



Minutes of the meeting of the Audit Committee held via MS Teams on Thursday 30th June 2025 at 17:00

MEMBERS Neil McDonald, Chair
PRESENT: Alison Griffiths
Charles Heaton

ALSO IN ATTENDANCE: Andrew Cropley, Principal
Jon Fearon, Finance Director
Lee Glover, Validera – internal auditor
Roopa Patel-Harji, Validera – internal auditor
David Hoose, Mazars – external auditor
Eloise Hopkinson, Head of Governance
Andrew Spencer, Staff Governor (Business Support) – observing
Diane Booth, Vice Principal: Curriculum and Quality

		ACTION by whom	DATE by when
1	<u>WELCOME, INTRODUCTIONS AND APOLOGIES FOR ABSENCE</u> Apologies were received from Nick Butler and Theresa Hodgkinson.		
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 1ST MAY 2025</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 1 st May 2025. 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 completed and actions assigned to individuals.		

Signed: _____  _____ Chair

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All actions have been recorded on the tracker and are being chased up as appropriate.

One action previously noted to have been implemented was found to be outstanding when conducting the follow-up audit. This has been moved back to the main actions tracker and will be implemented as quickly as possible as it is now severely overdue.

The chair asked for an explanation as to why this had been reported as implemented when it had not been, and the finance director confirmed that it was marked as complete due to a misinterpretation. The action was to take a report around additional learning support (ALS) to the Standards Committee; however, two issues arose which created a challenge:

- Firstly, tailored learning no longer has ALS as a feature, so the team has been trying to address how this information might be gathered and reported.
- Secondly, a technical issue arose following attempts to make the system more efficient by closing courses down from an exams perspective. This caused an error within the system which caused some learners to show as not having received ALS. This took some time to identify and resolve and, although it has now been fixed, retrospective amendments have had to be carried out to learner records.

Due to these challenges, the proposal is to take this data to the Standards Committee when it is finally accurate, which will be in October or November 2025. This will report on the 2024/25 data. The finance director further explained that the college has been trying to make changes to the way in which ALS is delivered, but none of this was showing in the data to enable the report to be created. However, the reason behind the issue has now been identified and the team is now quite close to finishing the correction. The action needs to be revised to reflect that the data will be from 2024/25, and it should be possible to produce this report. It would then be best to run this report based on this timescale moving forward (i.e. in October or November of each year to reflect the previous academic year's data). The head of governance will add this to the Standards Committee's work plan so that it is not missed.

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Governors were content with this assurance and update, agreeing that this is the benefit of verification, although it was noted that it would be even better had the error been spotted before the verification was carried out. The finance director provided further clarity, explaining that the report had been scheduled, which was why the action was closed. The report then proved to be inaccurate, but the action was not reopened as it should have been.

AGREED: to note the content of the update provided.

Signed: _____  _____ Chair

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6 FRAUD, IRREGULARITY AND WHISTLEBLOWING

The vice principal: curriculum and quality attended the meeting to inform the committee of a disclosure in relation to erroneous sign-off of competencies within the hair and beauty department, received in the form of two whistleblowing reports.

The vice principal advised that the college had completed all necessary paperwork and submitted this to the awarding organisation, and the latter has instructed the college to undertake a formal investigation. The college will conduct this in line with the procedure, and a report will be submitted to the awarding organisation. The internal investigator appointed will speak to those staff and students who were involved and conduct a random sample of portfolios.

The vice principal was asked what the potential impact and outcomes of this could be and what the risk is. She explained that, if the allegations are found to be true, certificates could be withdrawn or the college would need to retrieve them and bring learners back in to retake assessments. The vice principal also confirmed that this issue is from the current academic year, 2024/25.

The outcome of the investigation will be reported to the next Audit Committee meeting, which the vice principal will be invited to attend.

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AGREED: to note the content of the update provided.

The vice principal left the meeting at 17:10.

7 RISK REPORT

The Risk Management Strategy was presented to the committee for its annual review. Other than minor administrative updates, no changes were proposed. The committee were invited to consider this document and either approve it as presented or request amendments, and governors were happy to approve the strategy as presented. The chair requested one small change to the punctuation in clause 2.4, which was carried out within the meeting.

