

THE TRAFFORD COLLEGE GROUP

**Minutes of the Audit Committee Meeting
held on Monday 22 November 2021 at 6.00pm via Microsoft Teams**

Present:	Jed Hassid Brian Bradley Heather Lang Lina Tsui-Cheung	(Chairperson)
In Attendance:	Barry Watson Brian Welch Anthony Gribben-Lisle Carmen Gonzalez-Eslava Alison Duncalf Kal Kay Natasha Bintley Michael Frankish Nivi Muthukamar	(Corporation Secretary) (BDO) (Interim Director of MIS/DPO) (Deputy Principal) (Deputy Corporation Secretary) (Chief Finance Officer) (Director of Finance) (Grant Thornton) (Grant Thornton)

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AUD/44/21 Apologies for Absence

The Corporation Secretary (CS) reported that apologies for absence had been received from Ian Duncan and Dawn Cole.

AUD/45/21 Declarations of Direct or Indirect Interest

There were no declarations of either Direct or Indirect Interest in any of the meeting business items.

AUD/46/21 Minutes of the Meeting held on 16 September 2021

The minutes of the meeting were approved and accepted as a correct account of the meetings proceedings.

AUD/47/21 Matters Arising from the Minutes

The CS advised the Committee of the completed actions arising from the last Committee meeting together with items that would be further considered at the meeting.

There were no issues raised by members arising from the minutes.

AUD/48/21 Data Protection Progress Report

The Data Protection Officer (DPO) presented a report which provided members with an overview of the latest position regarding Data Protection and its effectiveness across the Group.

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The DPO advised that the frequency and possible consequences of low-level breaches indicated that the risk level continued to be low and that robust plans were in place to ensure that levels of awareness and training are maintained to a high standard. He further advised that staff compliance with mandatory training was good and that management continued to work through the annual Development Plan.

The DPO also provided the Committee with a detailed overview relating to the following key issues:

- **Merger Update.** It was noted that there were no significant post-merger issues to report and that several post-merger issues had now been closed.
- **Changes to Strategic Lead for Data Protection.** It was advised that the newly appointed Assistant Principal for Planning, Funding and Performance would be taking over responsibility as the Strategic Lead for Data Protection from February 2022.
- **Subject Access Requests.** It was noted that with two requests were being processed or had been processed for the period August – November 2021.
- **Data Breaches.** It was noted that 2 low risk data breaches had been reported for the period July - November 2021.

There were no issues raised by members arising from the report and after due discussion and consideration it was resolved that it be noted.

AUD/49/21 Draft Report and Financial Statements and Letter of Representation for Cheadle and Marple Sixth Form College up to 3 May 2021

The Chief Finance Officer (CFO) presented the Draft Report and Financial Statements (DRFS) for Cheadle and Marple Sixth Form College up to 3 May 2021 and advised the Committee that there were no changes to the DRFS or LR that was considered by the Committee at its last meeting.

The CFO provided members with an analytical review of the Financial Statements and it was noted that there were no significant issues of concern arising from the review.

The Financial Statement and Regularity Auditors for TTCG (FSRA- GT) commented that nothing arising from their work regarding the merger of CAMSFC would impact on the numbers for the CAMSFC accounts or the TTCG accounts.

There were no issues raised by members and after due discussion and consideration it was resolved that the Draft Report and Financial Statements for Cheadle and Marple Sixth Form College up to 3 May 2021 be recommended to the Board of the Corporation for approval.

Action: Board of the Corporation

Minute No**AUD/50/21 Audit Completion Report and Letter of Representation for Cheadle and Marple Sixth Form College 2021**

The CFO presented the Audit Completion Report and Letter of Representation for Cheadle and Marple Sixth Form College 2021 and advised the Committee that there were no changes to the report that was considered by the Committee at its last meeting.

There were no issues raised by members and after due discussion and consideration it was resolved that the Audit Completion Report and Letter of Representation for Cheadle and Marple Sixth Form College 2021 be recommended to the Board of the Corporation for approval.

Action: Board of the Corporation

AUD/51/21 Annual Report of the Cheadle and Marple Sixth Form Audit Committee for the period ending 3 May 2021

The CS presented a copy of the Draft Annual Report of the Audit Committee for Cheadle and Marple Sixth Form College (CAMSFC) for the period up to the point of merger 3 May 2021.

