

Minutes of the meeting of the Audit Committee held via MS Teams on Tuesday 4th February 2025 at 17:00

MEMBERS Neil McDonald, Chair
PRESENT: Alison Griffiths
Nick Butler

ALSO IN ATTENDANCE: Jon Fearon, Finance Director
Lee Glover, Validera – internal auditor
Roopa Patel-Harji, Validera – internal auditor (from 17:30)
Eloise Hopkinson, Head of Governance

		ACTION by whom	DATE by when
1	<u>WELCOME, INTRODUCTIONS AND APOLOGIES FOR ABSENCE</u> Apologies were received from David Hoose (Mazars – external auditor), Andrew Cropley, Theresa Hodgkinson, and Catherine Walker.		
2	<u>DECLARATIONS OF INTEREST</u> The chair reminded everyone present to declare any interests that they may have on agenda items to be discussed. Standing declarations were noted.		
3	<u>MINUTES OF THE MEETING HELD ON 26TH NOVEMBER 2024</u> The minutes were reviewed and it was agreed that they were an accurate record of discussions. AGREED: to approve the minutes of the meeting held on 26 th November 2024. There were no matters arising.		
4	<u>ACTION PROGRESS REPORT</u> The committee members were happy to note the content of the update provided.		
5	<u>COMPOSITE COLLEGE RECOMMENDATIONS REPORT</u> The finance director presented this paper. It was noted that all 2024/25 internal audits have been allocated a start date and a deadline for presentation to the Audit Committee. However, as none of the audits		

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have commenced, there were no actions or recommendations emerging from them.

The executive PA will be retiring in April 2025, and the chair asked that thanks be extended to her on behalf of the committee for her excellent work. Governors agreed that it was vital to have someone collating the actions and recommendations from the audit reports.

There were no audit reports to present to this meeting but, in order to keep on top of driving the audits and ensuring the dates are met, the internal auditors were asked to keep the finance director and head of governance informed. This would be particularly important where something is not being actioned in a timely manner as staff responses can then be chased and support given where required. The finance director expressed the hope that this approach will mitigate any time lost while the PA role transitions from the previous postholder to the new one.

The internal auditor indicated that they have reduced the amount of time which their team members are permitted to spend on field work, so they will be trying to complete the work in a much timelier fashion. This will remove some flexibility, but it has been found that giving people long deadlines was not always effective. The start and finish dates will be much tighter than they have been historically, and this will help all audits to be complete by June 2025 in line with the chair's stipulation.

The finance director was asked whether there is a timeframe for the appointment of a new PA, and he confirmed that the advert will go out within a week. As well as advertising the role externally, there is also the possibility for potential internal applicants to shadow with the current PA to support them in applying for the role and performing well within it. Bringing in an external candidate will create a delay, and it was agreed that it is hugely positive to provide internal candidates with opportunities to progress, as long as they have the competency to fulfil the demands of the role.

AGREED: to note the content of the update provided.

6 **RISK REPORT**

The head of governance presented the risk report, and key matters highlighted were:

- One red RAG-rated risk had been added to the risk register since the previous committee meeting. This pertained to the reduction in the employers' National Insurance threshold to £5k and an increase in the rate of 1.2%. Details of how much of this would be covered by funding had not yet been confirmed by the government. The college will receive a share of £50m for the period April to July – this will perhaps bring in £250k. The finance

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director indicated that he should have the details of the allocation by 14th February, and this should address some pay issues and the National Insurance concerns. He informed the committee that next year's funding allocation may also be confirmed on that same date.

- Several risks had undergone general updates since the previous meeting, predominantly in respect of the further actions and progress against risk mitigation.
- The risks pertaining to cyber-attacks and the college's website were noted as increasing, although this had not yet impacted the residual risk scores.
- One change which was brought to the committee's attention and had taken place on the day of the meeting was that the residual risk score for the capital risk concerning the purchase of the Outram Street site had been increased to 20. As at 4th February 2025, the contract had still not been signed and the director: IT, estates and learning resources had advised that the target opening date of September 2025 would be very difficult to achieve as a result. This was with the college's lawyer and leaders were hopeful for a completion date of 7th February at the very latest. Ashfield District Council was happy to sign, and the college was just awaiting feedback from solicitors. The chair observed that the delay was caused by the buy and lease agreement, and he asked whether capital spend should move to operational expenditure. The finance director clarified that the rent will be a peppercorn for 125 years and the council will claim back the VAT, so there will be no need to move the expenditure into operational. There had been some discussions about whether VAT would even be payable, but this would potentially have resulted in a disagreement around the sale price. The finance director explained that the council can take the building back at the point at which the college does not need it anymore. Leasing the building back to the college also gives the council more say over how the college uses the grant awarded to it by the council.
- One risk which was formerly red but had been downgraded to green was the one pertaining to bus passes as the college had reached a point at which it was possible to manage cost. However, it was highlighted that the process will be reviewed for 2025/26 to avoid being in a position where so many bursary claimants have delayed providing evidence.
- The risk pertaining to the college delivering the objectives within its Equality and Diversity Plan had been reduced.
- Four risks – three amber and one green RAG-rated – had been removed since the previous Audit Committee meeting. In addition to these, it had been confirmed on the day of the meeting that the risk pertaining to the availability of firms and materials for works could be removed from the risk register as this was no longer proving to be an issue.