The head of governance then presented the risk register report, particularly highlighting key points from the covering report:

- No new risks had been added since the committee's previous meeting, but one had been removed. This risk related to funding and was removed because stronger 16-18 growth had reduced the impact. Although the EBITDA had been impacted, financial health remained good at the point of the update.
- The majority of risks had been updated since the previous committee meeting, in line with the stringent review schedule applied by the Executive team. However, three risks were overdue for update – there was a narrative against these, but updates were also being chased by the head of governance.

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- The risk register had eight red risks, four introduced during 2024/25 and four longstanding risks.
- As part of the report, governors also received a brief description of risk management activity in 2024/25.
- The risk register presented an early view of those risks which were likely to roll over into 2025/26. The head of governance indicated that the Executive team would look at this in more detail in July so that the 2025/26 risk register could be presented to the committee at the next meeting.

The chair asked which of the red risks were the biggest concern, which of the amber risks were most likely to fall into red, and what is being done to mitigate this.

The principal indicated that the largest risk was the Outram Street capital project, considering that this was now heading towards a January 2026 opening. Cybersecurity is a consistently large risk which always has the potential to create an issue for the college, but he was confident that everything possible is being done to mitigate this. If, however, the lease of the new building and the Outram Street project both failed or hit a major snag, this would create a major concern.

In terms of amber risks that may become red, the current challenge is the college's ability to respond to the growth which it is seeing. The college plans well every year, and this planning tends to be accurate, but there are sometimes surprises in one or two departments. The principal does not expect September 2025 to be an issue, particularly if the new building is secured and opened, but 2026 may be a different matter as getting space and staff to match student demand could prove to be challenging.

The finance director felt that securing the new building (if approved by the board) would mitigate any risk in relation to capital projects. This would mean that the college could focus on securing value for money rather than rushing the project, as it would be possible to tolerate a slight delay. He indicated that growth was not such a big risk in 2025 as the college is in a financially strong position due to having been funded for last year's growth. However, if it is significantly larger than predicted, the cost will increase. The Department for Education has allegedly suggested to the Association of Colleges that there will be some money for in-year growth, but the finance director was not willing to rely on this.

The finance director picked out the amber risk around National Insurance costs, explaining that the college has been given funding for NI until March 2026. However, again, this cannot necessarily be relied upon. The assumption in the government's budget is that this will be an annual grant and will roll on again from April, but the government's policy can always change. It was hoped that colleges will be made aware in good time in respect of any funding changes.

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A final risk to note in relation to in-year growth was that the college may run out of bursary and could almost be spending bursary for learners recruited next year. This is an accounting change which could mean that the college accrues bursary. He clarified that the college has always had bursary in the bank but may actually end up in a situation where the bursary owes the college money (i.e. is a debtor).

If the college is very successful at recruiting learners, these growth-related risks could be more significant and problematic; however, the finance director did not feel that the college would be at great financial risk. The chair reinforced the need to put more focus on discussing the risks in detail within Audit Committee meetings to see how governors can assist the Executive. The committee and its new chair will need to decide how this can be structured so that they can best understand and help and thereby benefit the college. The principal agreed that this would be beneficial. If this can be joined up appropriately, the focus can spread out to other committees with oversight of the large, key risks.

AGREED:

- to note the content of the update provided
- to approve the Risk Management Strategy 2025/26 as presented.

8 **WHISTLEBLOWING POLICY – REQUIRED AMENDMENTS FOR CONSULTATION WITH UNIONS**

The head of governance indicated that the Whistleblowing Policy was due for review but must go through consultation with the unions before it can be approved by the committee and the board.

The current document, when applied to certain complaints, proved to not be particularly helpful as a guidance document. Therefore, the head of governance intends to look at other colleges' policies in an attempt to tighten up WNC's policy and make it into something which can be followed with ease. For example, more clarity around timeframes would be helpful, as well as more of a step-by-step guide as to the process.

Governors were asked to comment on any particular strengths or weaknesses which stood out to them from the current policy.

The head of governance also suggested that a 'Complaints against senior postholders policy' should be drafted to provide a better medium for dealing with such complaints. She explained that she would pull together a draft of this policy to be presented at the Senior Postholder and Governance Committee's meeting in October 2025 for recommendation to the board.

