

Minutes of the meeting of the Audit Committee held via MS Teams on Wednesday 2nd October 2024 at 17:30

MEMBERS Neil McDonald, Chair
PRESENT: Alison Griffiths
Theresa Hodgkinson
Nick Butler

ALSO IN ATTENDANCE: Jon Fearon, Finance Director
Lee Glover, Validera
Roopa Patel-Harji, Validera
Diane Booth (until 17:45)
Eloise Hopkinson, Clerk to the Corporation

		ACTION by whom	DATE by when
1	<u>APPOINTMENT OF THE COMMITTEE CHAIR FOR 2024/25</u> The committee members were happy to nominate and reappoint Neil McDonald as the committee chair for the academic year. AGREED: to approve Neil McDonald as the Audit Committee chair for 2024/25.		
2	<u>WELCOME, INTRODUCTIONS AND APOLOGIES FOR ABSENCE</u> Apologies were received from Andrew Copley, David Hoose (Mazars – external auditor) and Catherine Walker. Nick Butler was welcomed to his first meeting.		
3	<u>DECLARATIONS OF INTEREST</u> The chair reminded everyone present to declare any interests that they may have on agenda items to be discussed. Theresa Hodgkinson indicated that the Wilkos purchase is mentioned in the risk item, in which she has an interest as the chief executive officer of Ashfield District Council.		
4	<u>MINUTES OF THE MEETING HELD ON 1ST JULY 2024</u> The minutes were reviewed and it was agreed that they were an accurate record of discussions.		

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AGREED: to approve the minutes of the meeting held on 1st July 2024.

There were no matters arising.

5 ACTION PROGRESS REPORT

The committee members were happy to note the content of the update provided.

6 COMPOSITE COLLEGE RECOMMENDATIONS REPORT

The finance director presented an update against the recommendations.

He particularly highlighted the first item in respect of student records – he advised that analysis has been carried out in respect of how successful the implemented changes have been. Progress has been made in terms of the recommendation, and more learners are now showing as receiving support, but there are still some gaps. It has been proposed to run some workshops for staff in October to look at how implementation of this approach could look for staff who teach adult learners. In the vast majority of cases, having smaller groups has enabled tutors to support adult learners themselves. Where this is not possible, the college needs to look at bringing in resource to support. However, in most cases, there has been a delay in arranging this. The finance director predicted that it would take another 12 months to show definitive progress in this regard.

The chair requested clarification in that items 6 and 9 are essentially complete but are still showing as amber. He asked whether there is a reason for this or whether the amber RAG-rating simply denotes the risk. This will be raised with the executive PA for clarification.

AGREED: to note the content of the update provided.

7 FRAUD, IRREGULARITY AND WHISTLEBLOWING

Malpractice update (discussed and detailed within the confidential minutes)

The vice principal: curriculum and quality attended to provide a verbal update in relation to a malpractice incident which was originally brought to the committee's attention in July 2024.

The vice principal left the meeting at 17:45.

ATTFE funding adjustment

The finance director informed the committee that the subcontractor, ATTFE, has been subject a funding adjustment which has taken away 75% of the funding which the college was paying to it for provision of learning (£100k down to £25k). This is because the subcontractor's actual delivery only equated to 25% of what had been agreed. The college, upon

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becoming aware of the issue, has only agreed to fund the actual learning hours. The finance director expressed the opinion that the subcontractor had misunderstood some elements of the funding guidance. He has had an open and honest conversation with ATTFE and explained the funding regulations. However, this is likely to mean that the relationship between ATTFE and the college will be paused and re-evaluated. The college will certainly not fund this same programme next year, although there might be some other community-based provision offered by ATTFE which the college can fund.

The finance director confirmed that ATTFE has not challenged the college's interpretation of the funding rules, and the college is confident that its interpretation is robust and correct.

The chair indicated that ATTFE has been a valued partner in the past and is a valued partner in the community. He indicated that it would be a shame for the relationship to be impacted, but the college clearly cannot risk reputational damage by association.

The finance director informed the committee that ATTFE will now carry out a review on some of its other provision as well.

Disclosures

The finance director and clerk confirmed that there were no whistleblowing, fraud or irregularity disclosures to report.

AGREED: to note the content of the updates provided.

8

RISK REPORT

The clerk to the Corporation presented the risk report, and key matters highlighted were:

- The areas of risk appetite are proposed to remain the same as in 2023/24, provided that governors do not have any feedback or suggestions to the contrary.
- The risk register as at the end of 2023/24 was presented for the committee to note.
- The risk register has been fully reviewed for 2024/25. However, the tab showing strategic risk against the balanced scorecard will only be populated once the scorecard has been presented to the board.
- None of the subcontracting risks have been brought across into 2024/25. There may be a need to add a risk in relation to ATTFE, and the finance director will also be discussing this matter with the Finance & Estates Committee.
- One risk has been added pertaining to delays in purchasing the former Wilkinsons store in Sutton-in-Ashfield, which will have an impact on the ability to open the new construction centre for the September 2025 intake.

