

MINUTES OF AUDIT COMMITTEE MEETING HELD ON 18 JUNE 2024

Present:

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

In Attendance:

Matthew Brown - Director of Finance & MIS
 Jacky Leek – Head of Finance
 Gurpreet Sandhu – Risk & Compliance Manager
 Lesley Venables – Head of Governance
 Louise Tweedie – RSM, Internal Auditor
 Annalee Hurley, Beever & Struthers, External Auditor
 Mark Bradley, Beever & Struthers, External Auditor
 Alex Foley, KPMG, Funding Assurance Auditor
 James Norris, Assistant Principal, Commercial Development (minutes 182 to 205)
 Rachael Smith – Director of Apprenticeships (minutes 182 to 205)
 Jat Sharma – Principal

	Apologies for Absence	
149	There were no apologies for absence	
	Declarations of Interest	
150	There were no declarations of interest in any agenda item.	
	Minutes	
151	Resolved - That the minutes of the meeting held on 12 th March 2024 (Parts 1 & 2) be approved as a correct record and signed by the Chair	
	Matters Arising	
152	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.	LV LV/GS
153	In relation to minute 95 the Head of Governance reported that only two governors had still to complete their safeguarding training and that these individuals were being followed up as a matter of urgency. All relevant governor DBS checks for new governors had been undertaken or were in progress in the case of any renewals.	
154	Work had continued to ensure that management recommendations were closed off as efficiently as possible and in line with the identified target date. The Committee noted that the number of actions on this report had reduced significantly, with a further group assessed as 'completed' for this meeting which would be removed from the next version.	
	CHAIR'S ACTION	
155	There had been no chair's actions since the previous meeting.	
	INTERNAL AUDIT REPORT – QUALITY ASSURANCE	
156	The Internal Auditor presented an Internal Audit Report on Quality Assurance, which had focused on the structure and operation of the quality	

	framework, including the Self-Assessment Report, internal/external verification and the lesson observation process and reporting on KPIs.	
157	This area had been graded as providing a 'Substantial' level of assurance, with 3 low priority recommendations. These centred around staff internal verification training to ensure that their skills were kept up-to-date, including responsibility for QA in any relevant job descriptions and devising a formal report on compliance against training requirements.	
158	The Director of Finance & MIS advised that recent changes to the QA framework would start to have a positive impact in 2024/2025. The College's SAR process would be critical in evaluating performance for 2023/2024 and this was heightened by the fact that there was likely to be an Ofsted inspection next year. Due to the lack of functionality of the current HR system, it may not be possible to produce the report on training compliance. The College was currently examining options for future reporting and would continue to provide updates to governors through the Finance & Resources Committee.	
INTERNAL AUDIT REPORT – KEY FINANCIAL CONTROLS		
159	Governors received an Internal Audit report on Key Financial Controls, which had been graded as providing a 'Substantial' level of assurance.	
160	A total of 2 low and one medium recommendations had been made. The latter related to tightening the College's debt control process to align with the existing written procedures. The remaining recommendations were to ensure that a review date was added to the sales ledger monthly report and completing 'dispensation' forms for instances where the normal requirements for obtaining quotations and tendering has been waived.	
161	In response to a question about the materiality of the aged debtor amount at the College the Head of Finance reported that this was reviewed on a monthly basis. The total was relatively low and was made up of numerous small debts from individuals, together with significant debtors such as Walsall Council for the College's High Needs provision. The focus was on the impact of debt on individual students and ensuring that partner organisations paid any relevant invoices in a timely manner.	
162	A governor asked whether the scope of the audit had included capital projects and was advised that this was not the case and would form part of a separate review of fixed assets. It was noted that progress on some actions raised at the previous audit of capital works had yet to be followed up completely, which would be covered during an Internal Audit visit in 2024/2025.	
INTERNAL AUDIT REPORT - IT SECURITY CONTROLS		
163	The Internal Auditor presented a report on IT Security Controls, outlining that this was a high risk area for many organisations and had been graded as providing a 'Reasonable' level of assurance.	
164	Two medium priority recommendation had been made on improving password security in line with the National Cyber-Security Centre guidelines and to retain cyber security incident logs for 6 months. The Internal Auditor explained that the former was a temporary measure until the national Cyber Essentials accreditation came into force.	