The committee agreed that it would be good practice to have a policy in place to handle complaints against senior postholders. The chair

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indicated that the Whistleblowing Policy in its present form states that it is for all stakeholders but then refers to internal stakeholders and loses its way somewhat. It needs to clarify the rights and the process for external whistleblowers. He suggested, furthermore, that contracts between the college and other providers should provide clarity as to how to raise concerns, as well as how these will be dealt with, in order to separate whistleblowing from contractual grievances.

Finally, the chair requested that the amended policy clarify the words 'irregular' and 'irregularity' – it is currently not clear whether this is fiscal or behavioural, for example, and this context would be helpful. He suggested that the board members could be asked for examples of whistleblowing policies, particularly any who are based within education providers, and the head of governance agreed that this request would be made at the next board meeting.

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The head of governance was asked to provide a timeline for the amended policy, and she advised that she would bring a draft to the next meeting of this committee for discussion. This document would then go through consultation with unions and the aim – notwithstanding any delays caused by the consultation process – would be to request board approval of the new policy in December 2025.

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AGREED: to note the content of the update provided.

9 EXCEPTIONS REPORT

The finance director had no other items to report other than the malpractice issue reported previously by the vice principal.

AGREED: to note the content of the update provided.

10 2024/25 INTERNAL AUDIT REPORTS

The internal auditor presented the progress report, highlighting the following key matters:

- There have been a number of new additions to the audit team, most notably Karl Bentley, director of funding assurance.
- Validera has formed a joint venture with HB&O Accountants to provide a new external audit solution specifically for the education sector.
- There had been no amendments to the plan since the previous meeting.
- A number of sector updates were highlighted, details of which could be accessed via Validera's LinkedIn page:
 - Post 16 Education – Subcontracting
 - Global Internal Audit Standards
 - Relevant Internal Audit Standard Setters (RIASS) Application Note
 - College Management Accounts
 - Adult Skills Fund (ASF) Framework

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- Three client satisfaction surveys had been completed by the college, all of which were positive.
- All audit reports had been finalised, as follows:
 - Safeguarding – adequate assurance with one amber-rated action and two green-rated actions.
 - Corporate governance – substantial assurance with two green-rated actions and two blue good practice points.
 - Counter-fraud – substantial assurance with three green-rated actions and one blue good practice point.
 - Income and debtors – adequate assurance with two amber-rated actions and one blue good practice point.
 - Health and safety management – adequate assurance with four amber-rated and two green-rated actions, plus one blue good practice point.
 - Quality management – substantial assurance with two green-rated actions.
 - HR health check (recruitment service) – substantial assurance with two green-rated actions.
 - Student records (tailored learning) – adequate assurance with two amber-rated and four green-rated actions.
 - The follow-up audit provided adequate assurance over management’s own tracking and reporting of recommendations at Audit Committee meetings.

The chair then referenced each of these audits one by one to provide committee members with the opportunity to discuss and comment.

Safeguarding

The chair asked where responsibility for the input and evaluation of the single central register lies, and it was confirmed that this is ultimately the HR director’s responsibility. He observed a link between this audit and the HR health check, pointing out that many of the same areas were reviewed, which raises a question as to why the audit findings were not the same. The internal auditor indicated that they did review the single central register for each audit, but different samples were used each time. Therefore, the HR sample must have been acceptable but the safeguarding sample less so. The chair noted again that many of the points reviewed within the safeguarding audit related to recruitment processes, and these drove many of the actions, yet the HR audit – which also focused on recruitment – received substantial assurance. It was suggested that the principal might feed this back to the HR director so that she could check that there were no further gaps. The finance director indicated that timing could be an issue as, having seen gaps in data within the safeguarding audit, the HR team probably then improved the position by ensuring that any other gaps were resolved in a timely manner. Therefore, the second sample would have offered a different perspective on the accuracy of the single central register. The chair was assured by this response, and it was agreed that this shows the value of

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internal audit – it has clearly highlighted these areas of weakness and triggered an improvement, which will hopefully emerge through the follow-up audit next year.

Corporate governance

The committee members were assured by the positive outcome of this audit.

Counter-fraud health check

One governor raised a point in relation to actions taken by management – both this and the corporate governance report note the need to implement a more centralised gifts and hospitality process, and she asked for assurance that this would not result in two distinctly different processes. The finance director confirmed that there will be one process, and JotForm will be used with submitted forms then creating and adding to a database. As governors do not have access to internal college systems, the head of governance will collate declarations and complete JotForms on their behalf.

