



Minutes of Audit Committee Meeting

Tuesday 28 November 2023 at 17:30
All Saints, The Source, Worcester

Present:

- Chris Hallam (Chair)
- Denis Miles
- Vicki Davies

In Attendance:

- Michelle Dowse (Principal & CEO)
- Cherie Clements (Vice Principal – Finance and Corporate Operations)
- Nicki Williams (Deputy CEO & Vice Principal Corporate & Resources)
- Nathan Coughlin (Bishop Fleming)
- Asam Hussain (Risk Assurance Director, RSM)
- David Ash (Chair of the Corporation)
- Kay Kavanagh (Clerk to the Corporation)

Item:

Action

30.1 Introduction & Apologies

It was noted that Stephanie Simcox had resigned from the Corporation. As Vice-Chair of the Audit Committee, it was agreed for Chris Hallam to Chair the meeting and for Chris Hallam to be recommended to the Corporation Board to become Chair of the Audit Committee.

Apologies were received from Louise Tweedie (Partner and Engagement Lead RSM), and Gary Woodman.

30.2 Declarations of Interest

Members were asked to declare any Interests, financial or otherwise, which they may have in any Agenda Item. No interests were declared.

30.3 Audit Committee Concerns

Members of the committee were asked to raise any concerns regarding the auditors. No concerns were raised.

The auditors rejoined the meeting at this point.

30.4 Auditor Concerns

Auditors were invited to raise any issues which they wished to discuss in the absence of College Management and confirmed that there were no items to discuss.

30.5 Minutes of the Previous Meeting

The Minutes of the meeting held on 20 June 2023 were **approved**.

30.6 Matters Arising

Governors **monitored** action taken, and remaining to be taken, in respect of Matters Arising from the minutes of the previous meeting. It was noted that all actions were complete or would be covered by the meeting agenda.

The Deputy CEO & Vice Principal Corporate & Resources explained that it had been an understanding that RSMJ would attend 'on-site' to carry out the internal audit work, however, this had not been the case. It had since been agreed that moving forward, RSM would attend on-site for audits taking place on a Tuesday & Wednesday, and off-site for Mondays, Thursdays and Fridays.

30.7 Determination of any other Urgent Business

No other urgent business was declared.

30.8 Audit Committee Performance Review

Members agreed that the effectiveness of the Audit Committee in 2022/23 had been monitored and the document was a good reflection of the year. There were no changes required to the Committee Terms of Reference.

30.9 External Audit

a) 2022-23 Financial Statements

The Vice Principal – Finance and Corporate Operations, explained that the changes to the previous version of the Financial Statements had been highlighted. The documents had also been updated to include requirement following the ONS reclassification of FE Colleges, and the impact of 'Managing of Public Money.

Additional commentary had been included concerning the overlap of the previous and new Principal & CEO.

Governors raised the following challenge:

Should it be confirmed in this document that the College has no RACC? The Vice Principal – Finance and Corporate Operations explained that this detail could be added.

CC

The Financial Health highlights a potential Breach in the loan covenant, but there is no explanation within the document. The Vice Principal – Finance and Corporate Operations confirmed that an explanation could be added to the document.

CC

Some data is missing/incorrect on the governor pages. **Action:** Clerk to the Corporation to update the document with governor details (including committee membership)

KK

The Gender Pay Gap seems quite high – can narrative be added? The Deputy CEO & Vice Principal Corporate & Resources confirmed that the College has a 2

thirds workforce of women, and the College is not inconsistent with other FGE Colleges. The gap is also reducing. The latest data will be presented via the HR Report, in March 2024.

Governors **monitored** the integrity of the annual financial statements and reviewed any significant financial reporting issues and judgements which they contained.

Governors **recommended** the Heart of Worcestershire College financial statements for the year ended 31 July 2023 to the Corporation for approval.

b) Going Concern Review

The Vice Principal – Finance and Corporate Operations explained that assurance has been provided that the accounts are correct. Planning for 2023/24 is complete with updated cash reserves, loan position and financial health. Early indications for adult funding is looking positive. The breach position on the bank covenant could be fixed in-year without impacting the financial health (given the amount of cash reserves). All forecasts include the sale of Osprey House.

Governors **received** confirmation from College Management that the going concern basis remains appropriate.

c) Cashflow Forecast

Governors **received** the cashflow forecast for the period to 31 July 2025. The Vice Principal – Finance and Corporate Operations confirmed that the cashflow forecast will be updated again ahead of the next Corporation meeting, but there is nothing significant to raise.

A governor queried the £240,000 Investment Income. The Vice Principal – Finance and Corporate Operations explained that this are funds from interest received on cash on deposit.

d) Engagement letter

Governors **noted** the Engagement Letter with Bishop Fleming approved in 2021 is still in place.

e) Regulatory Self-Assessment Questionnaire

The Vice Principal – Finance and Corporate Operations confirmed that the questionnaire had been updated to include items following the reclassification of FE Colleges and Managing Public Money.

