



Minutes of Audit Committee Meeting

Held on Tuesday 26 November 2024 at 5.30pm
The Source, All Saints Building, Worcester

Present:

Chris Hallam (Chair)
Phil Colledge (Governor)
Vicki Davies (Governor)
Adam Hall (Governor)
Donna Gibson (Clerk) (via Teams)

In Attendance:

Michelle Dowse (Principal)
Cherie Clements (VP Finance & Corporate Operations)
Asam Hussain (RSM)
Nathan Coughlin (Bishop Fleming)
Georgina Grant (Bishop Fleming)

33.1	Welcome and Apologies There were no apologies received. The Clerk confirmed that the meeting was quorate. The Chair welcomed all to the first Audit Committee meeting of 24/25.	
33.2	Declarations of Interest No declarations were made.	
	<i>Auditors and Management left the meeting at this point.</i>	
33.3	Audit Committee Concerns The Audit Committee agreed there were no significant issues to be raised and no concerns around either of the audits or the process. With management present questions would be asked around the GDPR audit and the dormant subsidiary companies.	
	<i>Auditors rejoined the meeting at this point.</i>	
33.4	Auditor Concerns There were no concerns raised by Bishop Fleming or RSM.	
	<i>Management joined the meeting at this point.</i>	

33.5	Minutes of previous meeting The Clerk would make some minor amendments to the minutes and recirculate them to the Committee before publishing them to the College website.	Clerk
33.6	Matters arising The Committee noted that the actions are almost all complete. RSM had confirmed that the number of audit days is 40. RSM will send a response to the outstanding health and safety action.	RSM
33.7	Determination of any other urgent business The Committee received a verbal update on the ESFA Funding Assurance. The VPCFO advised that the R02 file had been cleansed prior to being uploaded. One unresolved query for £179 had been identified that would be reclaimed. The report has some low-level management points to be dealt with. The Committee accepted the assurances provided by Management and the Chair expressed thanks to the staff involved for their work. The Committee further noted that Bishop Fleming would now be able to complete their audit now that the ESFA responses had been received.	
33.8a	External Audit 2023-2024 Financial Statements Finance and Resources Committee had reviewed a snapshot of the statements at their meeting earlier in the month. The deficit position and the difference in the pension assets at 31 July being different to previous years were noted. A Governor questioned if the pension asset is not included in the accounts because it is written back in the following year? Bishop Fleming advised that it comes back into the reserves. The Committee noted that the statements would be updated to a final version for the December Corporation. In addition to the usual grammar and spell checks the narrative around severance would be reduced to basic information. The Committee noted that all of the detail had been provided but only basic detail	