Income and debtors / Health and safety

These have been recorded together in the minutes as, although they were separate audits, the emerging discussion crossed over both of them.

One governor commented that, while the overview of the health and safety report suggested that this potentially required the most significant and in-depth review, she actually found there to be considerable assurance in the commentary provided by management describing to the steps that were going to be taken to improve. She indicated that she did not have the same level of comfort when looking at some of the other reports. For example, looking back at the income and debtors report, she indicated that the management comments do not really reflect the recommended actions. She asked whether there was a generalised communication of what is expected of managers when they are responding to these reports.

Counter to this, the chair indicated that he felt the commentary within the health and safety management responses to be unclear. He indicated that they could be read either as agreement with the action to be taken in line with the plan or as a statement that the team is already doing this and does not understand where the issue lies.

The finance director referred to page 5 of the income and debtors report and clarified that this was a question of context and scale. Cash takings across the organisation are very low outside of the day-to-day diner which is frequented by staff and students, and one site does not accept cash at all. The issue reported can arise within the Refined restaurant: where the service has run late and others have been allowed to leave, one person is sometimes left behind to cash up. This does not happen

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often, but it can be unavoidable if the second staff member has had to leave the restaurant in order to ensure the learners can get home safely. It has to be recognised that there is not always a practical solution to this issue. However, the cash element is very small, and over 95% of transactions within Refined are via card. Should it be found that this issue was arising every day, it would be necessary to review practices; however, it is genuinely the case that, on occasion, it is necessary for a team member to act outside of the procedure and cash up a small amount of cash alone. It is about being practical to the implementation, whereas the risk factor within health and safety is different.

Looking again at the health and safety audit, the chair asked for assurance that the management commentary denotes actions to mitigate the risk from the audit findings and not statements of what is already in place (and, therefore, an indicator that management does not agree with the audit findings). The finance director explained that there was a new building management system in place at the point of this audit being carried out, and this is being constantly updated. Beforehand, the team would be reliant on a spreadsheet, but the new system logs actions and chases when these have not been closed. This system will improve the team's processes, and the commentary has probably been worded in the way presented to indicate that these improvements are underway, that tickets have been submitted via the system and completed. The finance director indicated that the transition over to this system will be a significant process due to the volume of assets in place.

Quality management

The committee had no particular comments to make in respect of this audit, and the chair particularly complimented the outcome.

HR health check

It was agreed that good progress had been demonstrated since the previous audit, particularly in relation to the accuracy of the single central record. It was noted that there was a non-acceptance, and the chair indicated that this should be looked at next year when the follow-up audit has been completed to ensure that this was the right approach. The chair was pleased to note that the management team does feel able to challenge the audit findings on occasion.

Learner records

It was noted that this report came out late and was only shared very shortly before the meeting. The audit received adequate assurance with actions around course target setting, course design, standardisation, the approvals process, and inconsistent documentation. There was also a sample for which it was not possible to provide the evidence. The finance director indicated that there were a lot of learning points emerging from this report and it was useful to have this explored as part of this year's audit programme. For example, the attendance monitoring procedure needs to be agreed and set out for each course – some tailored learning

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courses only last for one day, and the attendance process for those needs to be different to the one applied to long-term courses within tailored learning. There is a table which the finance director reviews with the finance and adult learning teams during the management reporting processes, but this table does not feature within the management accounts. In future, the different funding streams within adult skills will be reported in an enhanced manner within the management accounts to show whether the college is on target in respect of each funding stream, etc.

The chair indicated that 2024/25 has been another good year for audits, with four audits having substantial assurance and five adequate assurance. However, he reminded the committee that 2023/24 had year, had eight substantial and one adequate. He suggested that this may need to be monitored to ensure that the assurance level is not permitted to drop too far – it is necessary to tackle issues and drive improvement. He commended the college for the fact that there were no red actions across the whole year's audits, and the number of amber and green actions was considered to be positive as these provide ways to improve and implement practices to improve performance. He gave the committee's thanks to the college team and the auditors for conclusion of the audit programme in-year.

AGREED: to note the content of the update provided.