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- One other new risk is in relation to high levels of student recruitment and demand for bus passes potentially incurring higher than budgeted costs. However, it has been possible to roll £400k of bursary money into 2024/25. The college has adopted a very efficient process of issuing passes this year and issued more than might be taken up by students – no further cost will be incurred for any passes which are not taken. At the moment, there is no cost to the college, but the finance director indicated that he would have a better view in late October after the first 42-day period. Travel outside of college days is increasing, which the data shows. The chair asked whether there is a handing back process at the end of a student's time with the college so as not to risk incurring costs through inappropriate use. The finance director confirmed that passes are terminated when students leave, but it might be possible to get six weeks of utilisation before this happens.
- Both of the above risks are red.
- Other red risks for 2024/25 relate to the potential impact of cyberattacks and the fact that this risk increases around the Christmas closedown period; the new adult skills fund; specialist and hard-to-fill roles remaining vacant; not enough students improving their target grades; and the failure to meet 'on track' thresholds in all respects of the Apprenticeship Accountability Framework.
- The principal has asked the finance director to give some assurance in relation to the Brewery, in that the need for improvement to the building is lower than the planned cost. Furthermore, this building was ready for the start of the year, as planned.
- In relation to the financial risks taken around growth, the finance director informed the committee that the college currently has 3,950 learners enrolled, so enrolments are likely to exceed the target. The risk around T-Level clawback has also significantly reduced due to the number of enrolments to T Levels. Only a couple of curriculum areas are below target in terms of student recruitment.
- The committee was also informed that the steel has been erected on the Future Tech Centre site.

The chair asked whether the college is likely to receive in-year funding for the increased headcount. The finance director confirmed that the ESFA has issued a document saying that the funding methodology will be the same as last year, but with an additional caveat that the agency has the right to change this if there is a risk of it not being affordable. It will be necessary to know what the national growth looks like before the ESFA confirms for certain. However, nationally, the funding being clawed back on T Levels is high: this might make it more likely that colleges with growth will receive funding in-year. Furthermore, the hold on some of

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the curriculum reforms has resulted in the college being able to put some previously removed courses back in place. The finance director advised that this hold on the reforms has changed the mix across the country, and some colleges have only delivered on 50% of their expected T Level recruitment.

AGREED: to note the content of the update provided.

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EXCEPTIONS REPORT

The finance director presented the draft Regularity Self-Assessment Questionnaire for 2024/25. He reminded the committee that there is a requirement to make an annual declaration to the external auditor in relation to this. He advised that there will possibly be some developments over the coming audit period but then he will be able to bring a finalised version to the committee in November once that work is complete.

He advised that there are no issues of compliance to report. He has asked the auditor to acknowledge that the Charity Commission issue was addressed in the last set of accounts (2022/23), and he would like this to not be included as an issue within the 2023/24 accounts. He was able to confirm to the committee that the auditor is in agreement that this is a resolved issue and so will not need to be referenced within the 2023/24 accounts.

AGREED: to note the content of the update provided.

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INTERNAL AUDIT REPORTS/UPDATES

The internal auditor presented the progress report, highlighting the following key matters from each of the audit reports:

Curriculum planning audit report

- The audit outcome shows substantial assurance.
- The only recommendations are green. The recommendation for there to be a remission policy in place has not been accepted, but the auditor confirmed that he was not concerned about this.
- The most important recommendation was accepted: this was in relation to have notes supporting the deviation between guided learning hours and planned hours within the 4Cast system. There are now processes in place to ensure that this information is correct.

The chair asked for clarity on what a remission policy is – the auditor explained that this pertains to remitted time which is not spent teaching. For example, this could be given to heads of department to enable them to have admin time. He advised that not all colleges have them. Auditors like to see them, but they are not necessary provided a college has other processes in place.

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Capital projects audit report

- The audit outcome shows substantial assurance, demonstrating the systems and controls in place.
- One recommendation was partially accepted by management.

The chair questioned why there was no action in place to mitigate the partial acceptance. The finance director explained that the Financial Regulations allow for some situations to not follow the single action tender process – e.g. in the case of necessary emergency work. In the past, there were some situations which incorrectly failed to follow the necessary process, but this is now down to only one or two instances. The finance director assured the committee that the new finance system will have a stronger workflow process which will flag up when the required documentation is not attached. He further advised that the consequences of waiting for quotes can, in emergency situations, impact on the operation of the college. The chair suggested that it should always be noted somewhere afterwards when emergency repairs have been required, in order to ensure that there is a traceable record. The finance director agreed and indicated that most of these are also retrospectively added to the system and approved. He assured the committee that, when the college moves across to the new system, he will ensure that his team looks at implementing a way of adding these controls.

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2023/24 annual report

- This was described as a straightforward document with no surprises.
- There were a high number of substantial assurance levels over the year.
- Overall, the auditor's opinion is that the college has adequate and effective governance, risk management and control processes, which is very positive.

The chair agreed that this year's audits have earned an exceptional set of results.

