



<p style="text-align: center;"><b>MINUTES OF THE AUDIT COMMITTEE MEETING HELD REMOTELY ON 6<sup>TH</sup> MARCH 2024</b></p>
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<b>Present:</b>	Lucky Ali	Independent Governor
	Ali Amirkhalili	Independent Governor
	Gary Baines	Independent Governor (Chair)
	Penny Haughan	Independent Governor
	Karen Lowe	Independent Governor

<b>In attendance:</b>	Gill Banks	Principal/CEO
	Kevin Williams	Vice Principal – Finance & Resources
	Claire Ledsom	RSM - Internal Auditor
	Lesley Venables	Governance Professional

As part of the annual governor training programme Claire Ledsom (Internal Auditor) gave a presentation on the role of the Audit Committee and assurance mechanisms.

### **WELCOME AND INTRODUCTIONS**

71 The Chair welcomed the new members of the Committee and introductions were given by each attendee.

### **MEETING IN ABSENCE OF MANAGEMENT**

72 There were no matters that the Internal Auditor wished to raise with the Committee in the absence of management. It was agreed that an annual opportunity for this to occur would be built into the timetable of business in March of each academic year.

### **APOLOGIES FOR ABSENCE**

73 Apologies for absence were received from Lisa Randall (Internal Auditor), William Simpson (Internal Auditor) and Rory McCall (External Auditor).

### **DECLARATIONS OF INTEREST**

74 There were no declarations of interest.

### **MINUTES OF PREVIOUS MEETING**

75 The Chair asked that the records of the previous meeting be checked to ensure that the outcome of the regularity opinion was reflected accurately in minute 46.

76 **Resolved** That the minutes of the meeting held on 29<sup>th</sup> November 2023 be approved as a correct record and signed by the Chair, subject to minor amendment of minute 33 and the possible change to minute 46.

### **MATTERS ARISING**

77 Governors received a progress report against the list of actions from the previous meeting and noted that all of these had been completed, with the exception of minute 24 regarding the risk register.

- 78 Work on pay scales and re-modelling was currently being undertaken (minute 37 refers), but the Principal advised that this was proving to be much more complex than anticipated due to the number of anomalies that existed within staff pay and conditions.
- 79 The first phase of the pay strategy had been to award staff a cost of living pay increase of 7,5% which had been actioned in December. Business Support staff working hours had also been harmonised to the same weekly hours as teaching staff and a second closure day had been agreed.
- 80 Quotes had been received for the job evaluation process but the costs were prohibitive and the Senior Management Team was concerned that this exercise could impact negatively on the whole organisation whilst not achieving the desired outcomes. The proposed solution was to compare pay and conditions to a college of a similar size, but a non-competitor organisation. Hopwood Hall College had been approached and work would commence shortly.
- 81 The Principal felt that the College was not in a position whereby it had spare capacity to devote a significant amount of time to an external job evaluation process, particularly as it was a 'Requires Improvement' organisation and that to do so would be a waste of public money.
- 82 It was agreed that oversight of this action would now be transferred to the Finance & Resources Committee, as it fell within its remit rather than that of the Audit Committee.

#### **INTERNAL AUDIT REPORT – HIGHER EDUCATION FRAMEWORK KEY CONTROLS**

- 83 The Internal Auditor presented a report on key controls within the College's Higher Education Framework. A total of 11 points for further action had been identified, 1 of which was graded as 'high' priority, 9 of which were graded as 'medium' priority and 1 as 'low' priority. Governors were advised that the overall opinion on the audit had been divided into 2 sections: the HESES and Student Loan Company issues, which had been assessed providing 'reasonable' assurance; and the issues relating to the Competition & Markets Authority requirements, which had been assessed as providing a 'minimal' level of assurance.
- 84 The high priority recommendation related to ensuring the transparency of information provided to students. It was also noted that staff roles and responsibilities had not always been clear from the evidence provided during the audit. RSM had suggested a number of good practice areas from other client organisations to strengthen the College's framework.
- 85 A governor asked whether the proposed timescales for addressing the high priority recommendation should be changed so that this was tackled first. However, the Vice-Principal Finance & Resources reported that there was considerably more work involved in this item as the College was starting from such a low base. It was agreed that a progress report on this action would be made at the next meeting to provide governors with an appropriate level of assurance.
- 86 The Committee sought confirmation that the College had sufficient capacity to implement all actions by the due deadlines, which was given by management.

- 87 The Chair asked whether any of the recommendations had been unexpected and was advised that the antiquated paperwork and practices in this area had meant that a full-scale review was required in order to comply fully with the requirements of the CMA.

#### **PROGRESS AGAINST INTERNAL AUDIT STRATEGY FOR 2023/2024**

- 88 The Internal Auditor reported that the planned work was on track to deliver the full Internal Audit Plan by the end of the academic year. Two visits were taking place in March and the remaining visit was scheduled for May 2024. Governors questioned whether it would be realistic for the latter report to be submitted to the Committee's June meeting and was advised that, although it would be tight, the Internal Auditor was confident that this would be achieved. Further discussions had taken place with management on the objectives of the proposed RARPA audit, which would commence after Easter.
- 89 A governor asked whether the follow-up work checked on the implementation of high and medium recommendations from the previous academic year. The Internal Auditor confirmed that this was the case and that all recommendations were subject to this review process.