The CS advised that Chairperson of the Audit Committee at CAMSFC had confirmed the accuracy of the report and that it had duly been signed. He also thanked the Deputy Corporation for her help and support in producing the report.

The CS further advised that the report ensured compliance with the 16-19 Audit Code of Practice and provided an overview of the key issues arising from the Draft Annual Report.

A member commented that as an ex member of CAMSFC Audit Committee she could confirm that the report was a true and accurate reflection of the Committee's work and placed on record her appreciation to GH for the work undertaken in Chairing the Committee.

There were no further issues raised by members and after due discussion and consideration it was resolved that the Annual Report of the Cheadle and Marple Sixth Form Audit Committee for the period ending 3 May 2021 be recommended to the Board of the Corporation for approval.

Action: Board of the Corporation

AUD/52/21 Draft Report and Financial Statements and Letter of Representation for The Trafford College Group for the period ending 31 July 2021

The CFO presented the TTCG Draft Report and Financial Statements (DRFS) and Letter of Representation (LR) for The Trafford College Group for the period ending 31 July 2021.

In addition to the DRFS and LR the Committee were presented with additional information relating to the potential VAT liability as a result of the option to tax over the Cheadle Campus and the results of the Iterative Assessments of Going Concern.

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The CFO advised the Committee that the audit of the DRFS had largely been completed but that several key issues which remained outstanding relating to the Assessment of Going Concern, the potential option to tax VAT liability and the Adult Education Budget (AEB) Income.

In presenting the report the CFO provided full details relating to the background and current position with respect to the potential VAT liability and the actions that were being and had been taken to address any potential liability scenarios.

Members raised several issues arising from this aspect of the report and the Financial Statements and Regularity Auditor (FSRA - GT) also provided advice concerning how the matter might be treated and the requirement for them to engage a specialist VAT tax adviser to look at the matter. He further commented that it was his view that this was the only issue that could significantly jeopardise the signing off of the accounts at the Board meeting in December 2021.

A member commented that given the response time by HMRC it was unlikely that a pre- Christmas position would be achieved. The CFO advised that advice would be secured on the matter and a judgment would be made concerning the matter in the light of the advice before the DR&FS were presented to the Board of the Corporation.

Action: Chief Finance Officer

A member asked about going concern and if it would be impacted on in the event of the VAT liability being required.

The CFO advised that the issue had been considered by the Resources Committee in detail at its recent meeting and that the potential liability would not impact on the going concern position.

The CFO further advised on how the matter could be dealt with in terms of the impact on cash flow and the amount made available for the Cheadle redevelopment and added that there were a lot of hurdles to be overcome before a final position was known.

In discussion it was agreed that some of the issues raised would be discussed in the confidential meeting due to commercial sensitivity.

In relation to the other aspects contained within the report the CFO advised concerning the following issues:

- Comparison with the Management accounts position as at 31 July 2021.
- An analytical review of the Financial Statements.
- Assessment of Going Concern including budgets and forecasts, key delivery risks for the financial year 2022 and beyond and the assessment scenarios made by management to support the Going concern position.
- The proposed disclosure statement within the Financial Statements relating to Going concern.

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The report also included a copy of the Letter of Engagement with the FSRA and after due discussion and consideration it was resolved that the Chairperson ne authorised to sign the Letter of Engagement.

Action: Chairperson of the Audit Committee

There were no further issues raised by members arising from the report and after due discussion and consideration it was unanimously resolved that it be recommended to the Board of the Corporation that the Draft Report and Financial Statements and Letter of Representation for The Trafford College Group for the period ending 31 July 2021 be approved subject to the clarification and satisfactory resolution of the potential VAT liability position.

Action: Chief Finance Officer/ Board of the Corporation**AUD/53/21 Audit Findings Report Year Ending 31 July 2021**

The Financial Statements and Regularity Auditors (FSRA) presented to the Committee a copy of their Audit Findings Report (AFR) for the year ending 31 July 2021.

The FSRA advised that there had been no significant changes to the AFR that was considered by the Committee at its last meeting and prior to going through the report in detail provided the Committee with the context of the report.