	<p>needs to be included. This approach was endorsed by Bishop Fleming, noting that it would also protect the identity of any individuals that the information relates to.</p> <p><i>The Committee were reassured that there were no significant amendments to be made to the accounts.</i></p> <p><i>A Governor asked if the NI payments would be paid back? They were advised that whilst the methodology of how they would be repaid was yet to be confirmed, whilst there will be some repayment, we have proceeded with the worst case scenario, this approach is prudent whilst more detail is awaited. Once the DfE had provided more details and assurances the narrative can be revised accordingly.</i></p> <p><i>A Governor asked if any revision needs to be made to Other Income headings on page 66. They were advised that non-recurring grant income is received from non DfE sources and the headings used are standard.</i></p> <p>The Committee noted the reference to reductions being made by 2030 under “Planet”, it would be useful to include the starting point so that the end result has some context.</p> <p>The Committee questioned payments made to suppliers and asked why not all payments are made within 30 days. Do the existing procedures need to be revised to achieve 100%? They were advised that 96.5% are paid within 30 days, there have been no complaints from suppliers, and some have been paid within 14 days. Additionally, the 5% allows for the low level queries that are received to be dealt with. Management assured the Committee that they are comfortable with the position.</p> <p>The Committee noted the College progress towards achieving 50/10 in 2021 and questioned the % now. Management advised that is around 49% and the narrative can be expanded to be more specific. The Committee considered this to be a good outcome that should be publicised.</p> <p>A Governor challenged who is on the Risk Management Group as they were not familiar with the reference. They were advised that it is members of ELT and some colleagues from SLT.</p> <p>The Chair confirmed that they were no issues with the numbers. A tracked changes version may be useful for the Corporation meeting as would some narrative to confirm the changes made and that the Audit Committee had verified them.</p>	
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	In summary the Committee monitored, reviewed and recommended the statements for the year ending 31 July 2024 for approval by Corporation.	
33.8b	<p>Going Concern Review</p> <p>Finance and Resources Committee had reviewed the information and were satisfied that it remains appropriate.</p> <p>In year updates provide the necessary assurance regarding financial performance. There is also the alignment with the cashflow forecast that supports the information.</p> <p>A Governor observed that it appears the covenant could be paid off? They were advised that the supplier is winding down their FE portfolio and in discussions have expressed no urgency in any repayment being made.</p> <p>Consideration was given to whether any potential breach would be waived. If the provider would not waive the amount would be repaid. Bishop Fleming advised this is the same across the sector and more conversations are being seen where this is a recurring issue.</p> <p>A Governor questioned whether the balance should be separated for if it is required? They were advised that it is held in a current account with an additional amount being held as a deposit.</p> <p>The Committee received the review.</p>	
33.8c	<p>Cashflow Forecast</p> <p>The Committee noted that this item supports the going concern information. Attention was drawn to:</p> <ul style="list-style-type: none"> • Cashflow balance for 24/25 starts higher due to an unanticipated delayed receipt of the £1m Element 3 funding from 23/24. • Cash balance reduction in year links to Capital funds being spent. • Funding agency reconciliations have been updated, 24/25 based on R14 23/24 returns and 2526 based on 24/25 performance. <p>The level of deficit was noted along with the healthy cash balance.</p> <p>The Principal advised that at Finance & Resources Committee a robust conversation had taken place with regards to increasing the deficit to support the work required to improve the quality of teaching and learning and getting a grade 2 at the next Ofsted inspection. The Committee had agreed that an increase was</p>	

	<p>appropriate, and ELT are currently investigating the options available, and the resources required and will cost those up. A discussion will take place at Corporation.</p> <p>The Audit Committee agreed that if money needs to be spent to achieve this the Leadership Team should proceed. They were assured that Finance & Resources Committee had considered the impact on the financial health but reiterated that managing public money must also be a consideration.</p> <p>A Governor asked if Ofsted would question how the plan to improve the quality of teaching and learning was being funded? They were advised that Ofsted do not spend time looking at the Colleges finances. It was also noted that Colleges could be criticised for holding on to surplus cash unnecessarily.</p> <p>The Committee received the cashflow forecast.</p>	
33.8d	<p>Engagement Letter The Committee noted that this would be going to Corporation in December.</p> <p>Bishop Fleming will send over the accompanying terms and conditions.</p> <p>The Committee noted the letter.</p>	Bishop Fleming
33.8e	<p>Regularity Self-Assessment Questionnaire (RASQ) The Committee noted that this is a standard ESA questionnaire. The document had been updated to reflect the usual finance and MIS information and to reflect the changes within the Governance processes and taking into account the introduction of managing public money. Additional evidence sources had been included to support the narrative.</p> <p>There were no significant changes and no concerns to be raised with the Committee.</p> <p>The Committee reviewed the RASQ and agreed to recommend to Corporation for approval and sign off.</p>	
33.8f	<p>Letter of Representation The Committee noted that the letter accompanies the statements for sign off by Corporation and is confirmation from 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 2023/24.</p>	

	<p>The Committee noted that the creditor balance reference is a technical point and not one of concern.</p> <p>The Committee reviewed the letter.</p>	
33.8g	<p>Teachers' Pension Statement</p> <p>The return was noted. Bishop Fleming had accessed the payroll files and noted an adjustment of £87.78, this had been changed within the current year.</p> <p>The Committee were assured by Management that the Worcestershire Pension Fund performs well.</p> <p>A Governor questioned if a future discussion would be necessary to talk about pension consolidation? Management advised that there may be some impact on the LGPS that could lead to lower contributions and less risk going forward but more information would be needed.</p> <p>Bishop Fleming advised that larger schemes often result in more challenges and more administration.</p> <p>The Committee received the Teachers' Pension Statement.</p>	
33.9	<p>External Audit Report (Key Issues For Discussion Document)</p> <p>The report set out the plan for the year. The Committee's attention was drawn to the following:</p> <ul style="list-style-type: none"> • the executive summary • where we are in the process • that there no high-level issues or areas of concern, just one amber rated action • engagement from the Finance Team had been excellent. • the transition to a new management structure had been taken into account. • funding streams are being used for the current purpose. • narrative had been included about the pension position and the decreased pension liability. • the disclosure in the accounts about the restructure was well documented and included a business case, however, it had highlighted there was nothing specific about the payback over the next 3 to 4 years. <p>Overall, there were no concerns, once Bishop Fleming had the ESFA information the document would be signed off.</p> <p>A Governor asked if we should seek retrospective approval for the management changes? Bishop Fleming advised that there is</p>	

