

MINUTES OF AUDIT COMMITTEE MEETING HELD ON 12TH MARCH 2024
PART ONE

Present:

Edward Ng – Associate Governor
 Graham Ward – Chair
 Nick Tomkys – External Governor

In Attendance:

Matthew Brown - Director of Finance & MIS
 Jacky Leek – Head of Finance
 Gurpreet Sandhu – Risk & Compliance Manager
 Louise Tweedie – RSM (Internal Auditor)
 Lesley Venables – Head of Governance

Permission was given by all participants for the meeting to be recorded.

	Apologies for Absence	
88	Apologies for absence were received from Charlotte Bosworth (External Governor).	
	Declarations of Interest	
89	There were no declarations of interest in any agenda item.	
	Minutes	
90	Resolved - That the minutes of the meeting held on 14 th November 2023 be approved as a correct record and signed by the Chair	
	Matters Arising	
91	Governors received for information a progress report on the actions identified at the previous meeting and noted that the majority of these were either completed or featured on the agenda.	
92	Under minute 33.23 the Committee was advised that discussions on an appropriate risk appetite would form part of the workplan for RSM in 2024/2025 and would feature on the agenda for either the May Corporation meeting or the June governor strategy day.	
93	The Director of Finance & MIS reported that the work on funding audit (by KPMG) referred to in minute 37.23.4 had now been completed and the full report would be presented to the Committee's next meeting.	MB
94	The schedule of business across the academic year mentioned in minute 41.23.4 would be completed following discussions between management and the Internal Auditors with a draft Plan for 2024/2025 presented to the June meeting.	MB/RSM
95	In response to questions on progress with safeguarding training the Head of Governance reported that there were still a number of governors who had not yet undertaken all electronic training modules (minute 11). These individuals would be followed up and further progress would continue to be monitored by the Search & Governance Standards Committee.	LV/S&G
96	All relevant governor DBS checks had been undertaken or were in progress in the case of any renewals.	

97	Governors were informed that work was underway to ensure that management recommendations were closed off as efficiently as possible and in line with the identified target date. The managers of any areas where there had been significant overruns would be invited to attend a Committee meeting to explain the progress that had been made and any barriers to completion of the recommendations.	
98	The Committee requested that the Head of Governance and Risk & Compliance Manager continue their work with individual managers and that a report on progress would be submitted to the next meeting.	LV/GS
CHAIR'S ACTION		
99	There had been no chair's actions since the previous meeting.	
INTERNAL AUDIT REPORT – RISK MANAGEMENT		
100	The Internal Auditor presented an Internal Audit Report on Risk Management. This had graded the College's processes as providing an 'Amber/Green' assurance grading, with 2 medium and one low recommendation.	MB/LV
101	One of the medium recommendations was for the whole of the Senior Leadership Team to review the risk register and either confirm its content or make amendments to respond to differences in the environment. The Committee commented that the timely review of the Risk Register by SLT was an important part of setting the right controls across the College and ensuring the ability to measure their effectiveness.	
102	The Director of Finance & MIS responded that it had been difficult until now for managers to link risk management into their day jobs. Following detailed individual and collective discussions the majority realised the value of the risk process and were starting to see how it could support their decision-making and analysis of threats and opportunities.	
103	The audit had also highlighted a number of areas of good practice that had been seen across the FE sector and could be applied by the College. These included having a risk appetite or target view of risk levels, which could assist in setting parameters around decisions made by governors. It was agreed that a session on risk appetite would be arranged for the Corporation from May onwards, to align with the development of a new Corporate Plan.	
104	Following publication of a Financial Handbook for FE colleges (an outcome of the reclassification to the public sector) the risk register would need to be re-evaluated. It was vital that the Board focused on key areas of development rather than maintaining strategies with which it was comfortable and had been successful in the past. The Head of Governance added that the different composition and membership of the Corporation would also impact on the level of risk that governors found to be acceptable for the College.	
105	The remaining recommendation related to the lack of consistency in recording actions on residual risks, which could cause governors to question the evidence before approving a particular course of action.	

