

<p>MINUTES OF THE AUDIT COMMITTEE MEETING HELD REMOTELY ON 4TH DECEMBER 2024</p>
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Present: Lucky Ali, Gary Baines (Chair), Penny Haughan, Karen Lowe, Ali Amirkhalili (minutes 84 to 118)

In attendance: Kevin Williams (Vice Principal – Finance & Resources), Phil Jones (Vice-Principal – Student Experience), Lisa Randall (RSM - Internal Auditor), Jo-Anne Tam (Director of Finance), Lesley Venables (Governance Professional), Rory McCall (Wylie & Bissett – External Auditor)

PART ONE

APOLOGIES FOR ABSENCE

57 Apologies for absence were received from Gill Banks (Principal).

DECLARATIONS OF INTEREST

58 There were no declarations of interest.

MEETING IN ABSENCE OF MANAGEMENT

59 The Chair reported that this meeting was an opportune time for the Committee to meet in the absence of management.

60 The Internal Auditor advised that a progress report would be discussed under a later agenda item and that the Internal Audit Annual Report for 2023/2024 had been issued to the College in November, although the latter had not been included in the papers circulated in advance.

61 Governors were informed that the lateness of the submission of some reports to the Committee had been surprising to the Internal Auditor. It was suggested that this could be due to changes in college personnel and unfamiliarity of audit processes. Improving communication would be an area of focus for 2024/2025.

62 A governor questioned whether the delays in reporting would have an impact on the Committee's ability to approve its own Annual Report. Both the Internal Auditor and the Governance Professional indicated that this was not an issue as long as members were comfortable with the content of the progress report on Internal Audit work. It was suggested that a final version of the Audit Committee's Annual Report would be drafted which could then be circulated for approval via a written resolution.

63 Additional 'top-up' reviews had been undertaken by RSM in relation to recommendations made previously and it was noted that there had been some progress but the supporting evidence had only been submitted to the auditors within the last few days.

- 64 The Internal Auditor advised that the report on Payroll and Agency Staffing would not be available until the Committee's March 2025 meeting.
- 65 The Committee asked whether the issues outlined above were due to poor planning of audit visits, but was informed that pre-planning and scoping were undertaken at the appropriate time and level within the organisation. It was felt that having a greater presence on-site during each visit would be helpful in checking the accuracy of information/evidence and enabled the auditors to liaise directly with the appropriate member of staff. The latter part of the audit process appeared not to be operating as smoothly and would be improved in the current academic year.
- 66 The Committee agreed that the Letter of Representation for the Financial Statements would be amended along the lines of "subject to any further amendments resulting from quality assurance checks". The External Auditor was asked to attend the December 2024 Board meeting to present the Financial Statements and Regularity Audit outcomes to governors.
- 67 Both sets of auditors confirmed that there were no significant relationship issues between their firms and the College's management team. They commented that some of the difficulties of the internal control systems were due to previous management processes, which were in the process of being updated and realigned to the current team.

MINUTES OF PREVIOUS MEETING

- 68 **Resolved** That the minutes of the meeting held on 16th October 2024 be approved as a correct record and signed by the Chair

MATTERS ARISING

- 69 Governors received a progress report against the list of actions from the previous meeting.
- 70 Under minute 36 the Vice-Principal Finance & Resources reported that this was still being considered by the Senior Leadership Team and would not be finalised until January 2025.
- 71 The Board would consider risk and its tolerance level at one of the future Strategy events (with a target date of March/April 2025), with RSM invited to facilitate the session (minutes 105 to 106).
- 72 In relation to minutes 6 and 34 governors were advised that the Vice-Principal F&R needed to dissect this item further, which meant that the item would remain on the action list until completed.
- 73 The Committee noted the revised presentation of all actions, with a separate section for items that had been completed. This would serve as a useful reminder of work undertaken during the year and would be incorporated into the Committee's Annual Report to the Board.

