.	
61	The Annual Report summarised reports provided to the Committee, which had all resulted in substantial assurance. Little progress had been made at follow up, however, the majority of the actions had now been completed and that would change the assessment of little progress to good progress.	
62	Mrs Smith referred to page 6 and confirmed that RSM had not undertaken any additional work which would provide a conflict and confirmed compliance with audit rules.	
63	<b>Resolved:</b> Committee members received the Internal Audit reports and the Internal Audit Annual Report.	
<b>AFC/21/130 Annual Reports</b>		
<b>a. Audit Committee Annual Report 2020/21</b>		
63	Mrs Harrison provided the report explaining that this was a standing item to be approved for recommendation to the Board. This included the Internal Audit opinion presented to the Committee.	
64	Mrs Harrison presented the Annual Report and the reports included within the Report. The Report referenced the Internal and External Audit tendering process.	
65	<b>Resolved:</b> Committee members reviewed the Audit Committee Annual Report 2020/21 and approved the report for recommendation to the Board.	
<b>b. Risk Management Annual Report</b>		
66	Mrs Harrison presented the Risk Management Annual report and appendices.	
67	<b>Resolved:</b> Committee members reviewed the Risk Management Annual Report and approved the report for recommendation to the Board.	
<b>AFC/21/130 – Human Resources Dashboard</b>		
68	This item was deferred to the next Finance and Resources Committee meeting.	<b>Action: Mrs Temprell March 2022</b>

	<b>AFC/21/131 Estates update</b>	
69	Mr Deane confirmed that the Institute of Technology was now complete, there was a small underspend of around £30,000 to £40,000 which would be spent to complete some landscaping and purchase items such as blinds.	
70	The Energy Centre work remained on budget and on time.	
71	The Sandon Road site was progressing through Planning and the option to dispose of the site with planning for housing would be reviewed in due course.	
72	The planners at SKDC had proposed some changes to bring in line with updated guidance and it was hoped that a decision would be issued in the coming months.	
73	The College had not been successful in the final stage of the T-Level capital bid. The bid had been rejected on the grounds that the assessor didn't feel that the College needed the space. Criteria applied had been applied to the assessment of bids.	
74	Committee members asked about interest in the purchasing of land, it was noted that this included the Barracks. The role of SKDC would be in to act as planning authority. The site would be reviewed by the Homes Network.	
75	Committee members asked about funding schemes and whether there were any other funding opportunities. Mr Deane explained that this was regularly under review, there were a number of capital opportunities but with strict application criteria. The College was unable to bid to the 16-18 expansion fund.	
76	Through the T-Level bid, the College may be able to apply for some refurbishment funding, this would be considered. There would be further opportunities to bid through Transformation funding.	
77	Mrs Harrison explained that there may be some options in relation to carbonisation. The College was in discussion with the Local Authority and is in the LEP pipeline, however, no funding was available at the moment.	
78	The Shared Prosperity fund may also be considered.	
79	It was agreed that one of area of focus was to build the automotive department of site. This would result in expansion to respond to local need. It was agreed that a county response would be useful.	



80	It was noted that, at the moment, there was no condition funding for colleges.	
81	Mr Deane confirmed that he is a member of the Lincolnshire County Council Employment & Skills Commissioning Board and has the opportunity to analyse funding opportunities as they open and close. The list of opportunities is reviewed regularly.	
82	<b>Resolved:</b> Committee members noted the report.	
	<b>AFC/21/132 Report on Capital Programme (IoT)</b>	
83	As part of the discussion above.	
	<b>AFC/21/133 Finance Report</b>	
84	Mrs Harrison presented the Financial Report. The Report contained a number of appendices covering, Income and Expenditure Account for period ending 31 October 2021, Balance Sheet as at 31 October 2021, Cashflow forecast to October 2021, Debtors Report and Capital Expenditure and Details of Asset Additions 2021-22.	
85	Mrs Harrison reported that the College had an operating deficit of £170,000. The College was forecasting a financial health rating of good.	
86	Mrs Harrison explained that she had included the new information in relation to loan covenants and the information received from the bank. Committee members noted that the College was compliant with all loan covenants. The historical deficit had been removed and agreement letters from the bank were awaited.	
87	Committee members noted the loan totals.	
88	Committee members asked about the current financial position and the main basis for the £170,000 adverse for the year. Mrs Harrison commented that the original budget in July was forecasting a very small surplus. There had been some changes in relation to income, the refectory income was lower than expected as was the catch-up funding. Mrs Harrison explained that the energy expenditure budget had been increased, even though the College had some security until March through the consortium arrangements.	
89	When looking at the non-pay budget, there were some phasing issues. Erasmus hadn't been spent yet in terms of foreign trips for students.	
90	An update would be provided when the budget was revised.	