He advised that the only issue that could impact on the timetable was the resolution of the potential VAT liability. He further advised around the additional work that had had to be undertaken in the context of the merger and additional income review work.

Following his introduction to the AFR the FSRA went through the key issues as detailed below:

- The current status of the audit and the critical elements that were required to be completed before signing off.
- Changes to the audit plan in terms of income recognition and merger.
- Observations in respect of significant risks. The FSRA went through these in detail and explained the approach that had been taken to the revenue audit including sampling testing arrangements for the Group's key funding streams. The FSRSA also advised on the work undertaken in terms of the risk around claw back and commented that all aspects of provision had received a clean bill of health and were strong.
- Observations in respect of other risks including 16 -18 grant funding income, employee remuneration, loan covenants, trade creditors and accruals, impairment of campus/other assets and disposal of Stockport land.
- Defined Benefit Scheme Valuation. It was advised that there was no specific area of concern to raise but that the work had yet to be completed and that there would be non - material adjustments which would be similar to the arrangements that were worked through in the previous year.

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- Going Concern which had been advised on earlier in the meeting and there were no further issues to be reported.
- Management Override of Controls and it was advised that there was nothing to report and no areas of concern.
- Other communication requirements and Internal Controls including review of issues raised last year.
- Adjusted and Unadjusted Misstatements including Prior Year Adjustments.
- Regularity Audit with an expected unmodified opinion.
- Fees. The FSRA commented that the fee issue was not without challenge and that the estimate had increased from the audit plan by £1,500k but had been delivered at a discounted rate. Regarding the merger costs that had been £13,500k and was the same as the Stockport merger costs

Members raised several issues arising from the report as follows:

- How were the sample testing size determined and did the FSRA meet with the ESFA to determine their approach?

The FSRA advised of the reasons why they had not met with the ESFA and that virtually no guidance had been received from them regarding the matter.

He added that audit firms had taken different approaches to the issue, but that GT had determined to take a robust approach and that the sample sizes were high due to the significant risk of clawback. He added that he hoped that the Committee would understand the approach taken including the positive comments and the closing off of all items thus enabling good assurance for income recognition and potential claw back.

- A member asked if the ESFA audit the work that had been undertaken.

The FSRA advised that the ESFA would undertake a risk assessment and then undertake a funding audit if required. The CFO also advised that some auditors take reliance on other pieces of work that had been undertaken such as GMCA.

- A member asked if the comparison of fee costs with the Stockport merger had been discussed with the CFO?

The FSRA advised that the fee outcomes had been presented to the CFO with the still unknown fee element being that related to the potential VAT liability work.

- A member asked why the FSRA was not able to rely on the work of CAMSFC External Auditors and did they not have accesses to their audit files.

The FSRA advised that the protocol in the sector, unlike commercial organisations, was that such sharing did not take place and was normal practice.

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The member expressed his surprise at this and commented that if the files had been shared then this could have reduced the volume of work and consequently the fees that were being quoted.

There were no further issues raised by members arising from the report and after due discussion and consideration it was resolved that the Audit Findings Report for year ending 31 July 2021 be recommended to the Board of the Corporation for approval.

Action: Board of the Corporation

AUD/54/21 Self-Assessment of Compliance with Regularity and Propriety Requirements for The Trafford College Group and Cheadle and Marple Sixth Form College 2020/2021

The Director of Finance (DF) presented copies of Self-Assessment of Compliance with Regularity and Propriety requirements (SACRP) for The Trafford College Group and Cheadle and Marple Sixth Form College for the period 2020/2021.

The DF confirmed that SACRP for TTCG was broadly similar to last year's submission and that the auditors had not raised any issues arising from the SACRP.

A member asked if the management were content with the CAMSFC SACRP and the CFO advised that it had been reviewed in detail by CAMSFC External Auditors (Mazars) and nothing arising from the review had been brought to management's attention.

There were no further issues raised by members and after due discussion and consideration it was resolved that the Self-Assessment of Compliance with Regularity and Propriety Requirements for The Trafford College Group and Cheadle and Marple Sixth Form College 2020/2021 be recommended to the Board of the Corporation for approval.