Governors **reviewed** the Regularity Self-Assessment Questionnaire and recommend that the college accounting officer and Corporation Chair sign the Regularity Self-Assessment Questionnaire.

f) Letter of Representation 2022/23

Governors **received** confirmation from College Management that the contents and representations in the letter are appropriate, that risk management and internal controls have operated effectively in their areas of responsibility throughout 2022/23 and that the College has complied with the Financial Memorandum.

Governors **approved** the document to be signed by the Chair of the Corporation.

g) Teachers' pension Statement

Governors **received** the Teachers' Pension Statement, noting the adjustment of 37p.

30.10 External Audit Report

Nathan Coughlin (NC) confirmed that the final works have now been completed and a clean opinion can now be given, with no modifications required. NC passed on his thanks to the finance team for their support.

NC highlighted the position on Pensions, explaining that there is significant movement on the pension evaluation. The assumptions being made are consistent with the rates being used elsewhere.

The financial statements have reported an underlying deficit (before pension adjustments and restructuring costs) of £411k for 2022/23, which is down from an underlying surplus of £21k in 2021/22. The College is expecting additional inflationary cost pressures in 2023/24 and beyond, both in staff costs and overheads.

Projected forecasts received for 2023/24 and 2024/25 show a budgeted deficit of £0.993 million and £1.282 million respectively. For 2023/24 the lowest expected cash balance is £8.858 million and for 2024/25 it is £8.887 million. This is all without taking into account the sale of Osprey House, which should bring in around £3 million.

However, the projections also show a potential breach of the Santander loan covenants in 2023/24 and 2024/25. The combination of the low operating surplus and increased interest rates has caused the forecast breach. The outstanding balance on this loan is less than £2 million. Given the significant headroom of cash balances in the forecasts mentioned above, NC confirmed that Bishop Fleming are satisfied that this forecast breach does not result in a material uncertainty in relation to going concern and hence no amendment is required to their going concern conclusions in the audit opinion.

Regarding settlement payments, NC explained that it was noted that the Principal had been put on gardening leave in April-23 for the period to August-23. Once this decision had been made the continuation of his salary whilst on gardening leave was covered in the terms of his contract and the DfE confirmed that approval was not required for these payments as this was contractual. As part of Bishop Flemings regularity work, NC has reviewed the minutes and discussed with the Chair the process followed by the College to ensure that due consideration was given to the value for money implications of the decision. NC is satisfied that College took appropriate professional advice to support them in consideration of options and there was clear consideration of value for money and use of funds documented in minutes of those meetings.

Governors **received and recommended** the External Audit Report to Corporation for approval.

30.11 Subsidiary Company Accounts

Governors **noted** the Molinna Ltd and NEWCEL Accounts.

30.12 Internal Audit

a) Annual Report 2022/23

The Internal Auditor's Annual Report for the year ended 31 July 2023 was noted and there were no issues to report, the annual report was very positive in all areas.

b) IAS Report – Corporate Performance Management

Asam Hussain (AH) explained that following the audit, the following should be highlighted to the committee:

- Through the work undertaken, we noted that the College had different sets of milestones, KPIs, strategic impacts and other routine operational measures across several different processes and documents at both strategic and departmental level. The links between these were not explicit.
- There was no clear line of sight from the Strategy to departmental level activities resulting in a risk that these activities do not progress Strategy.
- Upon reviewing the KPIs for the Finance, Human Resources and IT departments, we were unable to consistently identify explicit links to the overarching College Strategy, Strategic KPIs and departmental QIPs.
- We identified an absence of documentation concerning the approval of milestones by the SLT Lead and the assessment of milestones within the scope of Business Support Scrutiny Reviews

The Principal & CEO explained that the Strategy has since been revised with 7 strategic themes now in place. Targets are to be cascaded along with KPI's, throughout the organisation, from the Principal & CEO to the Senior Leadership Team to all departments.

Governors were assured that communications are now improving and noted the continued focus in this area.

A governor questioned the timescales of the action, commenting that they seem a long way into the future. The Principal & CEO explained that they have been delayed due to the roll-out of the new strategy.

There were no further comments or questions.

c) Progress Report

AH confirmed that the audit on Cyber Security Arrangements was now complete, and the report would be issued shortly.

Members received the Internal Audit Progress Report and recommended that the Internal Audit Annual Reports be passed on for Corporation approval.

d) Management Actions from Internal Audits

The Deputy CEO & Vice Principal Corporate & Resources explained that this is a new report, provided at the committee's request.

