

Minutes of the Meeting of the Corporation's Audit Committee held on Monday 11 December 2023 at 4.00 pm by Virtual Attendance

| Committee Members | Appointed as | Chair/Vice | Apologies |
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| Emma Milson | External Governor | Chair | Received |
| Angela Moran | External Governor | | |
| Peter Phythian | External Governor | | |
| Ian Watson | External Governor | | |
| Clare Walters | Co-Opted Governor | | |

| In Attendance | | | |
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| Kate Calvert | Deputy Principal Human Resources and Operational Services | <i>(until 4:40pm)</i> | (DPHROS) |
| Steve Kelly | Chief Financial Officer | | (CFO) |
| Richard Lewis | External Auditors (RSM) | | (RSM) |
| Kirsti Lord | Deputy Chief Executive and Deputy Principal | | (DPCEO) |
| Bill Meredith | Principal | | (Principal) |
| Sallyanne Pearson | Director of Governance | | (DG) |
| Stephen Pringle | Internal Auditors (Wylie & Bissett) | | (W&B) |

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| 23.10 | Welcome and Apologies for Absence | |
| | Apologies for absence were received, with consent, from Peter Phythian. | |
| 23.11 | Declarations of Interest | |
| (a) | To consider and declare, as required, amendments to the Register of Interest Reference was made to the Register of Corporation Members & Clerk Interests included as part of the Agenda Pack. Nothing was raised. | |
| (b) | Items to be raised as part of the evening's business Nothing raised. | |
| 23.12 | Financial Statement Auditors | |
| 23.13 | Minutes of the previous Meeting | |
| | Minutes noted were included as part of the Agenda Pack circulated. | |
| (a) | To receive and approve the following Minutes of the Meeting held on 12 October 2023 | |
| (i) | Non-Confidential Minutes The Minutes were APPROVED as a true and accurate record of the Meeting and are to be signed by the Chair. | |
| (ii) | Confidential Minutes The Minutes were APPROVED as a true and accurate record of the Meeting and are to be signed by the Chair. | |
| (b) | To note the Action Summary and consider Matters arising Reference was made to the Audit Committee Action Summary 11 December 2023 paper, circulated as part of the Agenda Pack. The Committee reviewed the Action Summary and its updates and RESOLVED as follows: | |

| Min Ref | Title | Action Point | Resp | Resolved as |
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| 22 June 2023 | | | | |
| 22.34(b) | Internal Audit Service (Wylie & Bisset) – Internal Audit Reports | Transport Report: CFO to review the software and rectify the setting which automatically defaults to “disagree” if an answer on the Student Survey is missed. | CFO | See Update Remove as Action |
| 12 October 2023 | | | | |
| 23.5(a)(v) | Internal Auditing | DG to forward the External Board Review’s Scope of Works to W&B with a view to amending the Corporate Governance Audit’s scope of work | DG / W&B | See Update Remove as Action |
| 23.7(a) | Risk Management | <ul style="list-style-type: none"> • DPCEO to include underperformance in Further Education within the High Level Risk Register and High Level Risk Management Action Plan • CFO to review the wording of the “Actions to Manage” on the High Level Risk Management Action Plan to reflect the % reduction is relative to the drop to inflation across utilities | <p>DPCEO</p> <p>CFO</p> | <p>On Agenda Complete</p> <p>See update Remove as Action</p> |

Action Point 22.34(b): It was explained that the software utilised did not allow for this option to be altered. The data is to be amended manually to ensure it is accurately reflected in reporting.

Action Point 23.5(a)(v): the DG provided an update and explained that the Internal Auditors had requested sight of the College’s External Board Report. The DG is to liaise with the Chair of the Audit Committee, in this regard, outside of the Meeting.

ACTION: DG to liaise with the Chair of the Audit Committee and provide the Internal Auditors with the External Board Report thereafter

Action Point 23.7(a): Reference was made to the wording of point 2 of the High-Level Risk Register 2023/24 and the High-Level Risk Management Action Plan 2023/24. **The Committee noted that the wording and actions to manage around the “inflation” percentage was ambiguous.** The CFO provided an explanation and confirmed he would review and amend the wording to provide clarity.