FINANCIAL STATEMENTS 2023/2024

- 74 The Director of Finance presented the draft Financial Statements for 2023/2024. These indicated that the College had generated an overall operating surplus of £1,915k (compared to £3,286k in 2022/2023). After accounting for an actuarial loss of £287k (2022/2023: £3,303k gain) in respect of the pension schemes the College was set to report a total comprehensive income of £1,628k (compared to £6,589k in the previous year). The valuation of the pension asset was in line with the rest of the FE sector, however, it was not recognised on the balance sheet as it had not been crystallised.
- 75 The overall balance sheet position at the year-end showed net assets of £23,082k in comparison to £21,454k in 2022/2023.
- 76 Income had increased by £1,764k mainly due to an increase in funding body grants (£1,730k) for 16-18, apprenticeship and High Needs provision. Investment income had increased by £350k due to the College's healthy bank balance and monies placed on deposit.
- 77 Expenditure had risen by £3,135k compared to the previous year, mainly as a result of additional staff costs (£2,244k) and the 7.5% pay award made to all staff in August 2023. Facilities costs had increased significantly due to higher utility costs and improvements across the estate.
- 78 At the year-end the College had a cash balanced of £23.70 million compared to £17.82 million at 31st July 2023. This figure included £8 million of various capital grants and £6.3 million of the College's reserves that had been allocated to capital developments.
- 79 All financial health ratios were positive and the College's overall grading was 'Outstanding'.
- 80 The External Auditor presented the Management Letter that accompanied the Financial Statements and Regularity Audits. It was noted that the Auditor expected to allocate unqualified opinions for both elements.
- 81 Some additional work was required on the post-balance sheet events, for which evidence had recently been provided by the College. No issues had been identified on the College's status as a going concern, based on its level of reserves and financial position.
- 82 Governors were advised that one recommendation for improvements in the College's financial procedures had been made. This related to some difficulties in locating paperwork for capital projects undertaken in the previous academic year and a small number of former members of key estates staff not following the College's Financial Regulations, together with the lack of an effective handover when these individuals had left. The Director of Finance explained that changes to procedures had already been identified, including the centralisation of records for all contracts and regular, detailed staff development.
- 83 In response to questions about the level of CPD for staff on compliance with the Financial Regulations the Director of Finance reported that this now included all budget holders and that the Finance Team had been reorganised so that a dedicated person was responsible for liaison with budget holders on such issues.

The Committee suggested that examples of non-compliance and their consequences for the College should be shared with staff at a face-to-face session rather than merely circulating documents. The Director of Finance reported that this was already in train and was supplemented by the centralised contracts register and filing system.

Ali Amirkhalili joined the meeting.

- 84 A governor commented that the College was due to embark on a programme of significant capital investment and asked whether management felt that the current first and second line controls would be sufficient to provide a robust framework. The Vice-Principal Finance & Resources responded that there would be fortnightly meetings with the professional team and would include scrutiny of expenditure against the approved budget.
- 85 Tenders for the main contractor would be issued in April 2025. Management was confident that stringent controls were in place for the capital projects, including the Capital Transformation Working Group that had been established by the Board.
- 86 A total of 2 unadjusted amounts had been identified which were not material.
- 87 No issues had been raised in relation to any of the core risks that had been reviewed as part of the audit.
- 88 A governor questioned how long the External Auditor's quality assurance processes would take to sign off the final draft of the Management Letters. The External Auditor reported that further drafts would be submitted to management later this week and that any changes should not be significant.
- 89 It was noted that the Financial Statements included a section on Energy & Carbon Sustainability. This was not yet compulsory, but management had felt that it was appropriate for this to be included.
- 90 **Resolved -**
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| 1 | That the Board be recommended to approve the Financial Statements for 2023/2024, subject to any further amendments made following the External Auditor's quality assurance processes |
| 2 | If significant amendments were made as a result of (1) above, a revised version and a written resolution would be circulated for approval by the Committee prior to the Board meeting on 18 th December 2024 |

Rory McCall left the meeting.

AUDIT COMMITTEE ANNUAL REPORT 2022/2023

- 91 The Governance Professional presented the draft Audit Committee Annual Report for 2023/2024. This followed the requirements of the Post-16 Audit Code of Practice and governors were assured that all requirements of the Code had been included.
- 92 The report summarised the membership, attendance levels, training activities and work of the Committee in 2023/2024, along with the outcomes of various audits.

- 93 A governor asked that reference be made to the specialist external reviews undertaken in the year such as IT input on cyber security. The Vice-Principal F&R responded that he would ask RSM about the use of specialists in future reports reviews, particularly those that were are not necessarily financially-orientated such as Cyber Security and Health & Safety.
- 94 The Committee expressed concern about the mismatch between the positive tone of the main report compared to the gradings against each internal audit review. The Vice-Principal reported that it was unlikely that the areas of focus would receive a 'green' rating, due to internal audit being used as consultancy review, rather than the more traditional compliance-type audit.
- 95 Governors also noted that there had been significant changes in staffing in some areas, which had provided an opportunity to refine systems and procedures, but also meant that some actions had been slow to progress. The Internal Auditor advised that further follow-up work had been undertaken in relation to some previous recommendations which was detailed in RSM's Annual Internal Audit Report. This would be included in the final version of the Committee's Annual Report.
- 96 Resolved 1 That, subject to the amendments outlined above, the Audit Committee's Annual Report for 2023/2024 be approved
- 2 That delegated authority be given to the Committee Chair to sign off the final version, prior to its submission to the Board

INTERNAL AUDIT REPORT –FOLLOW-UP OF 2022/2023 RECOMMENDATIONS

- 99 The Internal Auditor presented a report on the follow-up of previous recommendations, a further 3 of which had now been implemented and one of which was ongoing. Due to changes in staffing over the past few months it had been difficult for some staff to take ownership of the recommendations allocated for their areas and to provide sufficient evidence of implementation. Consequently, progress was still classified as 'little' under RSM's grading system.
- 100 It was agreed that the report would be circulated to the Committee once the management responses had been finalised.