106	Governors should be able to see a link between this internal audit report and the work being undertaken internally on risk management.	
INTERNAL AUDIT REPORT – HE PROVISION		
107	Governors received an Internal Audit report on HE provision and were reminded that this visit had been undertaken at the request of the Office for Students and was being carried out nationally.	Head of MIS/HE Manager
108	A total of 14 previous recommendations had been tested to determine the level of progress. It was noted that 7 had been completed, 6 were in progress and 1 had not been progressed at all. These findings were in line with other FE colleges. No feedback had yet been received from the OfS but the auditor had suggested that the outstanding recommendations should be completed as soon as possible to avoid any regulatory penalties for non-compliance.	
109	The Risk & Compliance Manager reported that she was working with the Head of MIS and the HE Manager to ensure that the timescales identified against each recommendation were reasonable and that all actions were completed in a timely manner.	
110	Governors noted that some of the recommendations identified had been due to the long-standing skills shortages in the MIS department, which had now been resolved through the appointment of an experienced lead.	
INTERNAL AUDIT PROGRESS REPORT		
111	The Internal Auditor presented a report on progress against the Internal Audit Plan for 2023/2024. The Committee noted that the Plan was on track to be delivered by the end of the academic year, with any remaining audit reports due to be submitted to the June meeting.	
112	Governors also received a number of recent briefings issued by RSM nationally, including the Risk Radar report. This provided comparative information from RSM's commercial and not for profit client base and highlighted common risk themes, such as changes in Government, skills/experience shortages and the economic slowdown.	
113	A governor asked how the College was linking these risks to business development. The Director of Finance & MIS responded that the College was working in partnership with the Combined Authority and Innovate UK to address local skills needs. However, the expectations of how much any student could achieve was variable due to their respective starting points and environmental factors.	
114	There was a significant gap between the aims of Government policy and the real-world position for organisations such as the College and it was noted that in some areas (such as elements of green/sustainability technology) the demand for courses had not materialised.	
BENCHMARKING REPORT		
115	Governors received for information a report that benchmarked the College's internal audit outcomes against other client colleges in the FE sector. It was noted that the position in 2022/2023 had been highly positive, with a rating of Green or Amber/Green for each assignment. The	

	number of medium and low management actions had increased and high recommendations had reduced.	
116	A series of themes had emerged from the analysis of RSM's client base: apprenticeship funding compliance, ensuring a high quality student experience and financial management.	
117	The Committee agreed that the profile of recommendations may shift in 2023/2024 due to the higher risk areas covered by the Internal Audit Plan. Although it was useful to benchmark the College's performance, this did not show the full picture and there was a need to continue to examine sector-wide issues as well.	
118	The Director of Finance & MIS commented that it was difficult to compare performance in different years due to the coverage of the internal audit plan, however, the Committee could take assurance that the Plan had reviewed the right areas in terms of risk for the organisation.	
119	Governors felt that the area where they were least sighted on as an Audit Committee was the student experience. It was agreed that this should form a key part of the Internal Audit Plan for 2024/2025 and that some thought would be given in advance as to how this assurance could be provided to the Committee.	MB/RSM Cttee
120	The Director of Finance & MIS advised that the current student profile was very different from 5 years ago. The College collected a multitude of data and feedback on student views that informed decision-making and the Board was aware of the growing need to support learners with 'wrap-around' services. Governors had also discussed the balance between maintaining financial performance whilst meeting the increasing needs of learners and high quality provision.	
121	The Internal Auditor suggested that the College's Pro-Monitor system could track the level of engagement with support services and interventions, enabling governors to build up a view of mental health and well-being needs of students. It was more difficult to undertake this type of audit as it dealt with the differing needs of individuals, which varied enormously.	
FUNDING ASSURANCE AUDIT		
122	Governors were advised that for the second consecutive year the College had been selected for a Funding Audit by the ESFA. In previous years KPMG had undertaken this work and reports on the outcome had been discussed by the Committee. However, in December 2022 the ESFA appointed PWC to carry out a funding audit and the work scheduled for KPMG was suspended.	
123	The PWC audit had taken until June 2023 and resulted in a potential clawback of £600K which would be paid in 2023/2024. There was some disagreement between the College and the ESFA on the exact amount payable, which was being resolved at the moment. The work related to 2022/2023 but had implications for the current and future years.	

