

## Part I Minutes of the Audit Committee meeting held on Monday 10<sup>th</sup> June 2024 at 5pm via Microsoft Teams

Members Present: Liam Butler (Chair)  
Liz Sithole

In Attendance: Gill Darwood (Director of Corporate Governance) (DCG)  
Louise Jones (Chief Finance Officer) (CFO)  
Neil Thomas (Chief Executive & Principal) (CEP)  
Karen Gentles (RSM)  
Craig Sullivan (Bishop Fleming)

### Committee administrative matters

#### 1 Confirmation of quorum

1.1 The Director of Corporate Governance (DCG) confirmed that the meeting was quorate.

#### 2 Apologies for absence

2.1 Apologies for absence were noted from Wendy Davies and Matthew Collins.

#### 3 Declarations of interest

3.1 There were no declarations of interest.

#### 4 Minutes of previous meeting held 4<sup>th</sup> March 2024

4.1 The minutes of the meeting held on 4<sup>th</sup> March 2024 were accepted as an accurate record by members.

#### 5 Matters arising

5.1 There were no matters arising.

#### 6 Appoint Chair and Vice Chair for 2024/25

6.1 In the absence of W Davies and M Collins, [the appointment of Vice Chair was deferred to the next meeting.](#)

6.2 **It was resolved** to appoint Liam Butler as Chair of the committee for 2024/25.

#### 7 Committee business plan for 2024/25

7.1 The DCG presented the business plan for the Committee which provided an indication of business and reports which would be submitted to the meetings of the Committee scheduled for 2024/25.

7.2 The following items had been added to the schedule:

- A regular strategic update item from RSM who had offered to provide the committee with updates on matters of relevance from the sector pertaining to the work of the committee.
- RSM's annual benchmarking report which provided details of internal audit performance across the sector.
- An annual update on any changes to the College Financial Handbook as it was likely that a revised handbook would be published each year towards the end of the summer term to take effect from September in each year.

- 7.3 **It was resolved** to recommend the committee business plan for 2024/25 to the Corporation for approval.

## External Audit Matters

### 8 **Plan for external audit of 2023/24 accounts**

- 8.1 Craig Sullivan introduced the proposed external audit plan for 2023/24 accounts which aimed to provide the Corporation with an overview of the nature and scope of Bishop Fleming's audit work and to highlight key aspects of the audit. The document covered the audit of Dudley College of Technology and Transformational Technologies Partnership Limited (TTPL). The key points were noted as:
- Materiality was based on 2% of income.
  - Significant risks addressed by the audit would be:
    - o Management override of controls
    - o Fraud in income recognition
    - o Pension assumptions
    - o Accounting for capital projects and capital grant funding
  - The report summarised the college financial handbook, released in March which was effective from 1 August 2024. C Sullivan noted that the College had already taken action to ensure compliance with this.
  - The college accounts direction 2023/24 dealt with recognition of LGPS fund surplus as an asset; and a number of further refinements that the College would adhere to.
  - The post 16 audit code of practice (ACOP) had limited changes but highlighted that DfE would no longer require a separate audit and return (Annex G) for discrete DfE funded projects. In 2023/24 the College had been required to ask Bishop Fleming to audit its LSIF return and this was at extra cost.
  - The interim audit would take place 6 and 7 August with the main audit taking place weeks commencing 30 September and 7 October.
  - The fee of £42,075 represented a 3.2% increase on the 2022/23 fee.
- 8.2 C Sullivan answered questions from members on points of detail, in relation to the activity undertaken as part of the interim audit and the treatment of the pension surplus as an asset. It was considered that the prudent approach was to leave the asset as a zero position and this was the consensus across the sector.
- 8.3 **It was resolved** to recommend the external audit plan for 2023/24 accounts to the Corporation for approval.

### 9 **Fraud and irregularity annual report 2023/24**

- 9.1 The CFO presented the fraud and irregularity annual report for 2023/24 noting that it was the responsibility of the Audit Committee, as set out in grant funding agreements and contracts with ESFA and WMCA, to establish and maintain an adequate system of internal control, to ensure compliance, and to prevent and detect irregularities and suspected fraud (including theft, bribery and corruption). To achieve this the Audit Committee must establish and keep up to date an effective and proportionate counter fraud strategy, which set out the approach to raising awareness, prevention, detection, investigation and sanction (including seeking redress where appropriate) of suspected fraud.