DG

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| | ACTION: CFO to amend the wording of point 2 of the High-Level Risk Register 2023/24 and the High-Level Risk Management Action Plan 2023/24 to provide clarity around the percentage of inflation and the actions required to manage the same | CFO |
| 23.14 | Internal Auditing | |
| (a) | <p>To consider and advise the Corporation on Internal Audit Reports from 2022 to 2023 Introductions were made to the DPHROS. It was explained that the DPHROS had been invited to the Meeting to answer any questions arising from the internal audits.</p> <p>Payroll</p> <p>Reference was made to the Internal Audit 2023-24 Payroll November 2023, report circulated as part of the Agenda Pack.</p> <p>The Internal Auditors provided a summary overview of the audit’s scope and their works undertaken. An overall conclusion of “Strong”, no recommendations and several good practice points was reported. The CFO noted the positive outcome of the audit.</p> <p>Health and Safety</p> <p>Reference was made to the Internal Audit 2023-24 Health & Safety November 2023, report circulated as part of the Agenda Pack.</p> <p>The Internal Auditors noted that the audit related to policy and process around health and safety at the College.</p> <p>The Internal Auditors provided a summary overview of the audit’s scope and their works undertaken. An overall conclusion of “Strong”, no recommendations and several good practice points was reported. The Committee’s attention was drawn to the “Observations” section which noted the need to develop a more formalised process and recording/logging of “spot checks” being undertaken across the College.</p> <p><i>Part of this item was taken as confidential</i></p> <p>The Committee RESOLVED to advise the Corporation accordingly on both of the Internal Audits undertaken.</p> | |
| (b) | <p>To consider and receive a written update on the Internal Audit Programme</p> <p>Reference was made to the Progress Report December 2023, report circulated as part of the Agenda Pack.</p> <p>The Internal Auditors noted works to date; confirming Budget Setting and Monitoring and Corporate Governance audits would commence in February 2024 and undertaken remotely. A summary overview of all audits included as part of the Assignment Plan was provided.</p> <p>Questions were invited. The Committee noted the Risk Management Audit and challenged whether benchmarking would be undertaken as part of that audit.</p> <p>The Internal Auditors confirmed benchmarking would be undertaken against similar Colleges; noting that more recently undertaken audits were identifying areas such as climate change on their risk registers.</p> <p>The Committee noted the same.</p> | |
| 23.15 | Governance | |
| | <p>Reference was made to the Audit Committee Annual Report 2022/23, circulated as part of the Agenda Pack.</p> <p>To receive and consider the Annual Report of the Audit Committee 2022 to 2023</p> <p>The Committee opened discussion around the period of time the Members’ Report and Financial Statements including the Regularity Audit Report (MR&FS) related to; noting that it covered the 2022/23 period (end July 2023) as well as anything arising up to the date of signature of the MR&FS. It was noted that matters identified within the MR&FS for the year ended 2022/23 period, such as the non-contractual termination payments, were only just being picked up and discussed as part of the Audit Committee’s meetings</p> | |

being undertaken in the 2023/24 period. The External Auditors confirmed that the audit works related to “now” and would include anything arising out of the 2022/23 period as well as anything else arising up to the date of signature of the MR&FS. The Committee requested that some prose be included to reflect the period which it related.

The following amendments were requested by the Committee:

- the text noting the Overall Conclusion from the follow up review be increased in font size (page 5 of 9);
- the square brackets included on the External Auditors opinion on the financial statements be removed alongside the “they[s]” so it reflected the wording within the MR&FS (page 5 of 9);
- the Audit Committee’s conclusion be updated to mirror the one contained in the MR&FS (page 7 of 9).

It was **RESOLVED** that the DG make the amendments noted, in highlight and strikeout, and circulate the same to the Committee. It was **FURTHER RESOLVED** that the Chair be delegated authority to approve the amendments to the Annual Report in readiness for providing it the Corporation.

