Minutes of Audit Committee Meeting

Held on Thursday 20 November 2025 at 5.30pm
Executive Boardroom, All Saints Building, Worcester

Present:
Chris Hallam, Chair
Phil Colledge, Governor
Vicki Davies, Governor
Adam Hall, Governor
Donna Gibson, Governance Professional

In Attendance:
Cherie Clements, Finance & Corporate Operations (VPFCO)
Michelle Dowse, Principal – for the Risk Register and Risk Items
Nathan Coughlin, Bishop Fleming
Kevin McDermott, WBG for item 35.11b (via Teams)

Item No:	Item	Action For
35.1	**Welcome and Apologies** There were no apologies, and the Governance Professional confirmed the meeting was quorate, and that WBG would be dialling in for their items. The Chair had agreed to take the Strategic Risk Register item first so that the Principal could leave the meeting for an external engagement. Papers were taken as read.	
35.2	**Declarations of Interest** There were no Interests, financial or otherwise to be declared. Auditors and members of the College Management retired from the meeting at this point.	
35.3	**Audit Committee Concerns** Members discussed whether there were any issues they would wish to discuss with College Management and Auditors. The Chair highlighted the clean audit report with nothing of considerate concern to be noted. A Governor acknowledged that this was a good result as previously there would have been more on there. A Governor suggested that it would be useful if the pensions could be mentioned. Auditors rejoined the meeting at this point.	
35.4	**Auditor Concerns** Bishop Fleming advised that there were no issues that they wished to discuss in the absence of College Management. Members of the College Management rejoined the meeting at this point.	
35.5	**Minutes of the Previous Meeting** The approved minutes of the meeting held in June 2025 would be reissued and re-uploaded to the Governor Portal.	

Item No:	Item	Action For
35.6	**Matters Arising** The Committee noted that there were no outstanding actions.	
35.7	**Determination of any other Urgent Business** The Governance Professional confirmed that they had 2 items for consideration at the end of the meeting.	
35.8a	**2024-25 Financial Statements** The Committee noted that it was being asked to monitor the integrity of the annual financial statements, reviewing significant financial reporting issues and judgements which they contain; to review the statements to be included in the annual report concerning internal controls and risk management and to recommend the Heart of Worcestershire College financial statements for the year ended 31 July 2025 to the Corporation for approval. Bishop Fleming confirmed: • The process had gone very smoothly with investment from both sides • A few minor tweaks will be made but a clean opinion will be given for Accounts, Regularity and Going Concern • Traffic lights are all green • The College is comfortable using funds available • The share in the pension scheme has increased A Governor asked what the typical rate is across the sector? Bishop Fleming advised between 5% and 9% is what is being seen. The Vice Principal Finance & Corporate Operations (VPFCO) drew the Committees attention to the pension notes. Bishop Fleming advised that 1% could be significant, the pension pot is so big, but it is an accounting valuation and cannot be withdrawn. The VPFCO confirmed the draft report reflected the valuation and the College should see reduced deficit contributions and reduced employer contributions. A Governor asked if there was any risk to the pensions? They were told not unless the deficit position was to escalate. The VPFCO confirmed the position pre-Covid was around £9m, there was a decrease during the pandemic. Regular steady contributions have been paid that have put the College in a positive position now. Bishop Fleming confirmed that movements can make profit appear better than it is. A Governor asked if there is any risk to Governors? They were advised no, but they should remain mindful of the sustainability element. Bishop Fleming commented that some colleges use their subsidiary companies for pension purposes. Governors agreed this would go against the culture of the College to do so. Risk had been included (page 96) for comparison. Considering the challenges in the sector it is positive to have a small surplus. Going forward cash levels in the sector are expected to improve. Governors noted that Osprey House was not included in the Going Concern detail. Funds are expected in early 2026. A Governor questioned why the high needs provision from WCC was delayed? They were informed that it was a cashflow issue and the funds had eventually been received. The Bishop Fleming reported that they are seeing a lot of late payments across the sector.	