#### **INTERNAL AUDIT BENCHMARKING REPORT**

- 90 Governors received for information a report which benchmarked the College against levels of assurance and numbers of internal audit recommendations across all RSM's client base. It was noted that the College's provision had received a 'reasonable assurance' grading more frequently in 2022/2023 (due to the areas under review being higher risk) and that more recommendations had been assessed as 'high' and 'medium' compared to 2021/2022.
- 91 In response to questions as to whether the same benchmarking exercise was undertaken with risk registers the Internal Auditor reported that RSM had developed a 'risk radar' system, which examined risks in the sector and the external environment. Applying the same principles to risk as for audit recommendations would be considered and reported back to the Committee.
- 92 A governor asked whether benchmarking on audit costs was available for the FE sector and was advised that the ESFA prepared an annual tool for this purpose and this could support the College in determining whether it was necessary to increase the amount of internal audit work in 2024/2025. It was noted that the internal audit opinion for 2022/2023 was in line with 94% of the sector, which was reassuring.
- 93 The Principal reported that the previous management team's view of risks had been different to that of the sector in the past. It was now appropriate for these to be aligned so that governors could receive assurance, continuing the work of delving into areas that should have been reviewed within previous audit plans. There was a need for the Board to debate how internal audit should be used and the impact of its work on the annual opinion, together with assessing whether the first line controls were operating effectively.

## **FUNDING ASSURANCE AUDIT**

- 94 The Vice-Principal Finance & Resources reported that on behalf of the Liverpool City Region Combined Authority (LCRCA), PWC undertook a funding assurance review of the College's Adult Education Budget related provision for 2022/2023.
- 95 From a total devolved AEB funding allocation of £4.114m, the funding errors identified in the audit amounted to £11.4k, which was a commendable outcome. Although this amount was considered to be immaterial it was important that the College continued to review the internal PDSAT reports throughout the year and to ensure that any issues relating to the data or supporting evidence were dealt with on a timely basis.

## **MANAGEMENT ACCOUNTS**

- 96 The Committee received for information the Management Accounts as at 31<sup>st</sup> January 2024 to monitor the solvency of the College, in accordance with the terms of reference.
- 97 The College's finances remained in a positive position, retaining a surplus, albeit below the forecast amount. This was mainly due to staffing costs, including the employment of additional posts and a pay award that was higher than budgeted for.
- 98 The College's cash position at the end of January 2024 showed a balance of £17m, due to the increased funding for the 16–18-year-old income stream, increased high-needs income and the additional cost of living payment from the Liverpool City Region Combined Authority. However, the overall financial health rating had reduced from 'Outstanding' to 'Good' for 2023/2024.
- 99 The cash forecast in the management accounts was currently incomplete and was under review as it did not include the capital grants awarded to the College by the ESFA.
- 100 Governors noted the additional section on risks and opportunities which had been introduced recently. The Vice-Principal (Finance & Resources) was working towards aligning the management accounts with the ESFA's model.
- 101 A governor questioned whether any sensitivity testing would be undertaken and was advised that further work on the content of the budget for 2023/2024 was required before this could commence.
- 102 The Principal reported that the executive had had discussions about budget setting and the lack of significant investment in teaching, learning and assessment and the student experience over the past few years. This was particularly necessary following the College's grading by Ofsted as 'Requires Improvement' and jarred with its rating of being financially 'Outstanding'. Curriculum and business planning were now aligned within the College's processes and would enable greater levels of scrutiny and possibly some cost savings.

## **RISK MANAGEMENT UPDATE**

- 103 The Vice Principal – Finance & Resources provided an update on the College’s Risk Register, which detailed the rationale for any amendments to each of the 23 risk scores. In contrast to previous practice the Risk Register would be discussed by the senior leadership team 3 times a year.
- 104 A total of 11 risks had had their scores amended: 5 had been reduced and 6 had been increased, with one risk assessed as ‘high’.
- 105 Governors were asked to consider the format of the risk register and make any suggestions for amendment. It was agreed that the rationale for any risk assessment should be captured within the document. The Audit Committee would review the potential targets for any risks and whether any of the high risks could be reduced, particularly those that were not necessarily within the College’s control.
- 106 The Board would consider the risk appetite against each of the identified risks.
- 107 In response to questions about the RIDDOR-related risk in the register the Vice-Principal (Finance & Resources) reported that the outcomes of this incident were fairly minor and the College needed to consider what it could do to prevent a recurrence in future.

### **MONITORING OF PREVIOUS RECOMMENDATIONS**

- 108 The Vice Principal – Finance & Resources provided a report that monitored progress against previous audit recommendations. The number of outstanding risks had reduced from 19 at the November 2023 Committee meeting to 7.
- 109 It was noted that RSM’s 4Risk system was being used to generate reminders to managers to complete each of these.

### **ITEMS TO BE REPORTED TO THE BOARD:**

- 110 The Chair summarised the main points of the meeting which would be reported to the Board at its meeting on 27<sup>th</sup> March 2024:
- Presentation on role of the Audit Committee
  - Internal Audit report on the College’s HE Framework was noted
  - Progress report on Internal Audit recommendations received for information
  - Benchmarking information comparing the College to RSM’s client base received
  - Outcome of Funding Audit reported with no material adjustments required to the Individualised Learner Record
  - Management Accounts, Risk Register and Monitoring Report on Previous Audit Recommendations received for information

### **DATE OF NEXT MEETING**

12<sup>th</sup> June 2024, 4.30 p.m.

Gml

**SIGNED:** .....

**Date:** 19<sup>th</sup> June 2024 .....

**(Chair)**