ACTION: DG to make amendments to the Annual Report of the Audit Committee and liaise with the Chair of the Audit Committee to finalise the Report in advance of the Corporation Meeting

DG

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| 23.16 | Financial Statements Auditors | |
| (a) | To consider and advise the Corporation on, the | |
| (i) | <p>Draft Regularity Audit Self-Assessment Questionnaire</p> <p>Reference was made to the completed Regularity self-assessment questionnaire (2022 to 2023) circulated as part of the Agenda Pack.</p> <p>The CFO outlined the regulatory requirements around completing the Regularity Self-Assessment Questionnaire explaining that the document was completed by the College and does not require submission to the ESFA.</p> <p>The Committee’s attention was drawn to the “Special Payments, including severance, compensation and ex gratia payments” item and the response included. It was explained that the College had made two non-contractual termination payments which were outside of its delegated authority from the ESFA and contravened the ESFA’s bite sized guidance. One payment was noted to have taken place during the financial year ended July 2023 with one further being made prior to the end of December 2023: both payments are detailed within the MR&FS.</p> <p>The External Auditors noted that these matters had been brought, voluntarily, to their attention by the College and noted their thanks for the openness and transparency. The External Auditors confirmed that retrospective consent had now been applied for from the ESFA.</p> <p>The Committee noted earlier discussions and requested clarity whether the payment made after July 2023 would be included as part of the 2022/23 and the 2023/24 MR&FS. The External Auditors confirmed it would with an update provided as part of the 2023/24 MR&FS.</p> <p>The DPHROS provided a summary overview to the Committee on how the non-contractual payments arose. The DPHROS confirmed she had approached the ESFA to ascertain whether retrospective consent could be provided in advance of the 2022/23 MR&FS being signed. It was confirmed that this unlikely in the short timescale.</p> <p>The Committee noted the same and challenged whether retrospective approval was likely to be granted by the ESFA. The External Auditors explained that it was likely to be elevated/discussed with the H M Treasury but confirmed that the College had acted correctly in disclosing the breaches. A discussion was then undertaken around the changes in regulatory requirements which had come into practice since the reclassification by the Office of National Statistics (ONS) and the implications this was having across the sector. The Committee challenged, from a horizon</p> | |

scanning perspective, whether there were any other particular “hot spots” which the College needed to be mindful of. The External Auditor reaffirmed the impact across the sector and emphasised that should the College be in any doubt around the new regulations and whether they were applicable - to reach out to the most relevant advisor to mitigate risk where possible. The External Auditor noted the requirement that the College review its existing policies, procedures and processes to ensure the new requirements including, for example, the bitesize guidance was being embedded in operations.

The Committee queried what the consequences would be for the College if the consent required was not approved by the ESFA. The External Auditor noted this was unknown, at this point in time, but correspondence from the ESFA would follow. The CFO reported that a high-level review of the Financial Regulations had been undertaken but that a further review was likely to be required to ensure all requirements were embedded going forward. Reference was made to the anticipated release of the College Financial Handbook which was likely to provide further clarity to the sector.

The Committee noted the discussion and **RESOLVED** to **ADVISE** the Corporation to **APPROVE** the Regularity Audit Self-Assessment Questionnaire, as drafted.

The DPHROS left the Meeting at 4:40pm

(ii) Draft Financial Statements of Bishop Burton Farm Enterprises Ltd
Reference was made to the Bishop Burton Farm Enterprises Limited Report and Financial Statements for the year ended 31 July 2023, included as part of the Agenda Pack.

A summary overview was provided. It was explained that the subsidiary company evidenced a slight increase in trading and return; the profits of which were invested back to the College via Gift Aid.

(iii) Draft Financial Statements of Bishop Burton Farm Ltd
Reference was made to the Bishop Burton Farm Limited Report and Unaudited Financial Statements for the year ended 31 July 2023, circulated as part of the Agenda Pack.

It was noted that the subsidiary company was dormant. No further update provided.

(iv) Draft Financial Statements of Bishop Burton Riseholme Limited

Reference was made to Bishop Burton Riseholme Limited Report and Financial Statements for the year ended 31 July 2023, circulated as part of the Agenda Pack. The External Auditors noted a nil return; explaining that the subsidiary company had been incorporated as a tax efficiency vehicle for the development of the Riseholme campus. The External Auditor put forward that the Committee/Corporation would now need to determine what to do with the subsidiary company going forward.