Item No:	Item	Action For
	A Governor acknowledged that this was the cleanest audit to date and asked the Bishop Fleming was there anything of concern. They were informed there were just 2 minor control points. A rigorous and thorough approach had been taken. Bishop Fleming advised that a new SORP was imminent which will see some changes to UK Accounting Standards. It is not clear how much it will impact upon the FE and HE sectors; it will be worth going through the process to see what it covers. They suggested the College familiarise itself with any leases it has, including peppercorn rents as leases may be in scope. Bishop Fleming will support clients once it has been introduced. The Chair expressed the Committees thanks to Bishop Fleming and the staff involved for the work undertaken. The VPFCO advised the Committee that there are some minor revisions to be made and some additional narrative to be added to the statements. **The Committee agreed to recommend that Corporation approve the financial statements for 2024/25.**	Governance Professional
35.8b	**Going Concern Review** The Committee received confirmation from College Management that the going concern basis remains appropriate. *A Governor acknowledged the quality of the paper, the detail provided and how easy it was to follow.* The VPFCO advised that the forecast had been updated, and the Finance & Resources Committee had reviewed the detail and there had been a £19k surplus. They further advised that there is some uncertainty as to how much funding will be received for the additional learners, it is not known if it will be the full 100%. The Government announcement is due in March 2026. The Committee took assurance from the paper and the details provided that the College can meet its liabilities for the period up to July 2026 and remain operational without any negative impact from the current financial position.	
	Cashflow Forecast The Committee received the cashflow forecast for the period to 31 July 2025. The Committee noted that the forecast supports the Going Concern Review, highlighting a positive cash position for the period up to 31 July 2027. Key points contained within the forecast were noted for the attention of the Committee: • Projected cash balance on 31 July 2026 is £9.8m and on 31 July 2027 £8.7m • Lowest cash balance through the 24-month cashflow is £8.2m in March 2027 • Cash balances reduce as capital grants are spent in addition to HOWC capital investment expenditure. • Cash days exceed 100 for every month of the forecast, surpassing the FE Commissioner benchmark of 40 days. • The forecast still does not include any disposal proceeds from Osprey House. • The Finance team will be doing a full reforecast to include proceeds and Phase 2 planned spend, in December 2025.	

35.8d	**Engagement letter** The Committee noted the Engagement Letter with Bishop Fleming (dated 04/08/24) remains in place.	
35.8e	**Regularity Self-Assessment Questionnaire** The Committee reviewed the Regularity Self-Assessment Questionnaire and were assured that: • Funding claims will have been completed from the ILR for any DfE / WMCA projects along with usual DfE returns. Capital grants spend returns are completed where requested and returned in a timely manner. • No special severance payments have been made during 2024/25. • No novel, contentious or repercussive transactions were entered into during 2024/25 • The College has procured an external specialist organisation to undertake both external and internal penetration (PEN) test. The results drive proactive change to the Colleges cyber security position. Internal Audit has also been directed to this area of the College to proactively test controls in place. • Disposal of Osprey House is currently proceeding with planning/legal processes; but remains a College asset. • The DfE is aware, through that the College is progressing with its approved Property Strategy which during 2024/25 into 2025/26 includes St Dunstans. • Additional narrative had been added to the document to provide assurance that Governance processes had been considered and are robust and effective. A Governor asked if the College will be subject to two sets of reporting for apprenticeships once the DWP take ownership. College Management advised that it is likely to be solely the DWP eventually. For now, there are two sets of rules to be followed, and we will adhere to both to remain compliant. The hope is that over time there will be a joined up approach announced for Colleges to follow. A Governor asked whether we would log novel or contentious transactions? What evidence would we have to support any decisions making? The Committee noted that it would currently mostly relate to decisions around property as the property strategy evolves. There are challenge logs and decisions logs and minutes will support decisions made. The Governance Professional would revisit the decision logs and clearly identify that the appropriate considerations had been made. **The Committee recommended the questionnaire be approved by Corporation and that the College Accounting Officer and Corporation Chair sign once approved.**	Governance Professional Governance Professional
	Letter of Representation The Committee received the letter as 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 2024-2025 and that the College has complied with the Financial Memorandum. **The Committee agreed to recommend the letter of representation for the year ended 31 July 2025 to Corporation for approval.**	Governance Professional
35.8g	**Teachers' Pension Statement** Pensions had been discussed earlier in the meeting. The Committee received the Teachers' Pension Statement. The Committee noted that the College is required to have the End of Year Certificate (EOYC), it provides to the Teachers' Pension Scheme, to be certified by and Bishop Fleming. This assists Governors of the College to fulfil their responsibilities under the Teachers' Pension Regulations and Scheme Regulations. The Committee noted the EOYC completed by the College Management and the accompanying report provided by Bishop Fleming, who confirmed that there were no significant errors to report.	