165	A further low priority recommendation had been made on increasing the amount of staff awareness raising/training on phishing risks. The Head of Finance reported that staff training was currently scheduled twice a year, with particular attention given to those who had not followed the recognised procedures. Regular briefings were circulated to staff on the risks of cyber-security but the most effective mitigations were to ensure that the appropriate checks were built into procedures, achieving a high level of compliance and a culture whereby unusual requests/transactions were challenged.	MB
166	Although no formal recommendation had been made, the review had also identified that monitoring of cyber-security outside of normal business hours was undertaken by IT staff on a goodwill basis. It had been recommended that this should be kept under review due to the potential risks involved and governors were advised that the current arrangements provided exceptional value for money for the College,	
167	There was a degree of overlap into GDPR regulations to ensure that staff had access to data remotely whilst complying with security protocols. The Director of Finance & MIS was asked to review the mitigations in place to ensure that these were still fit for purpose.	
168	The Internal Auditor commented that a good level of progress had been made since the previous review of this area and that the recommendations should be relatively easy to implement.	
INTERNAL AUDIT PROGRESS REPORT		
169	The Internal Auditor presented a report on progress against the Internal Audit Plan for 2023/2024. The Committee noted that the report on QA had been finalised after this summary had been prepared. All work that had been scheduled in the Plan had now been completed.	LV to circulate to F&R Cttee
170	Governors also received a number of recent briefings issued by RSM nationally, including information on the new Procurement Act which would come into effect in October 2024. It was felt to be too early to incorporate an audit of the College's Artificial Intelligence provision as part of the Internal Audit Plan. There was still work to be undertaken to determine how opportunities to use AI could be addressed within the curriculum, such as in the delivery of SEND provision to individual learners, however, this was dependent on sourcing specialist tutors which were in short supply nationally.	
INTERNAL AUDIT PLAN 2024/2025		
171	The Internal Auditor presented the draft Strategy for 2024/2025. This had been drafted on the basis of the College's current priorities and used a risk-based approach to determine areas of coverage. The Plan for 2024/2025 included reviews of 16-19 Bursary Funding, Marketing & Engagement, Student Voice and the Strategic & Financial Planning Framework.	
172	A governor asked whether the quality of apprenticeship delivery should be added to the Plan. The Director of Finance & MIS reported that this would be dealt with through reports to the Learning & Quality (in terms of quality assurance) and Finance & Resources (in terms of staffing resources) Committees, rather than a separate internal audit.	

173	In 2024/2025 the planned number of days would be 45, at an estimated cost of £27,300 plus VAT. The Committee noted that the timings of each visit and the number of audit days for 2024/2025 could be amended during the year.	
174	Resolved – That the Corporation be recommended to approve the Internal Audit Strategy for 2024/2025, subject to any changes resulting from the follow-up of recommendations made in 2023/2024	
EXTERNAL AUDIT PLAN		
175	The External Auditor presented the draft Plan for the Financial Statements & Regularity audits for 2023/2024.	
176	Under the ESFA's Post-16 Audit Code of Practice the Auditor was required to examine a number of areas including regularity, fraud risks, going concern status, management override and the valuation of the pension scheme.	
177	Governors were informed that the interim work for the audit had been undertaken in April 2024 with fieldwork commencing in September. The funding audit work would replicate the ESFA's funding audit process, but at a higher level and would include data relating to 2023/2024 that had not been covered in the funding audits discussed under a separate agenda item.	
178	The Committee asked whether the College could specify the cohorts from which samples of learners could be selected. The external auditor responded that the scope would need to be reviewed and commented that apprenticeships only formed 10% of the College's student base and it was important that the samples selected for the audit and the associated risk profile were representative of the total student body.	
179	It was noted that the materiality level for the audit was £858K. The audit of sub-contractor controls (a condition of ESFA funding) had been undertaken in 2022/2023.	
180	The total fees for the audit work, including the audit of the Teachers' Pension Agency, was £39,225 plus VAT. Some additional work on taxation liabilities would be required for 2023/2024 following the ONS reclassification of FE colleges to the public sector.	
181	Resolved – That the Corporation be recommended to approve the External Audit Plan for the 2023/2024 Financial Statements & Regularity Audit	
FUNDING ASSURANCE REPORT		
	James Norris and Rachael Smith joined the meeting.	
182	Governors were reminded that, in previous years KPMG had undertaken funding assurance work for the College. However, in December 2022 the ESFA had appointed PWC to carry out a funding audit and the work scheduled for KPMG was suspended.	