The CFO explained that Bishop Burton Riseholme Limited and Bishop Burton Farm Ltd had both been incorporated for tax efficiency purposes; noting that it was not the intention to dissolve the companies as College wished to retain the company names. The CFO further confirmed that Bishop Burton Farm Limited was in no way related to the College’s farm operations and had been incorporated using “Farm” to assist with any DEFRA Grants should they be required. It was confirmed that no DEFRA Grants had been applied for in any event.

The Committee noted the same and put forward their understanding that the director of these limited companies was to be changed and challenged whether this needed to be updated. The CFO confirmed this had not been undertaken to date and would be put into effect at the AGM which is to be held on 19 December 2023 in advance of the Corporation Meeting.

The Committee noted the Financial Statements of all of the subsidiary company and **RESOLVED** to **advise** the Corporation to **APPROVE** the same.

(v) Draft Members' Report and Financial Statements including the Regularity Audit Report Updated Document

Reference was made to the two versions of the MR&FS circulated to the Committee. It was confirmed that the original draft, circulated within the Agenda Pack, had subsequently been updated and a further version circulated in advance of the Meeting.

The External Auditor explained that the original MR&FS contained section headings highlighted in yellow being the “Going Concern” sections of both the Report of the Governing body (page 13) and Note 1 of the Notes to the Financial Statements (page 34). It was reported that these sections had now been updated, by themselves and the CFO, in the subsequent draft circulated.

Report of the Governing Body

The External Auditor provided an overview of the Report of the Governing Body noting the positive achievements of the College over the period including the strong OFSTED Reports and sporting partnerships. The voluntary disclosures around sustainability and the College’s Carbon Footprint were also commended by the External Auditors. The principal risks and uncertainties were outlined.

Discussions around “Going Concern” and “Material Uncertainty”

The Committee’s attention was drawn to the section entitled Going Concern (page 13), the paragraph entitled “Material uncertainty related to going concern” contained within the Independent Auditor’s Report to the Corporation of Bishop Burton College (page 26) as well as the Note 1, Going Concern, set out in the Notes to the Financial Statements (34).

The External Auditor made reference to the “material uncertainty” wording included within the Independent Auditor’s Report to the Corporation and explained that as at end 31 July 2023, the College remained in a positive year end position but was thereafter forecasting budget deficits for both 2024 and 2025 and to breach its loan covenants. The External Auditors explained that the material uncertainty wording was included based on the fact that should the lenders choose to call in their loans from the College it would not have monies available to repay them without further refinancing.

The External Auditor put forward that the wording of these sections was however likely to be updated again as conversations with the lenders continued/developed regarding the issuing of waiver letters or amending the covenants to reflect the College’s cash position. It was noted however that this was unlikely to be resolved prior to the signing of the MR&FS as ESFA approval would be required. It was confirmed therefore that the wording relating to “material uncertainty” would remain although there was no modification to the Auditor’s opinion that governors considered the College a going concern.

The CFO reported that neither of the lenders had indicated that they intended to recall the loans; with one lender unclear on its position owing to the breach being forecasted as opposed to actual. The CFO explained that discussions had been opened with the lenders as per the request of the Corporation.

Part of this item was taken as confidential

The CFO put forward, to the Committee, that the College did remain in a strong cash position and support could be sourced from the DfE Loan Scheme if required. It was confirmed that the wording to be included in the MR&FS would not affect relationships with stakeholders and that the financial statements were a true and fair reflection. The External Auditor noted that there was a reasonable expectation that the breaching of the loan covenants would be remedied but put forward that the Committee should consider whether it needed to apply to the DfE Loan Scheme in readiness.

Statement of Corporate Governance and Internal Control

Reference was made to the section entitled: “Responsibilities under funding agreement” and in particularly the wording “*The college has reviewed its policies, procedures and approval processes in line with these new requirements and updated them to ensure compliance with the new requirements. The college is establishing*

systems and processes to identify and handle any transactions for which DfE approval is required.”

The External Auditors put forward the Committee needed to consider, based on the non-contractual termination payments noted, whether this was an accurate reflection.