	<p>no need and to always take a belt and braces approach to such decisions in the future. Management suggested they could use the annual conversation with the ESFA to raise any such issues. The Principal confirmed that the ESFA were informed of the intention to make the changes to structure and no suggestion was made to seek approval.</p> <p>A Governor questioned how many more employees have longstanding service with the College? They were advised that there are two staff members.</p> <p>A discussion took place regarding the use of wet signatures versus e signatures on employment contracts. Management advised that we do allow for electronic signatures. Members of the Committee had experience of providing a wet signature and then the contract was PDF'd. As a general point it was suggested Management consider which approach to take.</p> <p>The Chair thanked Bishop Fleming for their work and also thanked the Finance Team for their contribution.</p> <p>The report will be recommended for approval at December Corporation.</p>	
33.10	<p>Subsidiary Company Accounts</p> <p>The VPFCO advised that both companies are dormant and have not been used for any transactions.</p> <p>A Governor asked why the companies are retained.</p> <p>The companies are the legacy of the two colleges prior to the merger in 2014. NEWCEL was linked to the purchase of Osprey House and Molinna was used to lease premises.</p> <p>Before dissolving any companies, the College would need to check with the VAT Consultant about any consequences that may arise, however, the current position is that they should be retained as they may have a use in the future.</p> <p>Bishop Fleming noted that this is not uncommon practice across the sector.</p> <p>A Governor questioned if they had ever had any employees? Neither company has ever had any employees.</p> <p>A Governor challenged how they fit in with managing public money? In response they were advised that the contentious implications, unlike some colleges they are not working companies and are not generating any income, therefore there</p>	

	<p>are no concerns around managing public money, and no issues linked to any tax implications.</p> <p>The accounts were noted.</p>	
33.11a	<p>Internal Audit Annual Report 2023/24</p> <p>The report was received, and the following was noted:</p> <ul style="list-style-type: none"> • the opinion is that adequate controls are in place. • the factors and findings that informed the opinion were accurate. • progress against the actions were noted and Management had accepted the actions and agreed to address all of them. • overall, the service is used by the College in a constructive manner. • the College had directed the auditors to those areas where they may be challenges. <p>The Committee noted that the Leadership Team had proactively selected challenging areas, rather than selecting easier areas to be audited.</p> <p>The report would be recommended for approval at December Corporation.</p>	
33.11b	<p>Progress Report – Corporate Performance Management</p> <p>The GDPR report had been finalised and had been shared with the College.</p> <p>The outstanding work had been agreed and some briefings scheduled.</p> <p>The progress report was noted.</p>	
33.11c	<p>Progress Report - GDPR Audit</p> <p>The Committee discussed the report and made some recommendations. An update would be provided at the March Committee meeting and the Clerk would add the item to the agenda for the March meeting.</p> <p>The report was received.</p>	Clerk
33.11c	<p>Cyber Security - Update</p> <p>The Committee noted the updates provided by Management.</p>	
33.11d	<p>Management Actions From Internal Audits</p> <p>The Committee noted that this an ongoing report that was requested by the Audit Committee in 23/24.</p>	