91	Committee members asked about debtors. Mrs Harrison confirmed that debts usually relate to unpaid student tuition fees and some accommodation costs. Not all students were eligible for funding. HE student fees were around £7000 per annum. In many cases instalments are being paid, this amounts for around £48,000 where debtors were paying in instalments.	
92	It was noted that student finance was also paid in instalments. It was noted that the debtors related to students who had already received the education.	
93	It was also noted that there were very difficult rules around withholding qualifications if there was outstanding debt.	
94	Mrs Harrison explained that there was a system where notes could be submitted on student records and payment plans could be put in place through a direct debit system. An online payment system was also being added.	
95	Ultimately, the College was able to engage debt collectors to recover the debt is needed. It was noted that quite small amounts were written off per year and Mrs Harrison described the process in place to ensure payments were received.	
96	Committee members asked about the scoring on the basis of ESFA financial health and Mrs Harrison providing further information.	
97	<b>Resolved:</b> Committee Members received the October Financial Report.	
<b>AFC/21/134 Committee Effectiveness Review –Audit Committee and Finance &amp; Resources Committee</b>		
98	Mrs Taylor-Holmes explained that this process of annual review would support the annual review of the Board and any actions identified would be discussed and added to any Board improvement plan.	
<b>Audit Committee</b>		
99	Committee members discussed the effectiveness assessment, the Terms of Reference and the Workplan.	
100	It was agreed that the Audit Committee quorum would remain at 2 until further recruitment was completed. The Terms of Reference would be reviewed and updated to reflect the revised 16-18 Audit Code of Practice.	
101	Committee members commented that they feel well briefed and the sector update was positive.	

102	Committee members discussed the skills and experience of members and it was agreed that the links to the Standards Committee was useful. It was agreed that this would be considered further and feedback would be provided to the Search and Governance Committee in relation to the requirements of the Committee.	<b>Action: Search and Governance Committee March 2022</b>
103	Committee members agreed to continue to rate effectiveness as 2 'good'.	
104	Committee members noted the Committee work schedule.	
<b>Finance and Resources Committee</b>		
105	Committee members discussed the effectiveness assessment, the Terms of Reference and the Workplan.	<b>Action: Mrs Temprell March 2022</b>
106	Committee members noted that there had been an IT update which included IT security as suggested as part of the previous review. It was agreed that this would be a useful discussion annually.	
107	Committee members reviewed the Finance & Resources Committee Terms of Reference, the membership of the Committee and the quorum and agreed that this was appropriate.	
108	No amendments to the Terms of Reference were suggested.	
109	Committee members felt that the Committee should be graded 2 – good.	
110	Committee members noted the Committee work schedule.	
<b>AFC/21/136 Matters for specific note to the Corporation</b>		
111	<ul style="list-style-type: none"><li>• Outcome of the Financial Statements Audit and the recommendation for approval (subject to the final draft)</li><li>• Outcome of Internal Audits and follow up</li><li>• Recommendation of the Annual Reports; Internal Audit Annual report, the Risk Management Annual Report and the Audit Committee Annual Report.</li><li>• Updates on estates position and the outcome of any funding bids.</li><li>• The Committee had reviewed the Finance report at end of October 2021 – would be presented to the Board in December 2021.</li><li>• Both Committees had undertaken a review of Committee effectiveness.</li></ul>	

112	It was agreed that the Terms of Reference for Audit Committee would be considered in March 2022. It was agreed that the workplan for the Committee would also be considered against the revised Terms of Reference.	<b>Action: Audit Committee March 2022</b>
113	It was noted that the Going Concern statement had been expanded and that this would be going to the Board in December.	
114	Committee members expressed congratulations on the result in relation to the AEB clawback, it put the College back in a good position. AoC feedback provided that around 90% of those Colleges who submitted a bid received some funding back. See how the year develops in relation to AEB this year.	
<b>AFC/21/119 Urgent Business / Any other Business</b>		
115	Committee members thanked Anita and the finance team for support of the meeting and the preparation of the Annual Financial Statements.	
116	There being no further business the meeting closed.	

**Date of next Meeting:**

The Finance & Resources Committee would meet on Wednesday 9 March 2022, 17.00, venue / remote meeting to be confirmed.

The Audit Committee would meet on Wednesday 9 March 2022, 18.30, venue / remote meeting to be confirmed

Signed as a true and accurate record

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Chairman

Date

Agenda Item	Description	By whom	By when
<b>AFC/21/123 – External Audit</b>	Mrs Harrison explained that she would check if any other OfS disclosures were required and whether these were complete before presentation of the accounts to the Corporation.	Mrs Harrison	December 2021 COMPLETE
<b>AFC/21/130 – Human Resources Dashboard</b>	F&R Committee – Item deferred to next meeting	Mrs Temprell	March 2022
<b>AFC/21/134 Committee Effectiveness Review –</b>	Audit Committee – number of members and skills and experience of members and it was agreed that the links to the Standards Committee was	Search and Governance Committee	March 2022

<b>Audit Committee and Finance &amp; Resources Committee</b>	useful. It was agreed that this would be considered further and feedback would be provided to the Search and Governance Committee in relation to the requirements of the Committee.		
<b>AFC/21/134 Committee Effectiveness Review – Audit Committee and Finance &amp; Resources Committee</b>	F&R Committee – IT presentation to the March 2022 meeting	Mrs Temprell	March 2022
<b>AFC/21/136 Matters for specific note to the Corporation</b>	It was agreed that the Terms of Reference for Audit Committee would be considered in March 2022. It was agreed that the workplan for the Committee would also be considered against the revised Terms of Reference.	Audit Committee	March 2022