The Chair opened discussions and invited comments from the Committee. The scope and speed of the regulatory changes implemented were noted as was the fact that breaches had occurred. It was acknowledged however that these had subsequently been picked up and addressed appropriately. It was noted however that the expectations of the ESFA, in complying to these regulatory changes, had not been met.

The Committee challenged whether the College was being thorough, as and when the regulatory changes were introduced, and mapping the required changes into applicable policies and procedures. The CFO reported that the Statement of Corporate Governance and Internal Control noted that the College was “establishing systems and processes” as opposed to having established them and it was explained that the College Financial Handbook would assist in developing such works further. **Discussion continued and the Committee challenged whether there was sufficient control around this area.** The DG drew the Committee’s attention to the separate paragraph included as part of the Statement of Corporate Governance and Internal Control noting that consideration should be getting applied to those policies and procedures which were passing through the current policy cycle (as noted on page 16) but noted a larger piece of work to identify all processes and procedures impacted needed to be undertaken. The DG also drew the Committee’s attention to the Audit Committees Annual Report noting that as part of the Conclusions and Recommendations (paragraph 12) this would be noted to the Corporation.

The remote connection was lost between the DG, the Committee Members and the Internal/External Auditors. The DG resumed clerking but a section of discussions is omitted from the official record.

The DG resumed clerking during a discussion regarding pensions. The External Auditor was noting the contribution grant which was being provided by the DfE to cover the increase in Employer Contribution rates and noting there was no guarantee that this grant would continue.

The Committee **RESOLVED** to advise the Corporation to **RECEIVE** and **APPROVE** subject to any further amendments being made.

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| (vi) | Draft Management Letter on Financial Statements including Final Regularity Audit (Enc) Updated Document - (Enc) |
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Reference was made to the two versions of the Draft Audit Findings Report circulated to the Committee. It was confirmed that the original draft, as circulated within the Agenda Pack, had subsequently been updated and a further version circulated in advance of the Meeting.

The External Auditors walked the Committee through the Draft Audit Findings Report. Key points noted included:

- Income Recognition (page 5): the External Auditors confirmed there had been no errors on testing; commendations were noted to the College’s Management Information Systems Team;
- Defined Benefit Pension Liability (page 7): the External Auditors positively noted the College’s engagement with the actuary and confirmed that the East Riding Pension Scheme / Local Government Pension Scheme should be reflected as a £nil asset in the Financial Statement which is contrary to the advice provided from the External Auditors for the year ended July 2022;

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| | <ul style="list-style-type: none"> • Going Concern (page 8): noted as having been discussed earlier in the Meeting. The College was reported to have made the correct and right disclosures as set out; • Regularity (page 9): the non-contractual termination payments were noted and confirmed as having been discussed. The positive engagement of the College, in this regard, was noted; • Recommendation on Controls: no significant control recommendations were identified. "Other control recommendations" were outlined in summary. <p>The Committee referenced the Risk Findings diagram (page 4) and challenged, for clarity, whether the grading of risks noted was based on a pre or post control basis. The External Auditors confirmed that the diagram provided an illustrative diagram of the financial impact to the College should that risk materialise and was not related to the control framework.</p> <p>The Committee RESOLVED to advise the Corporation to RECEIVE and APPROVE the Management Letter on Financial Statements including Final Regularity Audit.</p> | |
| (vii) | <p>RSM FE Emerging Issues – Autumn 2023</p> <p>Reference was made to the Further Education Emerging Issues Autumn 2023 Report, circulated as part of the Agenda Pack.</p> <p>The External Auditors summarised the same to the Committee and advised that the Report be circulated to all Governors of the Corporation.</p> <p>ACTION: DG to circulate the Further Education Emerging Issues Autumn 2023 Report to the Corporation</p> <p>The External Auditors requested that the Committee confirm whether they knew of any significant or material fraud which should be disclosed. The Committee confirmed they did not know of any.</p> | DG |
| 23.17 | Audit Recommendations | |
| | <p>Reference was made to the Outstanding Audit Recommendations – November 2023, circulated as part of the Agenda Pack.</p> <p>To receive and consider an update on Outstanding Internal and External Audit Recommendations</p> <p>The CFO outlined the document to the Committee. Particular reference was made to the Recommendations arising from the Apprenticeship Reports as well as the ESFA Apprenticeship Compliance Testing Report; the CFO put forward that a discussion would need to be undertaken as to how to report on some of these areas some would be ongoing for a period of time. The Committee noted the same and challenged whether the recommendations covered items raised by the External Audit works. The CFO confirmed they did.</p> | |
| 23.18 | Risk Management | |
| (a) | To consider and advise the Corporation on updates/changes to the: | |
| (i) | <p>Risk Register</p> <p>Reference was made to the High-Level Risk Register 2023/24 circulated as part of the Agenda Pack.</p> <p>The CFO provided a summary overview of the Risk Register. It was confirmed that under achievement of the 16-18 provision had been now been included. In addition, a risk relating to the expiration of a commercial sporting contract at the end of June 2024 had been added. The Committee noted the expiration of the commercial sporting contract and challenged whether the Executive had a "Plan B" should that contract not be renewed. The CFO confirmed it did not.</p> <p><i>Part of this item was taken as confidential</i></p> | |