Action: Board of the Corporation

AUD/55/21 Draft Annual Report of the Audit Committee for The Trafford College Group the period ending 31 July 2021

The CS presented a report which included a copy of the Draft Annual Report of the Audit Committee for The Trafford College Group (TTCG) for the period up to 31 July 2021.

The CS advised that the report ensured compliance with the 16-19 Audit Code of Practice and provided an overview of the key issues arising from the Draft Report.

In consideration of the report the CS undertook to check the accuracy of the dates detailed in the Quality Assurance and Other Work of the Committee.

Action: Corporation Secretary

Minute No

There were no further issues raised by members and after due discussion and consideration it was resolved that the Chairperson be authorised to sign the draft report (subject to any accuracy changes) and that it be recommended to the Board of the Corporation for approval.

Action: Chairperson of the Audit Committee/Board of the Corporation

AUD/56/21 Internal Audit Progress Report 2021/2022

The IA presented a report which advised the Committee on the performance to date against the Internal Audit Plan for 2021/2022.

The IA provided the Committee with details of the key issues arising from the report which were as follows:

- The auditors had been working with the Executive Leadership Team regarding the Group's Strategic Risks and had held a session with the Board of the Corporation regarding Risk Appetite. It was further advised that they had attended and advised at the first meeting of the re-established Risk Management Group.
- Progress against the Operational Plan.

The IA advised that it the Safeguarding Audit had commenced with Phase 2 taking place week commencing 29 November 2021.

It was also advised that it was proposed that the internal audit for Admissions and Progression (AP) be cancelled and replaced with an audit into the Group's new financial system. It was commented that the reason for the proposal was that the scope of the AP audit was very similar to the Marketing and Communications (MC) Audit that had been recently completed and that it was felt that the audit into the new financial system would be of greater benefit in assurance terms.

The Committee debated the proposal in detail and in particular questioned the difference and overlap in the scope of the two audits (AP and MC) particularly within the context of progression at the Group, the changes that had taken place in accountabilities and responsibilities since the AP scope was agreed and the benefits of an audit into the progression element of the scope.

Regarding the proposed financial system audit a member asked for clarification about what the audit would cover, and would it include data migration. The CFO advised that the new system was a switch over from one system to another and the issue around auditing data migration had not, yet, been decided upon. The CFO further advised that it would be expected that the audit would take between 6/7 days.

After due discussion and consideration, it was agreed that the proposal needed to be considered further and it was agreed that the CFO should email a report to members which would provide full information relating to following issues:

- Details of the duplication between the AP audit and the previously undertaken MC audit and whether the progression element of the AP audit should be retained.

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- Details of the scope of the new Financial Systems Audit.
- Management recommendation and justification around the proposals.

Action: Chief Finance Officer

In order to expediate an effective decision regarding timings it was agreed that the report would be emailed to members and that the decision would be made via email in accordance with the Group's Standing Orders.

Action: Corporation Secretary

- The dates for all the other in year audits had been agreed with management.

There were no further issues raised by members arising from the report and it was resolved that it be noted.

AUD/57/21 Audit Tracker – Management Actions arising from Audit Reports -November 2021

The CFO advised the Committee that following discussions at the last Committee meeting management was now following up on all audit recommendations and would provide a report on updated actions at each Committee meeting.

In this context the CFO presented two tracker reports for the Committees consideration as follows:

- All outstanding actions with their current status.
- All recommendations that had been implemented and were now complete.

The CFO advised of the new process that had been implemented with internal audit from the start of the Academic Year.

The CFO reported on the key headlines relating to the 79 recommendations that had been reviewed and made proposals for progression in respect of the following issues:

- Staff Utilisation.
- Admissions Process – consistency in approach for all learners.
- IT Controls -Information and Security.

Members raised several issues arising from the report as follows:

- Why some of the actions had not been undertaken and addressed going back to 2015/2016.

The CFO advised that the answer to the question was not known and that given the length of time since the recommendations were made, coupled with the fact that this was on the Internal Audit plan to be reviewed this year, it was

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recommended that they be removed.

A member commented that he felt that they should be removed but that any audits going forward may want to pick up the identified issues.

The CS commented that the recommendations related to the organisation prior to the two mergers and should therefore be removed.