	<p>ELT review and update the actions.</p> <p>The Committee advised that it would be helpful to receive the report in a format that shows the action, the progress and the date reported to Audit Committee. Once an action has been reported to Audit Committee it can be archived as complete. This will help to keep the reporting up to date and avoid the document from becoming too large.</p> <p>The Committee challenged the dates being used and requested that ELT be both realistic and specific about the dates they enter and avoid using generic dates.</p> <p>The update was noted.</p>	VPFCO
33.12	<p>Sub-Contracting (External Assurance)</p> <p>The Committee received the ICCA Statement in November 2023 following the completion of an external assurance review. The Committee noted that the statement is a three year standard and no significant amends have been made to the document. However, due to the addition of one new Subcontractor the provider, ICCA <u>Education</u> Training and Skills, will be engaged again in Spring 2025.</p> <p>A Governor questioned whether this would help towards Ofsted? They were advised that the Ofsted focus is the quality of teaching and learning and this item relates more to processes.</p> <p>A Governor recommended that there be an SLA in place to ensure that performance measures are tied in.</p> <p>Management reminded the Committee that subcontracting is an area that is being addressed. This may be an area that can be incorporated into the quality system audit that is coming up.</p> <p>Management assured the Committee that we are meeting ESFA expectations.</p> <p>It was noted that all meetings now have an element incorporated to consider Ofsted and next steps.</p>	
33.13a	<p>Risk Management Annual Report 2023/24</p> <p>The Committee noted the key headings and elements recommended for the annual report within the sector by funding bodies and auditors come under the headings of:</p> <ul style="list-style-type: none"> • Approach, Review and Actions During 2023/24 • The Risk Management Policy 	

	<ul style="list-style-type: none"> • The Risk Register – including identifying the 15 High Risks from the Summer Term Register • Summary and Conclusions <p>The Committee were assured that effective arrangements are in place for risk management.</p> <p>The Committee recommended that the report be approved by Corporation.</p>	
33.13b	<p>Risk Management Plan 2024/25</p> <p>The Committee noted that the plan had been updated to reflect:</p> <ul style="list-style-type: none"> • Management of Risks – Updated to reflect RSM's presentation and the 4 T classifications of managing risk. • Scoring – Amendment of the risk scoring • Format of risk register <ul style="list-style-type: none"> ○ Full Risk Register ○ Summary of risks, ranking and risk map ○ Improvement action plan including RAG rating. ○ Mitigation control summary <p>The Committee acknowledge the risks that are currently showing as high and that improvement actions will be put in place to reduce the risk where possible.</p> <p>RSM noted that their guidance had been taken with regards to our approach to risk.</p> <p>Risk Appetite will be covered in term 2, possibly at the Strategic Planning Day.</p> <p>The Committee recommended that the plan be approved by Corporation.</p>	
33.13c	<p>Strategic Risk Register</p> <p>The Committee noted the new format of the strategic risk register.</p> <p>Feedback received was:</p> <ul style="list-style-type: none"> • that it is now in a much easier to identify the risks • the risk summary and the graphics are a good addition and are clear to understand. • seeing the information on one page was appreciated. <p>A Governor observed that it is still a spreadsheet format and will have to be maintained but that the format was a significant</p>	

	<p>improvement. Management advised that there will be a fresh register for each academic year, this will avoid the document from becoming too unwieldy.</p> <p>The VPFCO will amend the reference to risk levels which are not pulling through to scoring before Corporation.</p> <p>The Committee recommended that the register be approved by Corporation.</p>	VPFCO
33.14	<p>Annual Procurement Report (Value for Money) and Supplier Spend Update</p> <p>The Committee noted that the report will be received at December Corporation and noted the information relating to 2023/24 Supplier Spend above £50,000.</p>	
33.15a	<p>Audit Committee Annual Report 2023/24</p> <p>The revisions to the report were noted.</p> <p>The Clerk will amend the wording under Audit Committee View, so that the significant matters considered by the Committee are refelcted.</p> <p>Once the wording had been revised and agreed with the Audit Committee Chair the report could be included in the December Corporation papers for approval and sign off by the Chair of Audit Committee.</p>	Clerk
33.15b	<p>Audit Committee Performance Review</p> <p>The Audit Committee noted the summary of performance for 2023/24.</p> <p>At the March meeting the Committee will receive an update of the Committees performance against the Terms of Reference.</p> <p>Both the Audit Committee Chair and RSM would send the Clerk a format from different organisations for comparison.</p> <p>A Governor suggested that the summary showing the items monitored, discussed. Received and challenged be incorporated somehow.</p>	<p>Clerk</p> <p>AC Chair, RSM</p>
	<i>The Auditors left the meeting at this point.</i>	