183	The PWC audit had taken until June 2023 and resulted in a 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 On The Job training funding claims for 2022/2023 but had implications for the current and future years. A number of issues had been highlighted in the management letter issued by PWC and an action plan had been agreed to address these, implementation of which was ongoing.	
184	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 which was now complete. This report had flagged English and Maths apprenticeship funding as an area for improvement in terms of when it was delivered and, thus, claimed by the College.	
185	Additionally, recommendations had been made on the delayed/non-payment of incentive payments to employers. The College had taken a practical approach to this element making reasonable endeavours to make payment but did not have sufficient resources to keep following-up where employers have not responded.	
186	The Assistant Principal MIS had prepared an analysis of the 3 funding audits, all of which had led to 3 different conclusions based on the same data, which was presented to the Committee.	
187	KPMG had now completed the work that had been commissioned by the College earlier in the year. Management responses to any recommendations had not yet been completed as the SLT had decided that it was prudent to discuss the draft report with the Audit Committee prior to this.	
188	The Assistant Principal Commercial Development reported that it had been recognised that, strategically, the College's apprenticeship offer was too broad (39 areas) and work was underway to reduce the number of 'standards' offered to approximately 22. The gross margin for the provision type overall was unsustainable in the long-term with the current broad offer and was being reviewed by the Finance & Resources Committee at its June 2024 meeting.	
189	It was noted that, even if apprentices achieved their projected outcomes, there was still a risk that the level of compliance required by the funding rules would not be attained by College staff and employers. Errors in the data relating to one academic year also had consequences for future years, due to the funding methodology and audit process.	
190	The Director of Finance & MIS reported that governors could be assured over the College's current position on apprenticeships. The Committee was advised to focus on actions to improve the level of compliance with the apprenticeship funding regulations. Governors were reminded of the binary nature of the current rules, which meant that even if apprentices had an outstanding experience on their course, unless the paperwork was fully compliant the College may not receive any funding for these learners.	

191	The College's Funding Assurance Auditor (KPMG) provided an overview of the draft report that had been issued to the College in the last few days. A deep dive into the control environment had been undertaken in November/December 2023, replicating the ESFA audit on the 2022/2023 data. A total of 7 priority recommendations had been made in relation to IT governance and compliance. No issues had been identified on management oversight as the appropriate governance framework was in place.	JN/MB
192	The Assistant Principal Commercial Development advised that several of the separate IT systems involved in recording apprenticeship data required manual input, which increased the risk of errors.	
193	A further finding related to inconsistencies on the skills scan assessments undertaken by curriculum experts, which could impact on funding claims.	
194	The link governor for apprenticeship provision (Charlotte Bosworth) reported that she had been reassured by the amount of work undertaken by the staff in this area to rectify any audit issues. From experience in her own company she felt that this was due to the complexity of the apprenticeship funding regulations and the manual nature of some of the underpinning processes. It was suggested that the College should examine how it used PDSAT audits to identify potential issues internally throughout the academic year.	
195	The Assistant Principal Commercial Development commented that, although there was a plan to reduce the number of apprenticeship 'standards' in 2024/2025, there was a risk that the College would then not meet the skills needs of the local area in some cases.	
196	A cohort of about 15 staff had been exited from the organisation in 2023/2024 due to poor performance levels. Curriculum specialists were still completing paperwork incorrectly and this would be a key focus for staff training over the next few months, although the service provided to employers and apprentices was high quality. An electronic apprenticeship sign-up system was now in place which had improved accuracy and reduced processing delays, but there was still a reliance on manual input of data.	
197	Governors were assured that progress was being made but at a slower pace than required. The Principal commented that the apprenticeship landscape was extremely complicated and that the Committee could derive partial assurance from the work already undertaken by management to date in response to the audit recommendations. The situation reflected the fine balance between providing high quality provision for students and ensuring financial viability. A substantial amount of resources was allocated to obtaining funding assurance and the system was fraught with risks for the College.	
198	It was agreed that the 3 main Corporation committees (Learning & Quality, Audit and Finance & Resources) would be responsible for ensuring that progress was made on each aspect of the funding assurance recommendations.	
199	A governor asked how other colleges performed in relation to apprenticeship standards controls and assurance levels. The funding	