There were no further issues made by members and after due discussion and consideration the following actions were agreed:

- **The four, low importance actions on the 2015/16 Staff Utilisation audit be removed.**
- **The recommendation regarding the outstanding admissions process as detailed in the report be approved.**
- **The removal of the two IT Controls recommendations were not agreed and are to remain open on the tracker,**
- **The status of the open audit recommendations be noted.**
- **The closure of the low rated recommendations be agreed and removed.**
- **The closure of other completed recommendations be agreed.**

Action: Chief Finance Officer

The members commented that there were content with new tracker information as presented and a member commented that, for future reference, when many recommendations were made, they should be numerated in the report.

The CFO undertook to take the members suggestion into account.

Action: Chief Finance Officer

AUD/58/21 Board Assurance and Risk Management Framework Update 2021/2022

The CFO presented a report, which updated the Committee in respect of the Board Assurance and Risk Management Framework (BARMF).

The report also provided members with details of the following:

- The slides and outcomes from the Risk Appetite Workshop that the Internal Auditors had undertaken with the Board of the Corporation.
- The updated BARMF following further consideration by the Risk Management Group in November 2021.
- The updated draft Strategic Risk Register (SRR) and Risk Heat Map.

The CFO advised the Committee that a great deal of work had been undertaken in updating the BARMF and that the new Strategic Plan for 2021-2024 was now referenced within the framework.

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It was further advised that the key headline matters and items for potential discussion were as follows:

- The 29 risks identified on the SRR/ BARMF with the focus on the 14 risks which require further action.
- The main changes to risk scores and the two key determinants that had impacted on the scores. It was noted that these related to the impact of the return to face to face teaching on both staff and students and the high level of staff vacancies that the Group was carrying.

A member commented concerning how significant were the risk determinants and how they correlated to the risk register given that there was a high level of green rated risks?

The CFO explained in detail the extent of the risks across the Group and that mitigating actions that were being taken to address them to the members satisfaction together with the impact on the SRR.

The report also provided members with details of the updated risk assessment scores and the link to risk appetite together with the relevant impact and likelihood assessments.

In terms of discussion points the CFO advised concerning the risk assessment, scoring and issues relating to Strategic Priorities 1-4 and the Strategic enablers 1-3.

The report also identified the risks that had been mitigated and the risks that needed further focus together with the Other Corporate Risks which all needed follow up actions.

A member commented that the report presented was excellent and should be formally shared with the Board of the Corporation.

The CFO advised that the relevant and appropriate issues would be reported to the Board of the Corporation at its meeting on 15 December 2021 in line with Groups Board Assurance and Risk Management Policy requirements.

Action: Chief Finance Officer

There were no further issues raised by members arising from the report and it was resolved that it be noted with appropriate reporting to the Board of the Corporation.

AUD/59/21 Value for Money Strategy 2021-2024

The CFO presented a report, which provided the Committee with proposals for an updated Value for Money Strategy (VFMS) for the period 2021-2024.

The CFO advised the Committee that the VFMS had not been updated for a considerable period and that the current proposals were aligned to the recently approved Strategic Plan 2021 – 2024.

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The CFO also advised that the VFMS covered the key aspects of Economy, Efficiency, Effectiveness and Equity.

A member asked if the Value for money annual report would include pay as discussed at previous Committee meetings. The CFO confirmed that it would be included in the report and would also include high level contribution levels.

There were no further issues raised by members arising from the report and after due discussion and consideration it was resolved that the Value for Money Strategy 2021-2024 be recommended to the Board of the Corporation for approval.

Action: Board of the Corporation

AUD/60/21 Any Other Business

The CFO advised the Committee that she had instructed the Internal Auditors to undertake an audit into Bursary Grants at an additional cost of £1,250 plus VAT.

The CFO outlined the reasons for the audit regarding the need for full transparency relating to the Grants.

There were no issues raised by members arising from the update and it was resolved that it be noted.

The CFO also advised the Committee that she had recently received the outcome of the ILR Audit from the Office of Students which had been too late to be provided to the Committee at the meeting.

It was advised that the findings from the audit would be presented to the Committee at its next meeting.

Action: Chief Finance Officer

AUD/61/21 Date of Next Meeting

It was agreed that the next meeting would be held at 6.00pm on Monday 04 April 2022.

The meeting closed at 7.53 pm.