35.9	**External Audit Report (Key Issues For Discussion Document)** The KIDD had been part of the earlier discussions. Governors noted the discussion, and the challenges made, **The Committee agreed to recommend the KIDD to Corporation for approval.**	Governance Professional
35.10	**Subsidiary Company Accounts** The Committee noted the Molinna Ltd and NEWCEL Accounts. A Governor questioned whether it is necessary to keep the companies. The VP Finance & Corporate operations confirmed that one is linked to VAT. They would explore options feedback to the March Committee. The Bishop Fleming noted that some colleges retain a dormant company. They advised caution when making any decisions about disposing of one or both. The Committee thanked the Bishop Fleming for their attendance at the meeting, and for the firms work on the Audit. The Bishop Flemings acknowledged that the audit had been very tidy and easy to work on and expressed thanks to the Finance Manager for their work and support with the audit. The Governance Professional would send a thank you to the Finance Manager on behalf of the Committee.	VPFCO Governance Professional
35.11a	**Internal Audit Progress Report** The Committee noted the progress report from WBG. The VPFCO informed the Committee that a request had been made for the reports to include some sector updates and horizon scanning and emerging issues within the sector. The Committee noted that WBG were absent in person due to a scheduling conflict, and that joining via Teams was appropriate given the limited agenda items for them The Committee noted that in January the Safeguarding and Risk Management audits would take place. The Committee took a short break. Kevin McDermott from WBG joined the meeting via Teams.	
35.11b	**Internal Audit Progress Reports (Individual Audit Reports)** WBG presented the AI Audit Progress Report. The Committee noted: • It was an advisory review covering the College's adoption of AI technology, policies, procedures, and controls. • WBG had highlighted the areas of good practice that the College has implemented • There was one action point to consider and one observation for consideration. • The review covered five objectives as part of its scope. The Committee noted that the recommendation was to takes steps to include AI in the Strategic Risk Register, recognising it as a distinct and evolving category. Additionally, IT should include emerging AI risks in the IT Team's operational risk register to help ensure they are adequately managed on an ongoing basis. This will enable the College to stay ahead of potential threats. The Committee were pleased to note that the College was to be commended for its proactive approach in addressing the challenges posed by undetected AI usage in student assessments. The ongoing development of staff guidance in this area is a positive step, and it is encouraging to see departments exploring alternative submission formats such as presentations, oral assessments, and personalised writing evaluations. The delivery of training to curriculum staff on	

	identifying AI-generated content demonstrates a commitment to maintaining academic standards. The Committee noted that as AI evolves, maintaining the momentum in this area will be important. The Committee received the feedback from WBG that work from the Head of IT and Head of the Blended Learning Consortium was impressive. A Governor acknowledged that it was a very good report, and they support the idea of a separate AI register, noting that there are some very clever students within the IT cohorts. WBG agreed and suggested maintaining a log of tools that are used. A Governor was pleased to see a number of positives, particularly referencing the use within teaching and learning. They were pleased to see the recognition of good practice. A Governor stated that it was pleasing to hear the report summed up by WBG and asked WBG how they had found their interaction with HoW College? WBG confirmed that it had been a positive experience. College Management were asked to ensure that the risk registers going forward reflect what has been suggested and at a high level. Another Governor supported this request, observing that with so many unknowns in the area it would be helpful. The VPFCO advised that it is already across a number of risks on the register. The Committee noted that there were some real positives to be taken and wondered how the result could be celebrated. It was agreed that the Chair would send a note to the Heads of Department acknowledging their work and the outcome. A Governor wondered how the references to teaching and learning could be shared with Teaching and Learning Committee, perhaps as an agenda item? They were advised that they could speak to the Chair of Teaching & Learning Committee, or an extract taken and passed to the Deputy Principal to action.	
35.11c	**RSM Annual Report 2425** The Committee noted receipt of the annual report from RSM which was the final report for the year 2024/25 and accepted the overall opinion, noting that it had been referred to in the Internal Audit Committee Report for 24/25.	
35.12a	**Risk Management 2024/2025 Annual Report** The Committee reviewed the Risk Management Report for 24/25 and noted: The report supports the Audit Committee and Corporation in exercising their oversight function and allows governors to assess the effectiveness of the risk management framework. The Annual report describes the Risk Management process, including how risks are identified and managed – including those factors influencing the inclusion and classification of risks within the register, how risk is embedded at the College, the ongoing use and development of assurance frameworks, together with a summary of work undertaken by the internal audit service provider with regards to risk management and assurance frameworks. The report details the changes and improvements to the Risk Register and Risk Management Policy for 2024/25, in response to Audit Committee feedback in 2023/24. The Committee were assured that College Management will continue to evaluate perceived and actual risks to College operations. These will be considered and included within revisions to the Heart of Worcestershire Risk Register during 2025/26 as appropriate.	