	assurance auditor agreed that apprenticeships was the area that led to the highest number of audit points. The College had taken a proactive approach by engaging KPMG prior to the ESFA's funding audit. Nationally, Ofsted was involved in a review of compliance with the funding regulations and it was noted that most other colleges in the region had faced similar issues.	
200	The Chair summarised the discussion and emphasised that the Committee was not criticising the apprenticeship team but wished to see a robust action plan resulting from the audit findings. A strategic decision was due to be made regarding the breadth of apprenticeship provision and the quality element was also important and performance would be monitored through the Learning & Quality Committee.	
201	The Audit Committee would continue its focus on the levels of compliance and progress against the identified actions. It was agreed that a report would be provided to the Committee in September and at each meeting thereafter to enable governors to monitor the situation.	JN/MB/ RJ
202	Additionally, the Committee suggested that the Finance & Resources Committee should determine whether sufficient IT and human resources had been allocated to this area to complete the current recommendations and ensure that the systems were robust and able to address future issues.	
203	The Director of Finance & MIS reported that the external auditors would be reviewing the funding assurance work undertaken to date as part of their financial statements audit. This would be completed by early September, which would enable a report on progress to be made to the Committee at its next meeting.	KPMG
204	Governors noted that the contract with KPMG to undertake funding assurance auditing for the College had now expired, but work on the draft report would continue until signed off by management. Proposals for tendering the funding assurance work would be submitted to a future Committee meeting and a copy of the final report from KPMG would be circulated to the Committee when available.	JL
205	Resolved – 1 That proposals for the tendering of funding assurance audit provision would be submitted to a future Committee meeting 2 That a copy of KPMG's final report be circulated to governors when available Rachael Smith and James Norris left the meeting.	
AUDIT RECOMMENDATIONS TRACKING REPORT		
206	The Risk & Compliance Manager presented a report on progress against each of the actions identified in previous audit reports.	
207	A total of 61 recommendations had been made in 2023/2024, 12 of which were still active. The Committee noted that a considerable amount of progress had been made to ensure that as many actions as possible had been completed since the March meeting.	

RISK MANAGEMENT & BOARD ASSURANCE			
208	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.	MB/JL	
209	The content in this report had now been translated into the 4Risk system, with some further work required on the respective accountabilities for risks and to determine where these should appear within the risk register.		
210	The 4Risk reporting mechanism would be used to generate the report for this item at Audit Committee meetings from November 2024. Prior to that there would be a training session for governors which would align the risk register to the content of the new Corporate Plan. Governors suggested that a one-page summary of the top 10 risks and the College’s risk appetite would be a useful starting point.		JL
211	The current position on each of the identified key risks was detailed for information.		
212	An updated Risk Management Policy had been drafted and was recommended for approval by the Corporation.		
213	Resolved – That the Corporation be recommended to approve the draft Risk Management Policy and Risk Register		
ANTI-BRIBERY POLICY			
214	The Head of Finance reported that the College’s Anti-Bribery Policy had been reviewed recently. A number of minor amendments had been made, mainly following changes to job titles.		
215	Resolved – That the Corporation be recommended to approve the Anti-Bribery Policy		
POST-16 AUDIT CODE OF PRACTICE			
216	The Head of Governance presented a report on recent changes to the ESFA’s Post-16 Audit Code of Practice. The Code had been issued following the decision in November 2022 by the Office for National Statistics to reclassify further education colleges to the public sector and the publication of the new Financial Handbook.		
217	Colleges and any subsidiary companies must now meet the requirements of HM Treasury’s “Managing Public Money” (MPM) and other related obligations.		
218	There was a requirement to ensure that the College’s internal controls cover the expanded regularity framework and must update its existing policies, procedures and any scheme of delegation to comply with the new regulations.		
219	The changes to the Code were relatively minor and mainly clarified existing processes.		
220	Governors also received a copy of the new Regularity Self-Assessment Questionnaire which must be completed to accompany the Financial		

	Statements, together with a recent report from the ESFA on common themes resulting from funding assurance audits in the FE sector.	
	COMMITTEE SELF-ASSESSMENT 2023/2024	
221	Governors received a draft of the completed Committee Self-Assessment for 2023/2024. It was agreed that members of the Committee would consider the proposed content and provide any comments or additions to the Head of Governance within a 2-week timeframe.	ALL
	RESIGNATION OF DIRECTOR OF FINANCE & MIS	
222	As this was his last Committee meeting before leaving the College, the Chair thanked the Director of Finance & MIS for his contribution, support and guidance over the past few years.	
	Date and Time of Next Meeting	
	26th September 2024, 10.00 a.m.	