

<p>MINUTES OF THE AUDIT COMMITTEE MEETING HELD REMOTELY ON 5TH MARCH 2025</p>

Present: Gary Baines (Chair), Penny Haughan, Karen Lowe, Ali Amirkhalili

In attendance: Kevin Williams (Vice Principal – Finance & Resources), Gill Banks (Principal/CEO), Lisa Randall (RSM - Internal Auditor), William Simpson (RSM – Internal Auditor), Jo-Anne Tam (Director of Finance), Lesley Venables (Governance Professional)

APOLOGIES FOR ABSENCE

128 Apologies for absence were received from Rory McCall (Wylie & Bissett – External Auditor). The absence of Lucky Ali was noted.

DECLARATIONS OF INTEREST

129 There were no declarations of interest.

MINUTES OF PREVIOUS MEETING

130 **Resolved** That the minutes (Parts 1 and 2) of the meeting held on 4th December 2024 be approved as a correct record and signed by the Chair

MATTERS ARISING

131 Governors received a progress report against the list of actions from the previous meeting.

132 Under minute 137 the Vice-Principal Finance & Resources reported that a rationale for the selection of proposed areas for audit would be included in the internal audit plan for 2025/2026.

133 Business continuity training had been undertaken recently with the Senior Leadership Team. Any resulting actions would be included in future versions of the Cyber Security Policy and the expiry date of the policy would be amended to align with this (minute 15).

134 The Governance Professional presented for information the final versions of the Internal Audit Annual Report/Opinion and the Committee's Annual Report for 2023/2024. Both of these items had been discussed and amended at the previous meeting and had been submitted to the Board in December 2024.

INTERNAL AUDIT REPORT – PAYROLL & AGENCY STAFFING

- 135 The Internal Auditor presented an Internal Audit Report on Payroll & Agency Staffing. The overall opinion had been split between the elements controlled by the College and the outsourced payroll provider (Wirral Council) and specific actions had been identified for each party.
- 136 A total of 6 medium priority recommendations had been made and data analytics had been undertaken as part of the audit.
- 137 A governor commented that the findings of the audit appeared to be harsh, particularly as no actual errors in payments to staff had been identified. The recommendations centred around improvements to internal controls and the lack of evidence to support the College's processes. The Internal Auditor reported that the overall level of assurance was positive but at the time of the visit had been carried out not all the requisite evidence had been available. Some controls required further strengthening to support compliance within the overall framework.
- 138 Additional comments from governors were made in relation to the lack of a payroll policy and an annual reconciliation of data, which were key to the effectiveness of this area of the College. The Vice-Principal advised that some work had been undertaken on improving the internal controls, however, management felt that the medium priority recommendation about including the payroll contract on the central contracts database was an excessive grading for an administrative task. The Committee was also informed that evidence of monthly reconciliations of the College's and the Council's two payroll systems had been provided as part of the audit.
- 139 In response to questions the Committee was assured that the payroll anomalies in Appendix A would be investigated. Following further queries about regular market testing for the payroll contract the Vice-Principal reported that the College had discussed the provision with an alternative provider but had opted not to proceed. The Council service had proven to be accurate and good value for money. The Director of Finance had met with representatives recently to explain the findings of the internal audit and it had been agreed that the identified actions would be implemented. An amended service level of agreement had been sent to the Council and the College was now waiting to receive a signed version.
- 140 A governor queried whether the College would be using artificial intelligence to answer some payroll questions from staff in the future. The Vice-Principal responded that there was no plan for this, particularly as the Council also administered the College's pension scheme and any change of provider may be disruptive.

INTERNAL AUDIT REPORT – FOLLOW-UP

- 141 The Internal Auditor presented a report on the Follow-Up of previous recommendations. This had concluded that 'little progress' had been made to date, with 58% of the 28 actions either implemented or superseded. Governors noted that there were a number of high priority recommendations that had not yet been addressed, such as ensuring that the College's higher education prospectus was compliant with the requirements of the Competition & Markets Authority in line with guidance from the Office for Students. However, discussions with management had taken place since the report had been issued and a further group of recommendations had now been implemented (featured in a later report at this meeting).