	A Governor acknowledged that the report was very good and very clear. **The Committee agreed to recommend the report to Corporation for approval.**	Governance Professional
	Risk Management Plan The Committee considered the Audit Committee's approach to monitoring Risk and noted that no significant changes had been made to the plan. The Committee noted that it is a key task of the Risk Management Group to manage the movement of risks away from High and Medium risk to Low or Medium status where possible. Risks would then be prioritised in terms of value or priority, the estimated cost of any loss and the time needed to recover. **The Committee agreed to recommend the Plan to Corporation for approval.**	Governance Professional
35.12c	**Strategic Risk Register** (the item was taken at the start of the meeting with the Chairs agreement) The Committee noted that: College experiences Financial Challenges - the scoring has worsened but Financial Health does still indicate "GOOD". Significant changes to 16-19 learner numbers has a negative impact on College operations - now reflects the changes in 16-19 numbers will have on College operations and implies reductions and increases. Failure to achieve adult learner numbers and maximise ASF budget, over reliance on subcontractors - DfE reduced the Adult Skills Fund allocation for the College for 2025/26. This does make it easier for the College to deliver the full allocation, despite the impact on available funding for new initiatives or additional demand the College may experience. Failure to recruit and Retain staff & to ensure the College has an effective workforce - the increase in risk levels is driven by the additional staffing requirements at the start of 2025/26 driven by the additional learner numbers. The Committee noted that agency staff have been used where there is no internal availability. Governance models and structure are not fit for purpose - the reduction in risk reflects the improvement actions that have been completed during 2024/25. Inability to operate business as usual (Physical infrastructure) - the risk register for 2024/25 had one risk for "inability to operate business as usual", this captured risks around Physical and Virtual infrastructure, on College operations. The Risk Management Group agreed that the risks should be separated and focused on individually. No risks were removed during the Autumn Term Review. The Principal advised that the Adult Funding continues to be monitored but there may be some over delivery. The VPFCO advised that the Tailored Learning could feed the Adult Funding. A Governor asked if plans for next year will be for substantive or progressive growth, noting that progressive growth can be built upon year by year. College Management advised that there could be some 16-18 progressive growth in the future, but it could be lagged. They also advised that we are focussing on Adult Funding at a time when the DfE is reducing funding. A Governor asked why is it increasing? College Management suggested a number of reasons: demand is increasing within the public sector and there is a key focus on what is best for the County; learners are coming to HoW College because the College is funded. The CAR Review	