- 9.2 The College had undertaken an annual risk assessment of fraud and irregularity that reviewed all key risk areas, provided commentary on the control framework in place that was designed to prevent fraud, and highlighted where relevant further actions required. The report set out the results of that risk assessment and addressed other counter fraud matters. The full risk assessment was held in the document library of Convene.
- 9.3 The report concluded that whilst the control framework was effective, it would be improved further by enhancing existing procedures in relation to agency staff contracts, supplier standing data, stock levels, credit note authorisation and procurement policies and training.
- 9.4 In response to a question from the Chair, the CFO advised that any fraud experienced by the College would be reported to the Audit Committee, and that no fraud had been experienced in recent years.
- 9.5 **It was resolved** to recommend the fraud and irregularity annual report for 2023/24 to the Corporation for approval.
- 10 **Subcontracting Controls Assurance Review – outcome of 2023 review**
- 10.1 The CFO advised that the College had submitted its external audit assurance review of subcontracting to the ESFA in July 2023 in line with ESFA requirements. DfE had reviewed the assurance review and confirmed the College had met the standard for the 2022/23 funding year. This meant that the College could continue to subcontract provision in line with subcontracting rules. A further external review of subcontracting was required in 2026.
- 10.2 All of the recommendations made by Mazars had been fully implemented and removed from the audit recommendation tracker.
- 10.3 [The DCG noted that the business plan for the following year considered under item 7 would be annotated to indicate that this report would not be required until the following year.](#)
- 10.4 **It was resolved** to recommend the subcontracting controls assurance review to the Corporation for approval.

## Internal Audit Matters

- 11 **Internal Audit Progress Report**
- 11.1 The CFO advised that the Internal Audit Progress Report set out the work carried out in the 2023/24 academic year to-date. The internal audits were intended to assist college management and Audit Committee in obtaining an overall view of adequacy and effectiveness of the internal control system and on risk management.
- 11.2 The following review had taken place since the last Audit Committee and the report was attached for consideration.
- Curriculum Planning and Management Process Review: RSM had given reasonable assurance on the College's curriculum planning and management processes. Two medium priority audit recommendations had been agreed with

management in relation to the Business Planning procedures and Business Planning pitches. These recommendations would be implemented by August 2024, although one had already been fully implemented.

- 11.3 RSM had also provided a number of client briefings:
- Global internal audit standards: provided background on the new Global Internal Audit Standards published in January. One of standards was that internal audit had a quality assurance programme, which was in place and included within the subsequent report.
  - Global internal audit standards, Key stakeholder requirements: provided information on how internal audit supports the board/Audit Committee and senior management in performing oversight responsibilities enabling internal audit to be effective.
  - Quality Assurance and Improvement Programme: set out RSM's QAIP to ensure they conformed with the Global Internal Audit Standards.
- 11.4 L Sithole noted that it would be helpful to have summaries or live sessions/webinars to cover such briefings and [K Gentles agreed that it would be possible to provide these, possibly as one of the strategic topics to be covered at Audit Committee meetings.](#)
- 11.5 In response to a question from the Chair, K Gentles provided further detail on the curriculum planning report in relation to the PDSAT report (Provider Data Self Assessment Tool) where it had been identified that a few learners could attract higher band funding for a small number of additional taught hours. This had been highlighted as a point to consider in curriculum planning activity but not as a formal recommendation. She explained that the report had been run for all learners on study programmes and there were potential reasons for the learners identified in lower bands. The CFO advised that the College routinely ran this report throughout the year to identify any possible actions. The CEP noted that members could take assurance from the low number of instances highlighted and K Gentles concurred that this low number was not typical of the sector.
- 11.6 **It was resolved** to note the internal audit progress report.
- 12 **Rolling schedule of audit recommendations**
- 12.1 The CFO presented the report which detailed the progress made in implementing the recommendations agreed in the internal audit reports submitted by RSM. The report retained all audit recommendations until RSM had confirmed implementation; RSM had just completed their follow up audit and the report reflected the early feedback from the audit team.
- 12.2 Since the last report, 2 recommendations from the curriculum planning report had been added and 13 recommendations had been implemented or superseded.
- 12.3 All outstanding actions were progressing as expected, with the exception of 7 where delays had been flagged which related to the working time policy, learner number systems, apprenticeship processes, procurement strategy and examination arrangements. There were no specific areas of concern on these actions, and the reasons for any delays were noted in detail.