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| | <p>The Committee noted an ongoing preference that a named operational lead be assigned to each of the risks and actions detailed on the High Level Risk Management Action Plan 2023/24. An extensive discussion was undertaken around this point with the Committee noting it's strong preference that this be taken forward to develop responsibility and accountability of risk management across the College. The CFO explained that each of the actions were owned by an operational "group" or "committee" with the Chair of that group/committee ultimately having overall responsibility and accountability of the action. The Committee acknowledged the explanation and sought assurance that the operational structure clearly communicated that responsibility and accountability placed upon the operational lead who acted as the chair of such groups or committees. The CFO confirmed that it did. Following discussion, the CFO agreed to review the Action Plan to provide clarity around the ownership of each risk and actions to manage.</p> <p>ACTION: CFO to review the High Level Risk Management Action Plan 2023/24 to ensure that an operational lead/group are clearly identified as being responsible and accountable for the risk and the actions to manage</p> | |
| (ii) | <p>Risk Management Action Plan</p> <p>Reference was made to the High-Level Risk Management Action Plan 2023/24 circulated as part of the Agenda Pack.</p> <p>Taken as part of Minute 23.18(a).</p> | |
| (b) | <p>To consider and advise the Corporation on the Risk Management Annual Report including the Risk Management Strategy & Policy</p> <p>Reference was made to the Annual Report on Risk Management – 2022/23 including Risk Management Strategy, circulated as part of the Agenda Pack.</p> <p>Taken as read.</p> <p>A typographical error was noted at point 9 of the Annual Report on Risk Management whereby date "2021/22" should be amended to read 2022/23. It was RESOLVED that this be amended.</p> <p>Action: Typographical error at point 9 of the Annual Report be amended from 2021/22 to 2022/23.</p> <p>The Committee RESOLVED to advise the Corporation to RECEIVE and APPROVE the same pending the amendment noted.</p> | CFO |
| 23.19 | <p>ESFA's Report on the College's Financial Forecasting Return 2023 to 2025</p> <p>Reference was made to the ESFA's Report on the College's Financial Forecasting Return 2023 to 2025 and attached Dashboard, circulated as part of the Agenda Pack. The CFO confirmed that the financial health of the College had been graded as "Good" for the 2022/23 period but dropped to "Requiring Improvement" for the 2023/24 period.</p> <p>The CFO explained that this was in line with discussions with the Corporation but noted that the financial forecast had changed significantly since the approval and submission of the CFFR in July 2023.</p> | |
| 23.20 | <p>Policies</p> <p>To consider and recommend the following policies to Corporation for approval</p> | |
| | <p>The Freedom of Information Act Policy (2.02)</p> <p>Carried forward and not provided for review. The Committee challenged why the policy had not been provided. Upon discussion it was confirmed that this would be looked in to.</p> <p>ACTION: DPCEO to explore why the Freedom of Information Act Policy was not available for the Committee and seek to ensure it is provided to the next Committee Meeting.</p> | Audit DPCEO |
| | <p>To consider and note an update on the following policies</p> | |
| | <p>Procurement Policy (2.11)</p> <p>Reference was made to the Procurement Policy provided as part of the Agenda Pack.</p> | |