	and V Levels will make it difficult to gauge any emerging pattern. We know that Sixth Form College numbers are down. A Governor asked if learners use it as a sidestep to avoid going to University? College Management responded yes and in addition the reputation of the College is growing, as are the links to employers. A Governor acknowledged the Principal's work in raising the profile of the College. College Management confirmed that improved and targeted marketing and better schools' engagement and increased attendance at open events are also contributing factors. A Governor challenged with the 14 above the minimal risk appetite what needs to be done? College Management responded that some are beyond the control of the College, steps will be taken to minimise them, but they are likely to stay high. A Governor supported this, having reviewed the detail provided. The Committee acknowledged that for now the Board may have to tolerate the excess risk for now. Governors noted that the request from the Committee to have the movements mapped had been included. The consensus was that the risk register is much easier to follow and is getting discussions to the right level of where they should be. A Governor challenged if we have done enough around the AI emerging risks? How confident are we? In response they were advised that SLT are involved in consultations, so it is looked at in a very granular level. A Governor suggested WBG could help with advising on emerging risks as RSM used to provide annually. The Bishop Fleming confirmed that cyber security is still a high risk, and AI requires so much extra resource, this is being seen widely within the sector. With the threats constantly changing they are likely to remain as the high risks for the foreseeable future. A Governor asked if the register and risks are standing items on any agendas within College? They were advised yes, and ELT papers now include a section on risk as do the revised Governance cover papers. ELT consider what is going well, what is a concern and what is emerging. A Governor suggested that it would be worth documenting those discussion and those conversations that take place with the Risk Management Group. A Governor challenged those risks that keep remaining, do Governors need to challenge staff more on these to move them on? College Management responded that they are generally going in the right direction but not at pace, they will not be ticked off until they have progressed sufficiently. **The Committee agreed to recommend the College Risk Register to Corporation for approval.**	Governance Professional
35.13	**Annual Procurement Report (Value for Money) and Supplier Spend Update** The Committee noted that the report details of the procurement activity undertaken during 2024/25, and details of total supplier spend above £50,000 during in the. The report provides assurance to Corporation that the College is achieving value for money whilst ensuring that contracts, quotations and tenders are compliant with all the necessary regulations. For 2025/26 it was noted the College will have two high spend contracts being tendered, which will come to Corporation for approval, along with planned capital expenditure arising from the Property Strategy next phase.	

	A Governor asked whether Phoenix Software are the right provider for the College? The VPFCO advised the Committee that the College use a framework externally which ensures that the College gets the best prices and value for money. In terms of IT there are several software packages that are utilised within the College. A Governor observed that £100k is a relatively small amount for third party support. The Committee noted that out of hours security was being explored. The Head of IT is going to discuss that further with the Lead Governor for IT & Digital. A Governor asked will this incur further costs? They were advised that this is an area where market research will be looked at and then possibly a tender process will follow. A short discussion took place where the Committee considered where College devices could be taken and whether there should be limitations on where they can be taken. Governors wondered whether there should be some restrictions or at least an approval process (authorisation by the Principal) to take devices out of the UK, noting that any restrictions or processes should be applied to Governors for consistency. The VPCFO agreed to look into this outside of the meeting. A Governor asked whether all devices are encrypted and if not, could that be explored as well?	VPCFO
35.14a	**Draft Internal Audit Committee Annual Report 2024/25** The Committee noted the report and were happy with its content. The suggestion was made to expand on the change of Internal Auditor and note why that decision had been taken. The Governance Professional was asked to check the membership information for a previous Committee member and confirm to the Committee Chair. T**he Committee agreed to recommend the report for Corporation approval.**	Governance Professional
35.14b	**Audit Committee Performance Review Against Committee Terms Of Reference (ToR) 2024/25** The Committee reviewed the ToR mapping document and noted that it confirms the Committees compliance with its ToR during 24/25 and provides the Committee with assurance that no weaknesses or areas of non-compliance had been identified. The Audit Committee acknowledged that it had demonstrated strong compliance with its Terms of Reference for 2024–2025.	
35.15	**Meeting Effectiveness & Reflections** The Committee reflected on the effectiveness of the meeting, considering whether there was sufficient challenge and if the discussions provided an appropriate level of assurance for Governors and noted: • The outcome of the external audit being was a pleasing result. • Adequate time had been given to items and there had been appropriate challenge • The risk register discussion had been useful, and the Committee recognised that the new format of the register provides assurance and is an easy document to navigate. This has led to less challenge because the detail provided is appropriate. The Committee expressed its thanks to the VPFCO for producing a less daunting first class register • The balance between the reading room and the main pack was appropriate • The presentation of the pack and the links provided make navigating papers much simpler. • The pack was well presented	

35.16	**Any Other Urgent Business**	

	The Governance Professional sought approval from the Chair to use their e-signature on documents approved at Corporation in their absence. This was agreed. Adam Hall will provide the Committee update at the December Corporation.	
	Date and Time of Next Meeting: 5 March 2026, 5.30pm, Worcester	