- 12.4 The Chair noted that it was important to ensure that all actions were completed thoroughly and it was sometimes necessary to undertake deeper and wider-ranging actions in order to reap the full benefits.
- 12.5 In response to a question from L Sithole, the CFO provided further explanation in relation to some older outstanding actions, which had been inherited by the current manager who was prioritising completion of these actions which formed part of a complex project. The CFO confirmed that the aim was to have completed these actions by the Autumn term meeting.
- 12.6 **It was resolved** to note the rolling schedule of audit recommendations.
- 13 **Internal Audit Plan 2024/25**
- 13.1 K Gentles presented the internal audit plan for 2024/25 which proposed the following areas were subject to review in 2024/25. This was based on the College's risk register and discussions with senior leaders and members of the committee and wider Corporation:
- Student experience framework: 16-18 bursaries. Advisory (August 2024)
  - Capital project controls (January 2025)
  - Data Protection and Freedom of Information (September 2024)
  - Learner Numbers (ALS and 16-19 study programmes). Advisory (January 2025)
  - Key financial controls (April 2025)
  - Follow up (April 2025)
- 13.2 Section two provided a wider overview and areas which might be looked at in the following year. The Chair noted that members had met with Louise Tweedie of RSM to go through the plan and add their input. He noted that as per their request, clear links to the College's risk register were now visible in the plan.
- 13.3 **It was resolved** to recommend the internal audit plan for 2024/25 to the Corporation for approval.

## Risk Management Matters

- 14 **Risk management termly update**
- 14.1 The CFO presented the risk management update, noting that there were 13 risks on the risk register, aligned with the strategic plan and categorised within the pillars of People, Innovation, Place and Sustainability.
- 14.2 There were six risks with a higher net risk score of 8 or 9 (highest possible risk score was 16), which related to the work on shortage of technical staff, student demand/recruitment, performance of apprenticeships, work experience strategy, employer engagement and environmental sustainability. Most actions were on track to be completed.
- 14.3 The CFO advised that all areas were subject to close scrutiny by the senior leadership team to ensure that any barriers to successful completion were being tackled.

- 14.4 The Chair noted that a few risks were noted as 'on track' but had historic target dates, which the CFO agreed to review.
- 14.5 In response to a question from the Chair in relation to the impact of the forthcoming general election on the risk register, the CFO advised that discussions had taken place in a number of meetings including the audit planning meeting and standards committee. Colleagues were keeping abreast of all latest briefings and would ensure that any arising implications would be fully considered and added to the risk register if necessary.
- 14.6 **It was resolved** to note the risk register review.
- 15 **Review of compliance with College Financial Handbook**
- 15.1 The DCG presented the review of compliance with the new College Financial Handbook which had been published and would take effect from 1<sup>st</sup> August 2024. The audit of compliance took all of the requirements contained within the handbook, provided sources of assurance for each requirement, and an indication of the extent to which the College was compliant. There were a small number of items which would be addressed prior to 1<sup>st</sup> August to ensure full compliance. All of these items had also been highlighted at the recent Corporation development session in May:
- Set a policy for holding reserves.
  - Consider approving a procurement policy.
  - Governors must approve the whistleblowing procedure (minor changes to the current policy were last approved at SLG level).
  - The board must have a policy for managing actual and potential conflicts of interest (whilst the board currently had guidelines, these would be turned into a formal policy).
- 15.2 As good practice, the review of compliance would be undertaken whenever the College Financial Handbook was updated, which was anticipated to be an annual occurrence.
- 15.3 **It was resolved** to note the review of compliance with the College Financial Handbook.

16 **Any Other Business**

- 16.1 There were no items of other business.

*C Sullivan and K Gentles left the meeting*

17 **Confidential – Internal auditors' performance in 2023/24**

*This matter is the subject of a separate and confidential minute.*

18 **Date of next meeting**

- 18.1 The next meeting of the committee was scheduled to take place on 30th September 2024 as per the draft business plan.

The meeting closed at 17.45 hours.

*Approved by committee members at the meeting held 30<sup>th</sup> September 2024*