124	The Director of Finance & MIS reported that that KPMG had been contracted by the College to undertake a funding audit in December 2023/January 2024. However, the ESFA had then appointed Mazars to carry out a similar audit and this work was now almost complete. The audit itself had been an entirely different experience and the Mazars staff seemed to have taken a more reasonable approach. There had been no issues raised on the College’s FCFJ provision and Mazars had identified 2 matters that had not been flagged by PWC. Governors were advised that currently the College had been subject to 3 funding audits which had led to 3 different conclusions based on the same data. Further analysis was being undertaken by the Finance and MIS teams. The Committee discussed at length the link to the College’s risk appetite. The issues flagged by the funding audits related mainly to apprenticeship provision and was reflective of the complications of the funding methodology and the College potentially taking a strict interpretation on some aspects of the funding guidelines, which impacted negatively on the income levels for this area. Governors were assured that internal controls on apprenticeships were reasonably robust and operating effectively in general. The Chair reported that he had spent some time with the Apprenticeship team to better understand the issues involved and had seen evidence of the rigor of the College’s internal processes. However, it was recognised that this was still a high risk area in terms of funding. Front-line staff had to be continually reminded of the importance of completing the necessary paperwork as accurately as possible and in a timely manner. It was agreed that a separate Committee meeting would be arranged to discuss this issue in late May/early June and how this would be presented to the Corporation at its July meeting.	LV
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SUB-CONTRACTOR CONTROLS AUDIT		
130	The Director of Finance & MIS presented a report on the outcome of the recent Sub-Contractor Controls Audit, which was an annual requirement under the ESFA’s funding regulations. A number of recommendations had been made during the audit, including the need to increase the number of quality monitoring visits during the academic year and to ensure that contracts with sub-contractors were signed prior to any delivery taking place. The latter was difficult to achieve as often any such arrangements were a result of discussions with the Combined Authority and delivery needed to start as soon as possible. It was noted that the CA was currently drafting its own funding framework, which was set to mirror that of the ESFA.	
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AUDIT TRACKING REPORT		
133	The Risk & Compliance Manager presented a report on progress against each of the actions identified in previous audit reports.	

134	There were a total of 45 recommendations in the report, 17 of which were still active. As reported earlier, due to the slow progress of some recommendations the Head of Governance and the Risk & Compliance Manager were being held with each of the responsible managers to try to complete and sign them off.	
135	The Committee expressed concern that progress had been slow to date and was advised that this was partly due to capacity issues and a lack of familiarisation with the audit process and its value amongst some staff. In a number of areas the responsible manager had now changed and it had been necessary to provide background information for any new appointees and to support them towards completing the recommendations.	
136	A further progress report would be made to the next meeting and this item would be raised at a future SLT meeting to emphasise the importance and to provide support if required.	LV/GS
RISK MANAGEMENT & BOARD ASSURANCE		
137	The Director of Finance & MIS presented a report on the development of the Risk Management process. A total of 5 strategic risks had been devised which were linked to the Corporate Plan and the assurance framework had been designed to cover the College's statutory/regulatory obligations.	
138	These had been discussed by the Executive Team and the next stage would be to translate the content in this report to the 4Risk system. Some further work was required on the respective accountabilities for risks and to determine where these should appear within the risk register. The Director of Finance & MIS felt that the proposed process enabled managers to track progress against risks and to clearly link these to operational matters. The starting point for the system was to identify the College's needs and desired outputs, which would then focus the Board's attention on key concerns and risks.	
139	It was agreed that the risk register would also include the external assurance mechanisms and outcomes so that governors could determine whether the College was on track to meet the identified risk target and the extent of any variations.	MB
140	An updated Risk Management Policy and Risk Register would be prepared and submitted for recommendation for approval by the Corporation at the June Committee meeting.	MB
141	Resolved – That the Corporation be recommended to approve the draft Risk Management process, with a final version submitted for approval at the July meeting	
VALUE FOR MONEY 2022/2023		
142	The Head of Finance presented a report on Value for Money in 2022/2023. This assessed performance against 3 measures (Economy, Effectiveness and Efficiency) and noted the following:	

143 144 145	• Student achievement levels had increased with the exception of English and Maths; • Higher inflation levels, with significant increases in non-pay costs particularly utilities; • Continued upward pressure on staffing and pension costs; • EBITDA likely to remain below 5% for the foreseeable future and financial health graded as 'Good'. Governors were advised that it was difficult to assess whether VFM had improved in 2022/2023 as student outcomes did not necessarily align with the level of capital/resource investment, costs continued to increase faster than income levels and the different student profile meant that the College needed to provide additional support mechanisms to achieve the same end result. The Director of Finance & MIS commented that the Board should be setting targets that enabled the College to recover its previous position. However, it was recognised that the impact of many of the student support elements was not necessarily obvious and could not be measured easily. The Committee felt that this was the first year for which the College had experienced a reduction in VFM. However, the report reflected the College's position with a high level of accuracy. Louise Tweedie left the meeting at this point.	
	Date and Time of Next Meeting	
	18th June 2024, 10.00 a.m. (Additional meeting to be arranged for late May/early June)	