2024/25 proposed areas of audit and updated three-year plan

- The auditors conducted sessions with management and also reviewed the risk register.
- From this activity, the following audit areas were identified and proposed for 2024/25: corporate governance; core financial controls; HR, with a focus on the recruitment service (Protocol/Vision Talent Solutions); student records, with a focus on either 16-18 bursary or tailored learning; counter-fraud health check; safeguarding health check; health and safety health check; and quality management.

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- The strategy is a live document and needs may change, but the auditors will retain contact with the college to ensure the plan continues to meet need.

The committee chair indicated that he was happy with the proposals for year 1 (2024/25) and that these were the correct areas of focus for the inherent risks. However, he questioned years 2 and 3 in relation to employer engagement and environmental reporting. He questioned why the latter is proposed to be audited before the former. He explained that, if T Levels continue to grow, the college will need employer engagement to ensure there are placements available for students. The college also needs employer engagement to ensure teaching staff remain up to date in terms of their professional skills and development. The auditor assured the chair that the plan will be refreshed every year, and it is unlikely that years 2 and 3 will stay as presented here. He also advised that environmental reporting is receiving increased interest, and a number of clients are now looking at this. However, the finance director asked that these two items be swapped within the plan so as not to lose sight. Although some curriculum areas have very strong employer links, others do not and are more of a challenge, so this is likely to need focus. Past employer engagement audits have been from an apprenticeship point of view, so it will be beneficial to cover this more in respect of T Levels.

Scopes for all planned audit work

- These were presented for information, agreement and input from the committee before the work is underway. The committee members were happy with the scopes as presented. The next update is due at November's meeting, and the aim is for all 2024/25 audits to be completed in-year.

AGREED:

- to note the content of the updates provided
- to approve the 2024/25 proposed areas of audit and updated three-year plan
- to agree the scopes for planned audit work as presented.

11 AUDIT SERVICES – ADDITIONAL (NON-AUDIT) WORK UNDERTAKEN IN 2023/24

The finance director provided a verbal update, informing the committee that Mazars carried out audit work on the Teachers' Pension Scheme audit certificate (£999) and also provided an audit certificate for Taking Teaching Forward (£2k).

The finance director informed the committee that the Department for Education has now rewritten the rule so that a college's financial officer can certify Taking Teaching Forward without requiring an auditor. The internal auditor indicated that they have pushed back on a number of

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similar requests in the past and been denied. The work required causes costs to be quite high, and it was agreed that it is positive to see that the rule has been clarified and reinforced.

AGREED: to note the verbal update.

12 **EXTERNAL AUDIT PLANNING TIMETABLE**

The finance director presented the planning timetable and informed governors that this timetable, agreed with Mazars, should ensure that work will finish in time for the joint Audit and Finance & Estates Committee meeting in November. The pre-audit work has been completed, and the auditors are now carrying out the audit.

There have been no issues so far, except one technical accounting issue. The college has made a proposal of how to deal with this, but it may result in a comment. The finance director clarified that this relates to the Gene Haas grant – the college needs to declare this as income but then, when it is spent, it risks an impact to the college's financial health. Therefore, the proposal is to transfer it to the restricted reserves and keep it out of the EBITDA calculation, although it will of course be declared as a surplus in the year of receipt. The auditor may ask the college to declare it within the EBITDA regardless of the potential impact. The finance director further clarified that the college is planning to spend this money within a year. There is also more money to come but, again, this should be spent in-year.

AGREED: to note the content of the update.

13 **AUDIT COMMITTEE ANNUAL REPORT 2023/24 – DRAFT**

The clerk to the Corporation presented the first draft of the annual report for governors' comments and feedback. The following key points were particularly brought to governors' attention:

- The standard format has been used but with some slight updates and changes for this year.
- Internal audit fees are still to be added for 2023/24, as is the internal audit opinion.
- The 'Financial Statements' section will be populated when the final version of this report is presented for committee approval at November's meeting.
- In line with guidance issued by the Department for Education, the 'governance' section has been extended to include details of the board's most recent external review, undertaken in 2023/24, and statements in relation to training undertaken by governors and the clerk to the Corporation. This section also details the recruitment process followed when recruiting the four most recent appointees to the board, showing that this was a fair and open process.

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	The whistleblowing disclosure and malpractice incidents which arose during 2023/24 have also been detailed. At the time of writing, the ESOL issue was still live; however, the outcome was received shortly before the meeting commenced and can now be included within the report.	Clerk	Nov 2024
	The chair asked that the 'non-members' list be updated to include Roopa Patel-Harji in place of Irene Mortimer, and the clerk confirmed that the change will be made. No other changes were requested other than those items which are still to be added, of which the clerk is already aware. AGREED: to note the document presented. The final version will be presented for approval in November with the amendments and updates requested above.	Clerk	Nov 2024
14	<u>ANY OTHER BUSINESS</u> There were no items of additional business.		
15	<u>DATE AND TIME OF THE NEXT MEETING</u> This is proposed to take place at 15:30 on Tuesday 26th November 2024 via Microsoft Teams. This is followed by the joint meeting of the Audit and Finance & Estates Committee at 17:00. It was agreed that confidential items would be noted separately. The internal auditors left the meeting at 18:30. Meeting closed at 18:40.		

Signed:  _____ Chair Date: 26th November 2024