- 142 The Principal commented that the report did not acknowledge the changes to the management structure over the past year and that some individuals originally assigned to implement the recommendations had now left the organisation, with their successors having to pick these up. Management had been extremely open that the focus of the Internal Audit Plan had been chosen deliberately as areas that were known to require additional work. This was reflected in the Internal Audit Annual Report but not in the report on the Follow-Up findings.
- 143 The Internal Auditor responded that the points made above would be included in the 2024/2025 Internal Audit Annual Report. Evidence of implementation had now started to be received as well as assurances from managers and 'top-up' testing would be undertaken by the end of the academic year.
- 144 The Chair asked the Internal Auditor to explain the statement in the report that "the conclusions differ from management". The Internal Auditor responded that this was due to changes in staffing and those who were new in post not necessarily understanding the context of the audit recommendations and the need to provide supporting evidence to the audit team within a reasonable timescale. RSM had worked with staff to ensure that the evidence requested supported management's assertions.
- 145 The Vice-Principal Finance & Resources added that the majority of these had been in Human Resources and Estates/Health & Safety and that it had taken some time for new appointees to understand the previous recommendations and identify how these could be implemented.
- 146 Management felt that it would be helpful to the process if RSM staff could undertake their fieldwork onsite, as this reduced the time taken to supply evidence and to upload to the RSM portal. This was being addressed and the improvements were evident in the latest internal audit reports (which would be submitted to the June Committee meeting). The Internal Auditor reported that RSM staff had been on site previously but it was sometimes difficult to engage with the action owners due to their other commitments. RSM actually preferred to be on site as this provided a better level of communication and this had been agreed for future visits.
- 147 Training for staff on the RSM portal had been agreed, especially as some evidence had been submitted by email and had not necessarily been included in the final audit report.

INTERNAL AUDIT – PROGRESS REPORT

- 148 Governors received for information a report on progress against the Internal Audit Annual Plan for 2024/2025. Two internal audit reviews had been carried out to date, with a further 2 audits planned in the next couple of weeks together with a follow-up of previous recommendations. The resulting reports would be presented to the Committee's June meeting and would complete the delivery of the Plan for 2024/2025.
- 149 The Committee also received a copy of RSM's Board Assurance Toolkit, which had been referenced during the recent governor training session on risk management. This would be shared with the rest of the Board.

RISK MANAGEMENT

- 150 The Vice-Principal Finance & Resources presented an update on risk management.

- 151 One new risk had been added to take account of the additional workload of refining and streamlining the policy framework, including for human resources where there were currently 36 policies. A governor questioned whether the risk articulated that the College's operations were non-compliant with its policy framework and was advised that regular updating of approximately 170 policies was required and took a considerable effort, in addition to monitoring compliance. Management was in the process of merging and streamlining policies and it was recognised that an annual update may not be required for all policies.
- 152 Two further issues centred around the unclear designation of some documents as 'policies' which were actually 'guidance' or 'procedures' and the risk that, dependent on their review dates, changes to policies could be contradictory or inconsistent.
- 153 A governor suggested that the wording of the risk on policies should be described as 'the risk of failure due to policies not being updated or consistent' and that adding more detail or context would be helpful. The Vice-Principal commented that workloads for policy reviewers was an issue and that a significant amount of time had been spent on discussing and approving policies at Senior Leadership Team meetings.
- 154 The Committee agreed that the potential risks surrounding HR issues were high, but that this should be alleviated when the new Director of People and Organisational Development had settled into their post. The relatively recent senior staff changes had had an impact on the process and some of the pressure at the start of the academic year should now have reduced.
- 155 The Principal reported that the College now had a stable, experienced leadership team, structures and pay had been reviewed but the organisation operated in a competitive environment where the retention and attraction of staff (particularly in skill shortage areas such as Electrical Engineering) was an issue and it was important, therefore, that the HR policy framework was appropriate and up-to-date. An over-dependence on agency staffing in the past had made it more difficult to deliver a high-quality student experience, but this was being addressed.
- 156 A governor asked what indications could be gleaned from the risk appetite statement. The Vice-Principal advised that the College could not initiate mitigating controls against some risks (such as the Ofsted outcome) as these were outside of its influence. Following the presentation by RSM at the governors' seminar in January the next stage of the process would be for the Board to consider whether it was comfortable with the scoring assigned to the strategic risks.
- 157 The Vice-Principal reported that at some FE colleges the RAG-rating of the respective risks determined how often they were monitored by the Audit Committee, for example, those graded as 'red' would be considered at every meeting.
- 158 The scores of 4 risks had been reduced since the December meeting due to changes in circumstances. The risk connected to a poor Ofsted outcome may need to be amended in light of any further developments in the inspection regime.
- 159 All risks were aligned to the strategic objectives and monitoring had been allocated to each of the Board's committees. A 'heatmap' had also been devised which was presented for information.