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The finance director informed the committee that he had received a letter from the bank in relation to the banking covenants, specifically the covenant stipulating that the college must have positive cashflow within the year. Following the purchase of the Old Brewery, the college did have a negative cashflow for a short time. This will not happen again, and the finance director needs to respond with his interpretation of the covenant and an explanation of the situation surrounding the potential breach. The bank has not yet stated that the college has definitely breached the covenant, and the next step will be for the bank to meet with the credit committee to discuss whether they agree with the interpretation offered by the finance director. If they do, it is likely that they will remove the breach from the file. The finance director assured the committee that the bank would be unlikely to place the loan in a breach position that would make it repayable with immediate effect. The bank is most likely to issue a letter saying that this measure needs to remain in line moving forward. The finance director also informed the committee that the bank was previously aware that the college was making the purchase of the Old Brewery and the possible consequences of this. Furthermore, he confirmed that the college had adequate cash to purchase the building.

Worst case scenario, the college could repay the loan (around £970k) now and survive on cashflow, but this would not be desirable and there is no demand for it at this point. The Brewery purchase resulted in an overspend of £100k more than the college generated in-year, which is a small overspend considering the scale of these figures.

In summary, a breach of the covenant has not been confirmed as yet, but the college and the bank need to have a discussion about how this will be taken forward. There was previously a risk in relation to this within the risk register which has only recently been removed. The finance director did not feel that this occurrence necessitated the risk to be added to the register again. However, he assured the committee that, if this does become a risk again, he and the head of governance will update the risk register accordingly. The finance director indicated that he would provide an update at the next committee meeting.

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In general discussion, governors agreed that the risk register presented was well maintained and sufficiently covered the right issues and areas.

AGREED: to note the content of the update provided.

7

COUNTER-FRAUD/ANTI-BRIBERY

The finance director presented his report, informing the committee of the following points of note:

- Annex D, which is part of the Post-16 Audit Code of Practice, was presented, and governors were informed that there have been no changes to the checklist.

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- Two areas within the risk assessment particularly stand out:
 1. Historically, in addition to the annual internal audit programme, subcontracting was subject to a separate review by either the college's internal auditor or the external auditor. This requirement was removed in 2022/23; therefore, it would be sensible to state that subcontracting should be included within the 2025/26 internal audit plan. This is a medium risk.
 2. Cyber fraud is a continuously increasing issue and is a high risk. The college has been instructed by governors to not hold back on actioning things which protect it from cyber fraud, as the cost of failure could be extremely high and could also severely impact operation. Box Phish is constantly issuing training updates with short modules for staff to complete. Staff are also occasionally sent fake links as a test, and these result in additional training for those individuals who click the links. This seems to be working well.
 3. In relation to payment fraud, some very sophisticated artificial intelligence has been generated to catch people out by using the image or voice of a familiar individual. Lloyds Bank has now set up the Lloyds Academy, which sends regular updates and a training programme in relation to payment fraud. The Finance team has created a log to show that all team members have been through these modules. This is regularly updated as the fraud practices change. The college is raising awareness and informing staff to be aware and suspicious of odd requests, even if these seem to be from someone they know. This issue had been reduced from high risk to medium.

The chair agreed that having external specialist support in place to support the college in avoiding cyber fraud makes sense.

AGREED:

- to note the content of the update provided
- to approve that subcontracting will be in the next year's audit plan.

8 **FRAUD, IRREGULARITY AND WHISTLEBLOWING**

The finance director and head of governance informed the committee that there were no disclosures or issues to report.

AGREED: to note the content of the update provided.

9 **2024/25 INTERNAL AUDIT REPORTS**

Signed: _____  _____ Chair

Date: 1st May 2025

It was noted that all internal audit briefs had been approved by the committee. The internal auditor presented the progress report, highlighting the following key matters:

- No amendments have been made to the plan so far this period.
- The committee's attention was drawn to some sector updates via the progress report, including the Adult Skills Fund Framework; the high needs place change process 2025/26; and latest general updates in the public education sector.
- The auditor will report on satisfaction outcomes once these have been received.
- All audits have been scheduled except for the follow-up audit, and the internal auditor and executive PA will liaise about this and schedule it in a timely manner.
- Auditors have in touch with key contacts within the college two weeks prior to each audit to request initial information.
- The timing of the student records audit in April 2025 was pointed out to be fortuitous as the auditor will be appointing a new and very experienced director of assurance around that time.

Exec PA

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The committee chair stipulated that it was imperative for all audits to be finished and reported by the June 2025 meeting.

AGREED:

- to note the content of the updates provided
- to note that all audit briefs have now been approved.

10 ANY OTHER BUSINESS

There were no items of additional business.

The chair indicated that the committee should have a vice-chair and this has now become urgent. Alison Griffiths agreed to take this role for at least for the next six months, and she was invited to have a conversation at that point should she wish to reconsider this appointment. The chair and the other committee member present were happy to approve this appointment.

AGREED: to approve the appointment of Alison Griffiths as vice-chair of the Audit Committee.

11 DATE AND TIME OF THE NEXT MEETING

This was confirmed to have been scheduled for 17:00 on Tuesday 1st May 2025 via Microsoft Teams.

The internal auditors left the meeting at 17:30.

12 CONFIDENTIAL MINUTES OF THE MEETING DATED 26TH NOVEMBER 2024

Signed: _____  _____ Chair

Date: 1st May 2025

The confidential minutes were reviewed and it was agreed that they were an accurate record of discussions.

AGREED: to approve the confidential minutes of the meeting held on 26th November 2024.

The meeting closed at 17:35.

Signed: _____  _____ Chair

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