In total 12 actions are detailed in the progress review. 2 of these actions are not due to be implemented until January 24, and 1 action is due for implementation by December 23. As at Nov 23, 3 actions are in progress, 7 actions are complete, 1 action is not yet due, and 1 action is outstanding but due to be completed in November 2023.

There were no questions.

30.13 Sub-Contracting (External Assurance)

The Vice Principal – Finance and Corporate Operations explained that this is an annual report and provides assurance concerning the controls around subcontractors.

9 areas were fully compliant. 1 area (Managing Performance) was partially compliant, with examples found of contracts signed after the commencement of the contract. The Vice Principal – Finance and Corporate Operations explained that the process does need to be improved, to ensure that these scenarios do not happen again. **Action:** CC to provide an updated process for the signing of contracts ahead of contract commencement dates.

CC

Governors **received** the advisory report and certificate.

30.14 Audit Committee Annual Report 2022-23

The Clerk to the Corporation provided an overview of the report.

Action: KK to update the report to include the experience of the Chair and experience of previous members during 2022-23.

KK

All agreed to recommend to Corporation for approval.

30.15 Risk Register and Assurance Framework

a) 2022/23 Annual Report

The Deputy CEO & Vice Principal Corporate & Resources explained that The Risk Management Annual report allows the College to communicate its approach to risk management throughout the 2022/23 year, and to confirm compliance with sector regulations, allowing management to demonstrate a commitment to transparency, accountability, and effective risk management practices.

A governor **asked** how the plan is communicated to staff. The Principal and CEO explained that certain risks will be included via the cascading targets, but otherwise, the report/risk register is not shared. The Deputy CEO & Vice Principal Corporate & Resources added that some risks feed up (Health & Safety committee feed up as an example, along with Staff Voice).

A governor highlighted the need for the Corporation to assess reputational risk and the reputational profile of the College.

Governors **reviewed** the Risk Management Report and **recommended** it to the Corporation for approval.

b) Risk Management Plan 2023/24

The Risk Management Plan is updated annually and the 2023/24 review has been completed. No changes are proposed to the Plan for 2023/24 except for updating job titles.

Governors **considered** the Audit Committee's approach to monitoring Risk in 2022/23.

c) Strategic Risk Register

The Deputy CEO & Vice Principal Corporate & Resources provided an overview of the Risk Register, confirming that the Autumn Term is the time for the most changes.

Some risks have increased following the Ofsted Inspection, and these are now also included on the PIAP.

A governor **asked** if the improvement actions were consistent with the PIAP. The Principal and CEO confirmed that they were and would be updated along with the PIAP as the risk changes.

Governors **commented** on the difficulty in reading the risk register, given the red writing on a green background in certain lines. The Deputy CEO & Vice Principal Corporate & Resources will consider other ways of presenting the risk register to the committee.

A governor **questioned** why some risks were Green, but not due until May 2024. The Deputy CEO & Vice Principal Corporate & Resources explained that they are currently Green.

A governor challenged the 'Apprenticeship Funding Target, questioning if it should be Red. The Deputy CEO & Vice Principal Corporate & Resources confirmed that if we were expected to have taken action, and we hadn't then yes it would be Red, but if no action is expected at this point, then it's green. If it is White, then it isn't started.

A governor **questioned** the risk 'Failure to make progress against themes in the College Improvement Plan', as it is Amber, but due to complete next month. The Vice Principal – Finance and Corporate Operations explained that January was the initial planned date, but the PIAP has been updated and the risk register is to be too.

A governor asked how the committee felt about the risk of the College not getting back to a 'Good' Ofsted rating and the next inspection, and what type of risk this was (financial/reputational, or both). The Principal & CEO explained that it was something for the SLT to consider and would be covered in the next principals update to the Corporation.

Governors **monitored** the College Risk Register and agreed to recommend it to the Corporation for approval.

30.16 Annual procurement Report (Value for Money)

Members reviewed the Annual Procurement Report noting that the report presents a review of procurement activity during 2022/23 including spend values that exceed £50,000 during the year and initial plans for 2023/24.

A preferred supplier list is in place. It is envisaged that most of the activity over the next few years will be delivered by Harris & Co.

A governor **questioned** if we relationship manage the suppliers listed in Appendix 1. The Vice Principal – Finance and Corporate Operations confirmed that the major suppliers are.

The Report was recommended for submission to Corporation.

30.17 Supplier Arrangements List (Verbal Update)

Merged with above item (30.16)

30.18 Any Other Urgent Business

The appointment of a Vice-Chair for the committee was discussed. It was agreed that it was not necessary at this time but would be re-visited once further governors had been recruited.

30.19- Confidential items

30.20 See confidential minutes.

30.21 Date and Time of Next Meeting

5 March 2024, The Source, Worcester

There being no further business, the meeting ended at 19:20.