



Northern College

THE AUDIT COMMITTEE

Minutes of the meeting of the Audit Committee held on **15 December 2021**.

Present: Liz Stanley (Chair), Cllr Ken Richardson and Seb Schmoller.

In attendance: The Principal (Yultan Mellor), the Assistant Principal – Finance and Business Services (Sue Saunders), Mike Redfern – Grant Thornton (up to and including A21/99), Phyllis NO Dzoboku - Grant Thornton (up to and including A21/99) and the Clerk to the Governors (Sarah Johnson).

Apologies: None.

DECLARATIONS OF INTEREST

A21/89 Each governor present declared any potential interests/conflicts of loyalty related to items to be considered at the meeting. Liz Stanley declared a potential conflict with respect to her role undertaking internal audits unconnected to the College for BMBC audit services on a self-employed basis. It was agreed that no decisions to be taken at the meeting would be affected and it was not considered necessary for the member to withdraw.

MINUTES OF THE LAST MEETING

A21/90 The minutes of the meetings held on 15 November 2021 were approved as an accurate record.

ANNUAL AUDIT COMMITTEE REPORT TO THE BOARD (Document 4i)

A21/91 The committee considered an updated draft **Annual Audit Committee Report to the Board for 2020/21** and noted that:

- the report provided the committee's opinion to the Board of Governors and accountable officer on the adequacy and effectiveness of the Corporation's assurance arrangements, framework of governance, risk management and control processes for the effective and efficient use of resources, solvency of the institution and the safeguarding of its assets;
- the report had been previously considered by the committee at its meeting in November 2021;
- two key changes had since been made – to reflect the updated position relating to the ESFA funding assurance audit, and to provide an update regarding the audit of the 2020/21 financial statements;
- as the audit of the financial statements remained incomplete the report would be further updated prior to its final consideration by the Board.

A21/92 The committee agreed that para 18.4 relating to the committee's opinion regarding the ESFA funding assurance audit was no longer required and should be removed.

A21/93 The committee re-considered **Appendix E – Regularity Audit Self-Assessment and COVID Supplement** – and agreed that no significant issues had been raised and it should be recommended to the Board of Governors for signing.

- Resolved:**
- i That the Annual Audit Committee Report to the Board for 2020/21 be updated on conclusion of the audit of the 2020/21 financial statements and para 18.4 removed.**
 - ii That the report be reconsidered by the committee prior to its submission to the Board of Governors.**

FINANCIAL STATEMENTS AUDIT

A21/94 The committee considered a TABLED updated draft financial statement auditors' **audit findings for 2020/21** noting that:

- since the last meeting the College had accepted £756k as full and final settlement relating to the funding audit by the ESFA of 2016/17 to 2019/20, and the College intended to make the full payment, upon receipt of an invoice from the ESFA, in December 2021;
- as a result of under delivery in 2020/21 due to COVID 19 management had previously made a clawback provision of £1.5m in the accounts, however this had subsequently been reduced to £721k following the approval of a business case submitted by the College to the ESFA;
- the going concern assessment had been completed and having reviewed the assessment provided by management, including the cashflow forecast and challenging the key assumptions included within the forecast and the sensitivities applied, Grant Thornton had concluded that they concurred with management that the application of the going concern assumption was reasonable;
- however, the audit and report were still not finalised due to Grant Thornton being in discussion with the College over the treatment of the clawback payment;
- this had arisen due to Grant Thornton, the ESFA and the College having a different interpretation of how the audit clawback should be treated in the accounts;
- the College had prepared their financial statements with the claw-back treated as a prior period adjustment in the relevant years it related to and shown on the balance sheet as a creditor, and had consulted the ESFA who had supported this approach;
- however, on review Grant Thornton did not support this approach and were of the opinion that the liability arose subsequent to events crystallising in 2020/21 and should not therefore be treated as a prior year adjustment;
- Grant Thornton had therefore initiated their internal review process which was, as yet, incomplete.

A21/95 The committee explored:

- the basis for the College's proposed approach in detail;
- the basis for Grant Thornton's proposed approach in detail;
- the feedback received from the ESFA, including their assertions that:
 - clawback should be treated as a prior year adjustment in the relevant years it related to and shown on the balance sheet as a creditor and cash movements recorded in future year(s);
 - having a qualified item in the audit report would be unlikely to negatively impact the College in the future;
- the treatment of the same situation by Fircroft College, which was consistent with the College's approach;

- the impact should the College maintain its current approach, noting that Grant Thornton would issue an unqualified opinion, with this exceptional aspect qualified.

- A21/96 The committee agreed that:
- the College had accepted that it should have understood how the ESFA would interpret the rules relating to the funding of residence, and the repayment figure did not represent a negotiated settlement;
 - prior year adjustment was the right approach as the liability related to prior years' funding and this was therefore the most appropriate technical decision;
 - it was aware that this would result in an unqualified opinion from Grant Thornton, with the exception of this aspect which would be qualified;
 - it understood that as the College was now effectively in technical disagreement with Grant Thornton they would submit a formal report to their Head of Technical, who would review the position and conclude Grant Thornton's position in January 2022;
 - it also understood that should Grant Thornton's current position be maintained they would inform the ESFA of their intention to qualify an element of the College's financial statements;
 - the Board of Governors should be fully briefed on the position at its meeting on 16 December 2021;
 - an additional meeting of the Audit Committee and the Board of Governors would be required to conclude the process in January 2022.

- A21/97 The committee noted that:
- the College had already requested an extension to their current filing deadline of 31 December 2021 with the ESFA;
 - no extension was required from Companies House as the current filing deadline was end of April 2022.

- A21/98 The committee explored the College's regularity opinion, noting that Grant Thornton confirmed that their position was not contra to a positive regularity opinion.

- A21/99 The committee noted the Engagement Letter which had been TABLED.

- Resolved:**
- i That the position regarding the audit of the 2020/21 financial statements be noted.**
 - ii That an additional meeting of the Audit Committee be scheduled to review the finalised financial statements and audit findings in January 2022.**
 - iii That the Board of Governors be fully briefed on the position at their meeting on 16 December 2021.**

CONFIDENTIAL MINUTES

- A21/100 The confidential minutes of the meeting held on 15 November 2021 were approved as an accurate record.

DATE AND TIME OF THE NEXT MEETINGS

- A21/101 Additional January 2022 meeting to be confirmed.
 Monday 21 February 2022 - 11.30am
 Monday 13 June 2022 - 11.30am