11 **MAZARS 2024/25 PLANNING MEMORANDUM**

The external auditor reported a level landscape with no major changes to accounting or auditing standards, and the audit approach has stayed the same. Timelines have all been agreed, and nothing new was emerging in terms of significant risks and judgements which need to be looked at. He drew the committee's attention to a point note on page 14 of the report, which referred to the accounting for the Outram Street store. He indicated that he and the finance director will need to work through this during the summer. Because it is a peppercorn rent lease, there is a chance that it does not meet the definition of a lease in accounting standards. Therefore, the accounting might be direct fixed assets, credit, profit and loss account for that asset at valuation. The impact of this will need to be explored with management. The auditor indicated that they could mirror the accounting for similar treatments in academy sectors. It may be that this needs to be brought on the balance sheet with the other side of that accounting entry a big gift in this year's accounts, accepting the repercussions which this might cause.

He indicated that there was a typographical error on the audit fees page, for which he apologised: the 3% business support charge is included in the fees in the table – it is not on top of these fees.

The external auditor also wished to discuss the narrative around materiality on the regularity work, for which the auditor gives a second

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opinion. He explained that the DfE seems more focused and stringent in relation to this, and it has been made very clear that any breach of the delegated authorities in place with the DfE would, by default, mean that these transactions were irregular and should give rise to auditors qualifying the accounts. He was not aware of any issues for WNC, but he felt it was worth being aware of. Similarly, significant fraud is now defined as £5k (before any insurance claims), and any significant fraud would be irregular by default and the auditor would be qualifying the audit opinions. Again, he was not aware of any issues, but he needed to ensure that there was awareness of this.

Finally, he indicated that the appendices include some narrative around changes to accounting standards which will impact WNC for the 2027 year. The main changes are around lease accounting, with all leases going on the balance sheet from that point. He did not foresee this being an issue for the college based on current lease arrangements, explaining that the operating lease arrangements in last year's accounts were only to the sum of £80k. Some colleges have a large value of lease arrangements which will put more debt onto their balance sheets – the DfE has yet to work out what this will mean for financial health scores, and banks have yet to work out what it will mean for compliance with covenants. However, he indicated that it is necessary to be aware of this if the college is considering entering into any additional leases.

The chair invited the committee to put forward any questions, particularly asking the finance director whether he was clear about what the impact would be for the college of the audit and any of the framework changes outlined. The finance director indicated that the challenge will be whether the college actually generates a surplus, but this would be on the operating surplus and so would be outside of the EBITDA, which is what the college uses as a performance measure. He explained that the technicality in relation to Outram Street will be in recognising that, in some respects, it is a gift. If the college had purchased the site and used a grant, this would have been written that off over a period of time. Therefore, in summary, this was an unusual scenario but would not impact greatly on performance reporting – it is simply the case that this needs to be accounted for in some way, and this needs to be identified.

AGREED:

- to note the content of the update
- to approve the planning memorandum as presented.

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ADDITIONAL AUDIT WORK COMPLETED/PLANNED

The finance director advised that there was no additional audit work completed or planned.

AGREED: to note the verbal update.

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13 **COMMITTEE REVIEW**

The head of governance presented the annual review for 2024/25. The committee was invited to comment on attendance for the academic year and to agree whether any changes should be made to the committee's membership or meeting frequency. Proposed meeting dates for 2025/26 were presented for comment, as was the committee work plan. The committee were reminded that the current chair would be leaving the board at the end of July and the role of chair would be taken over by Charles Heaton from 1st August 2025. Otherwise, no changes to the committee membership were suggested.

Governors were also invited to comment on the draft Terms of Reference, which were presented for recommendation to the Corporation Board for approval. Several updates were proposed. These did not introduce any practices or behaviours which the committee did not already exhibit, but they aligned the Terms of Reference more closely with the version suggested by the Association of Colleges. Governors were pleased to recommend the updated Terms of Reference for approval.

The committee members were also asked by the head of governance to consider whether the committee had acted in line with the provisions set out within the Terms of Reference, and all felt that it had.

AGREED:

- to recommend the Audit Committee Terms of Reference for 2025/26 to the Corporation Board for approval
- to note the proposed work plan for 2024/25
- to note the content of the update.

14 **ANY OTHER BUSINESS**

There were no items of additional business. The chair thanked the committee and college. In turn, thanks were extended to him for his excellent support and challenge over his time on the board and the Audit Committee.

15 **DATE AND TIME OF THE NEXT MEETING**

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

It was agreed that confidential items would be recorded separately.

The auditors left the meeting at 18:15.

The meeting closed at 18:25.

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