Lisa Randall left the meeting.

MONITORING OF PREVIOUS RECOMMENDATIONS

- 160 The Director of Finance 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.
- 161 The report included the recommendations made during the recent audit of Payroll and Staffing. Progress against these had been good and the College was actively pursuing the Council for a signed Service Level Agreement. A number of other changes on reporting requirements had already been made.
- 162 The Chair questioned whether the 16 recommendations in this report aligned to those in the Internal Auditor's progress update presented under an earlier agenda item. The Director of Finance advised that a reconciliation of both lists of actions had now been undertaken and the report under this item was definitive and had been agreed by both parties. From the total of 17 recommendations, 12 were due to be signed off by RSM, 3 were in progress, one had not yet been implemented and a further recommendation required clarification.

FINANCIAL STATEMENTS 2023/2024

- 163 Governors were reminded of the discussions at the December 2024 Board meeting on the potential clawback of funds from the College for apprenticeship provision. Since then, KPMG (appointed by the ESFA) had concluded their sample testing and had indicated that no substantive testing was required. However, the College was still waiting for written confirmation of this.
- 164 The total exposure for the College was £150k and a provision had already been included in the accounts to cover this.
- 165 Discussions had taken place with the College's External Auditors on how this should be treated in the annual financial statements in order for these to be approved by the Board. The Vice-Principal outlined the 2 possible options: to open up the 2023/2024 accounts and adjust them by £150k, or to deal with the issue in the 2024/2025 accounts. The latter required an amendment to the Letter of Representation that accompanied the Financial Statements and governors were advised that the auditors considered the amount of clawback to be immaterial.
- 166 As agreed at the December Board meeting, an extension to the deadline for submission of the Financial Statements had been obtained to 31st March 2025. The approval of the annual accounts for 2023/2024 would need to be given by the full Board either through a written resolution or by holding a special meeting prior to the submission deadline.
- 167 **Resolved –** That the Board **be RECOMMENDED** to address the clawback of apprenticeship funding by the ESFA through the 2024/2025 financial statements

ITEMS TO BE REPORTED TO THE BOARD

- 168 The Chair summarised the main points of the meeting which would be reported to the Board at its meeting on 2nd April 2025
- 1 Internal Audit report on Payroll & Agency staffing received – reasonable assurance grading. 6 medium priority recommendations.
 - 2 Total of 28 recommendations considered as part of follow-up audit and graded as 'little progress' since the previous visit. 15 actions have been completed, 1 superseded, 6 ongoing and 6 not implemented.
 - 3 Report on progress against Internal Audit Plan showed that this was on track for delivery by the end of the academic year, with the remaining reports due to be submitted to the Committee's June meeting.
 - 4 The Committee also received for information a copy of RSM's Board Assurance Framework.
 - 5 The regular report on risk management was discussed. One new risk had been added to take account of the additional workload of refining and streamlining the policy framework. The scores of 4 risks had been reduced since the December meeting due to changes in circumstances.
 - 6 Governors also received a report on the implementation of risks highlighted by the Internal Auditors.
 - 7 Recommendation that the clawback of £150k for apprenticeship provision by the ESFA should be dealt with in the 2024/2025 financial statements, with an amendment to the Letter of Representation

DATE OF NEXT MEETING

4th June 2025



SIGNED: **Date: ...20th June 2025.....**

(Chair)