

MINUTES OF AUDIT COMMITTEE MEETING HELD ON 19 NOVEMBER 2024

Present:

Graham Ward – Chair
Charlotte Bosworth – External Governor

In Attendance:

Karen Gentles, RSM – Internal Auditor
Jacky Leek – Interim Director of Finance
Gurpreet Sandhu – Risk & Compliance Manager
Rachel Jones – Assistant Principal MIS
Lesley Venables – Head of Governance
James Norris, Assistant Principal, Adult, WBL & Community (minutes 79 to 83)
Rachael Smith – Director of Apprenticeships (minutes 79 to 83)
Annalee Hurley, Beever & Struthers (External Auditor)
Samaya Malik, Beever & Struthers (External Auditor)

	Apologies for Absence	
53	Apologies for absence were received from Edward Ng (External Governor) and Louise Tweedie (Internal Auditor).	
	Declarations of Interest	
54	There were no declarations of interest in any agenda item.	
	Minutes	
55	Resolved - That the minutes of the meeting held on 26 th September 2024 be approved as a correct record and signed by the Chair	
	Matters Arising	
56	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.	
57	The Interim Director of Finance reported that the review of the Financial Regulations would be completed by February 2025, to take account of any structural changes within the organisation (minute 20 refers).	JL
58	The Principal would check with the Head of Human Resources on progress with ensuring that the College's staffing policies complied with current legislation/guidance (minutes 43 to 45)	JS
	CHAIR'S ACTION	
59	There had been no chair's actions since the previous meeting.	
	FINANCIAL STATEMENTS 2023/2024	
60	The Committee received the draft Financial Statements for 2023/2024, together with the draft External Auditor's Management Report and the Letters of Representation.	
61	The Interim Director of Finance presented the reconciliation between the management accounts position reported at 31 st July 2024 (deficit of	

	£3.053m) and the financial statements (deficit of £0.73m). The valuation of the Local Government Pension Scheme had increased to £8.48m.	
62	The External Auditors advised that the audit process had been extremely smooth with all requests for information met by management. The audit was almost complete and it was anticipated that an unqualified opinion would be issued on both the financial statements and the regularity audit. A small number of items had yet to be completed, which was normal at this point in the audit process.	
63	The College's going concern status would remain live until the Financial Statements had been approved by the Corporation and signed by the Chair and the Principal. No issues had been identified in relation to potential management overrides, revenue recognition, declarations of interests and third party transactions, wages and salaries and capital investment.	
64	There had been no adjusted differences identified as part of the work on the Financial Statements. Performance against a number of indicators had been included in the Financial Statements.	
65	The Committee was informed of one unadjusted misstatement relating to a previous sub-contracting arrangement (JTL) that had been identified during the audit. This was for income relating to the 2021/2022 academic year which had not been accrued for in that year. The College had received a small amount of income which had been adjusted for in the 2023/2024 accounts. The overall impact was £57,202, which was below the level of materiality.	
66	The reconciliation statement in ESFA income had been received from the funding agency. A governor asked whether the Financial Statements included any provision for the clawback of funds by the ESFA and was advised that a provision had been made for this in the accounts.	
67	All recommendations made in the previous year's management letter had been addressed satisfactorily. A control recommendation on the paperwork associated with the use of procurement cards and a further 4 recommendations on the recommendations arising from the ESFA funding assurance audit undertaken earlier in the year.	
68	Governors were advised that the auditors had recommended that the College should have a formal reserves policy, which would be considered by the Finance & Resources Committee at its February 2025 meeting. This was in line with guidance from the Charity Commission.	
69	A small number of minor amendments were suggested on the Statement of Corporate Governance at the start of the Financial Statements.	JL
70	The Chair thanked the Finance Team and the External Auditors for their work on the Financial Statements.	
71	Resolved - 1 That the Corporation be recommended to approve the Financial Statements for 2023/2024 and the Letters of Representation in relation to the Financial Statements and the Regularity Audits	

	2 That the External Auditor's Management Letters be noted and presented for information at the December 2024 Corporation meeting 3 That the annual accounts for the Student Union and for Broadway Training Limited be noted and presented for information to the December 2024 Corporation meeting	
	AUDIT COMMITTEE ANNUAL REPORT 2023/2024	
72	The Head of Governance presented the draft Audit Committee Annual Report 2023/2024. Governors were reminded that this was a requirement of the ESFA's Post-16 Code of Practice.	
73	The Committee noted the section on the outcome of the funding assurance audits that had taken place in year.	
74	The Report's overall conclusion was that the Committee had fulfilled its terms of reference and that, "whilst there are areas for improvement: i) the College's systems of internal control are adequate and effective ii) the College's arrangements for risk management, control and governance framework and processes for securing economy, efficiency and effectiveness are adequate and effective."	
75	Resolved - That the Committee's Annual Report for 2023/2024 be approved and submitted for information to the Corporation at its meeting on 12 th December 2024	
	INTERNAL AUDIT PROGRESS REPORT	
76	The Internal Auditor presented a report on progress against the Internal Audit Annual Plan for 2024/2025.	
77	The first visits of the year was due to commence in December 2024 and would cover Marketing and Student Voice. The audit reports from this work would be presented to the Committee's March 2025 meeting.	
78	Governors received a briefing issued by RSM to its clients on current issues in the FE sector and information on a proposed merger affecting RSM UK.	
	FUNDING ASSURANCE UPDATE	
	James Norris and Rachael Smith joined the meeting.	
79	Governors received for information a progress report on the actions identified in the recent Funding Assurance Audits undertaken by PWC, and Mazars.	
80	From a total of 28 recommendations relating to apprenticeship funding, 10 had been updated as further work had taken place. The status of one recommendation had been changed from Amber to Green.	