INTERNAL AUDIT REPORT – PROGRESS REPORT 2023/2024

- 101 Governors noted that the report on progress against recommendations made in 2024/2025 had only been updated by RSM today and would be circulated to The Committee. The report on Payroll and Agency Staffing that had been due to be discussed at this meeting would now be deferred until March 2025.

INTERNAL AUDIT ANNUAL REPORT 2023/2024

- 102 This had been discussed under an earlier agenda item. Management was asked to ensure that reports were delivered in a timely manner in future and RSM would be provided with a copy of the timetable for the production of committee papers.

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 risk scores.
- 104 Governors noted that one new risk had been added – adherence to the Financial Regulations (which was referred to earlier and raised at the recent Finance & Resources Committee meeting). The score for the accuracy of data on items such as utilisation had been increased.
- 105 Accountability and responsibility of staff in some curriculum areas not improved at a sufficient rate, which had meant that the risk score had increased slightly.
- 106 In terms of the risk relating to the loss of key staff the score had been kept at the same level but management reported that this had led to difficulties recently, particularly in the estates and HR departments where staff had left but no systematic handover had taken place.
- 107 [Governors asked about the work that had occurred since October 2024 on embedding risk management within normal College processes. The Vice-Principal advised that on a regular basis SLT now received the full risk register for comment. The Executive Team was currently considering whether the timing was appropriate to roll out risk management to the wider management team.](#)
- 108 A further risk on policies would be added to the risk register, as many of these required rationalisation and amalgamation. Additionally, policies were not the responsibility of a particular department, so control tended to be ad hoc.
- 109 Linked to the College's risk appetite it was felt that currently the organisation was less commercial in its operations and less agile in exploiting new opportunities.
- 110 The wording of the risk on safeguarding assets to ensure that the College did not exceed its budget required updating.

MONITORING OF PREVIOUS RECOMMENDATIONS

- 111 The Vice-Principal provided a report that monitored progress against previous audit recommendations. It was noted that a further reconciliation was required between this report and the tracking document maintained by RSM. Some actions which were classified as 'overdue' had now been closed and further evidence had been requested from staff to support the sign-off of other recommendations. Most of the outstanding work would be completed by the end of January 2025, with any remaining actions signed off by April as they related to staff training.
- 112 Governors were reminded that the relevant managers would be invited to attend future Committees to explain any delays in the implementation of recommendations. The RSM system in place for tracking progress issued automatic reminders to action owners.

- 113 The Vice-Principal was thanked for the work undertaken in this area, which now provided a solid foundation for governors to monitor performance.

IT/CYBER SECURITY KEY PERFORMANCE INDICATORS

- 114 The Committee was advised that a recent Internal Audit report had recommended introducing a set of KPIs for IT and cyber security, which ranged from phishing to power outages. The KPIs had been gathered from a variety of sources
- 115 The Head of ICT had risk assessed the current level of performance against each KPI and, with the exception of phishing compliance, all reported KPIs had been graded as 'low/**GREEN**'.
- 116 A total of 7 phishing campaigns have been undertaken in the Autumn Term This evidenced that on average 1 in 5 staff have failed to comply with the College's policy and will be required to undertake training. The current compliance rate on the additional training was 65% and would be a focus for the remainder of 2024/2025.
- 117 The Committee's role was to ensure that policies and controls on IT and cyber-security were robust and operating effectively. SLT monitored performance on a monthly basis and would determine the respective grade parameters. Any significant issues would be reported to this Committee.

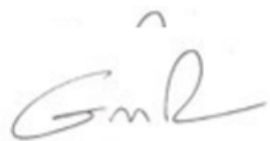
ITEMS TO BE REPORTED TO THE BOARD

- 118 The Chair summarised the main points of the meeting which would be reported to the Board at its meeting on 18th December 2024
- Meeting with auditors in absence of management – no significant issues, but reporting deadlines need to improve
 - Internal Audit - Discussion on Internal Audit Annual Report, Following Up of Previous Recommendations and Progress Report
 - Financial Statements & Management Letters recommended for approval
 - Audit Committee Annual Report approved, subject to some amendments
 - IT,Cyber Security KPIs shared for information
 - Ongoing improvements and embedding of risk management process were noted, with some new risks and changes to risk scores

DATES OF FUTURE MEETINGS

5th March 2025

4th June 2025



SIGNED: **Date: ...12th Mar 2025.....**

Ambitious, Resilient, Inclusive, Empowering, Accountable

(Chair)

Ambitious, Resilient, Inclusive, Empowering, Accountable