81	Within the recommendations classified as 'amber' a number had received 100% checks for 2023/2024, however, these had not yet been fully implemented and could not be graded as 'green'. No progress had been made on 5 recommendations as these involved a complete review of systems and processes (which was underway to improve efficiency) and, possibly required the purchase of a new software system which was being considered by management.	
82	A governor questioned the level of progress in balancing the rationalisation of systems/processes with determining the most appropriate roles and responsibilities for staff. The Assistant Principal AWC reported that most of this work had now been completed and the control mechanisms were working well. However, the overarching system was not yet finalised. There had been delays in 2024/2025 in the digital apprenticeship service and in onboarding employers.	
83	The Chair concluded that the Committee recognised the improvements made to date and the greater level of transparency, particularly following the appointment of the permanent AP MIS. Governors would continue to monitor performance against the original recommendations at each future meeting. Rachael Smith and James Norris left the meeting.	
AUDIT RECOMMENDATIONS TRACKING REPORT		
84	The Assistant Principal MIS presented a report on progress against each of the actions identified in previous audit reports.	
85	A total of 41 recommendations had been made in 2023/2024, 15 of which were still active, 20 of which had been completed with a further 10 in progress. There was one recommendation relating to the sub-contracting quality cycle that was overdue but governors were assured that this was being addressed at the SLT meeting in late November.	
86	The Chair thanked the Assistant Principal and her team for their work in this area and commented that the report now provided a higher level of transparency and enabled governors to monitor progress more effectively.	
ANTI-FRAUD ARRANGEMENTS 2024/2025		
87	The Interim Director of Finance presented the draft Counter-Fraud Policy and Fraud Response Plan for 2024/2025. Both documents had been reviewed to align with the College's revised management structure and to take account of the ESFA being subsumed into the Department for Education from 1 st April 2025.	
88	Governors also received a self-assessment as to how fraud issues and awareness were addressed within the College and noted that fraud awareness was now part of the staff development schedule and induction for all new staff.	
89	A governor asked that, considering that the investigation into a previous fraud incident had concluded that training had not been sufficiently cascaded to staff, what were the new arrangements to avoid any recurrence. The Interim Director of Finance explained that update training from Barclays Bank had now been expanded to cover HR and Payroll staff	

	in addition to the Finance team. Controls within each department had also been tightened and these measures were reflected in the Financial Regulations.	
90	The Committee asked that management consider further training to a wider range of staff following developments in Artificial Intelligence on issues such as voice synthesis that could enable someone to impersonate a member of staff. Risks within this area were likely to become higher and fraud incidents more sophisticated in future.	JL
91	Resolved – That the Corporation be recommended to approve the Counter-Fraud Policy and Fraud Response Plan for 2024/2025	
RISK MANAGEMENT UPDATE		
92	The Assistant Principal MIS presented draft proposals for the amendment of the College's risk management processes and assurance, for recommendation to the Corporation at its March 2025 meeting.	
93	The Committee noted that this included the possibility of changing the risk scoring mechanism from a weighted 4 by 4 model to a weighted 5 by 5 model to provide a higher level of granularity of aligning the impact of each risk to a financial assessment. The current scoring method had been based on the 4Risk system and it was possible that some risks would be scored higher as they had been considered in isolation previously.	
94	The full College Risk Register was received for information, with a total of 30 risks and a list of the top 10 of these. A review of the scoring of each risk would be undertaken prior to the Committee's next meeting (March 2025).	
95	In response to questions regarding the recent external funding audit on bursaries (commissioned by the ESFA), the Interim Director of Finance reported that the recommendations had resulted from the bursary systems required by the ESFA being over-bureaucratic which did not always enable the College to pay students promptly. There was a risk that some of the monies allocated for bursaries would be clawed back by the ESFA with a total exposure of approximately £100K.	
96	The External Auditor reported that his firm had experience of similar issues on bursaries at an independent training provider. It was noted that the audit testing regime for bursaries was much more stringent than for other benefits allocated by the Government, such as Income Support.	
97	Governors queried the timescale for the resolution of this issue and were advised that the rationale for the College's actions on bursaries had been submitted to the ESFA about a month ago. Any compliance issues resulting from the audit had now been completed and further progress would be monitored using the tracking report at each Committee meeting.	
98	A Committee member challenged the priority allocated in the risk register to safeguarding and external safety issues, given recent events and student feedback. Governors asked that the risk scores be considered and revised in the next report. The Assistant Principal MIS advised that an audit of Health & Safety processes had been undertaken in October 2024, which had recommended that the College draft an Anti-Violence Policy, which was being actioned currently.	RJ RJ/DR

99	Governors were advised that the next training session (February 2025) would include an input from RSM on the Corporation's risk appetite. Training has already been received by SMT and feedback had been positive, particularly when comparing the revised system with the 4Risk product used previously.	
100	The Committee was advised that the College would still be using the controls and levels of assurance from the 4Risk system but in the format of a spreadsheet, which made it more accessible and understandable for staff. Governors concurred that some of the controls needed to be re-worded to provide greater clarity.	
101	An additional section had been added to identify emerging risks, for which a score may not be possible initially and were outside of the College's control. The Committee noted that items graded as 'red' were not necessarily detrimental to the College as long as the mitigations in place were appropriate and working effectively.	
102	Resolved – 1 That the proposals for revised risk management processes and templates be recommended for approval by the Corporation 2 That the revised Risk Register and top 10 risks be noted	
Dates of Future Meetings		
	11 th March 2025	
	17 th June 2025	