

Minutes of the Audit Committee meeting held on Monday 30th September 2024 at 5pm via Microsoft Teams

Members Present: Liam Butler (Chair)
Matthew Collins
Wendy Davies
Liz Sithole

In Attendance: Gill Darwood (Director of Corporate Governance) (DCG)
Louise Jones (Chief Finance Officer) (CFO)
Neil Thomas (Chief Executive & Principal) (CEP)
Louise Tweedie (RSM)

Main outcomes

- W Davies appointed as Vice Chair of Audit Committee for 2024/25
- Internal Auditor's sector update on Risk Management noted.
- Committee terms of reference for 2024/25 recommended to Corporation
- Update on compliance with College Financial Handbook and DfE FE and Sixth Form College Corporations Governance Guide noted.
- Audit committee's self assessment of performance in 2023/24 approved.
- Regularity self-assessment questionnaire recommended to Corporation
- Internal audit progress report noted.
- Rolling schedule of audit recommendations noted.
- Annual internal audit report recommended to Corporation.
- Risk management annual report and risk register recommended to Corporation.
- Business Continuity Plan 2024/25 recommended to Corporation.
- Data protection and freedom of information annual report noted.
- Cybersecurity annual report noted.
- Conflicts of Interest Policy recommended to Corporation.

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 had been received from Jane Grimshaw and Craig Sullivan.

3 Declarations of interest

3.1 There were no declarations of interest.

4 Internal Auditors' Sector Update

4.1 Louise Tweedie of RSM provided a presentation on Risk and Risk Management, the requirements for which, in respect of colleges, was set out within the Colleges Financial Handbook. The presentation covered the following areas:

- The focus of the board should be on strategic risks and assurance, with operational risk matters managed by college leaders.
- Post 16 Audit code of Practice had two sections in relation to risk for the audit committee which relate to the requirement for the audit committee to assess the adequacy and effectiveness of assurance arrangements and framework of governance and to produce an annual report summarising the committees

activities relating to the adequacy and effectiveness of the corporation's assurance arrangements, assurance over subcontracting, framework of governance, risk management and control processes for the effective and efficient use of resources, solvency, and the safeguarding of assets.

- College financial handbook includes a number of risk management 'musts' and audit committee 'musts'.
- Audit committee must assure itself that risks were being addressed appropriately.
- What is the risk - need to analyse the cause, risk and effect.
- DCT's risk register encapsulated cause and effect, with risk appetite, gross and net risks. Risks were mapped against key themes – with a current red risk against 'people' which was a common scenario across the sector.
- Looking at the current risk register and the risks rated highest, good exercise for members to check that these were the areas that were being commonly discussed in meetings – recognise that these were the key issues.
- Risk appetite in practice – the College's approach was taken from treasury guidance which was good practice.
- Reporting – good practice seen within the College's reporting which highlighted the top risks. It could be valuable to report on risks outside of the risk appetite, or on those where scoring had changed.
- Board needs to ask itself a number of questions to ascertain level of risk around each issue ie. Is this a risk? Is this an issue? Can we articulate what this risk is? Are we assured that all risks are being addressed appropriately? Are there gaps in assurance or control?
- Need for the committee and board to understand the risk profile and cycle.

4.2 The CEP invited members to consider if the presentation changed anything which the College was currently doing in relation to risk. L Tweedie noted that she felt that the process in the College was well-established and it was helpful to check that committee members were assured. The Chair noted that the risk register provided identifiable links back to elements of the strategy.

4.3 **It was resolved** to note the presentation on risk and risk management.

5 **Minutes of previous meeting held 10th June 2024**

5.1 The minutes of the meeting held on 10th June 2024 were accepted as an accurate record by members.

6 **Matters arising**

6.1 Appointment of Vice Chair of Audit Committee for 2024/25.

6.2 **It was resolved** to appoint Wendy Davies as Vice Chair of the committee for 2024/25.

7 **Committee terms of reference 2024/25**

7.1 The DCG advised that the terms of reference for the Audit Committee had been reviewed as highlighted in the tracked changes. The changes made to the document were:

- To reference the introduction of the Colleges Financial Handbook with effect from 1st August 2024.
- To change references of 'ESFA' to 'DfE' following the announcement that the ESFA was set to close in March 2025, bringing current functions into the Department for Education.
- To clarify that staff governors were not eligible for membership of the committee.

7.2 **It was resolved** to recommend the Committee Terms of Reference for 2024/25 to the Corporation for approval.

8 **Update on compliance with CFH and DfE Governance Guide**

8.1 The DCG advised that the College Financial Handbook (CFH) had now come into effect from 1st August. At the June audit committee meeting, members had considered compliance against the new CFH, noting the areas where further work would be required to ensure full compliance. A progress update on those items highlighted in the previous report was provided. Of the items highlighted as areas for development, all had now either been fully actioned or were in progress:

- *All trustees (governors) and senior managers sign an annual declaration of eligibility - this had now been fully actioned.*
- *The board should set and regularly review the college policy for holding reserves - this was previously incorporated within the Financial Regulations, but a separate Reserves Policy was now being developed and would be brought to Corporation for approval.*
- *The board should consider approving a procurement policy and keeping it under regular review - a procurement policy was currently being developed and would be brought to Corporation for approval (previously included within financial regulations).*
- *The board must have a policy for managing actual and potential conflicts of interest and keep it under regular review - this was previously in the form of a guidance document, but a Conflicts of Interest Policy had now been drafted and was presented to the Audit Committee for recommendation under item 18.*

8.2 The DCG advised that the DfE had also published a new version of the FE and Sixth Form College Corporations Governance Guide on 1st August, with a number of amendments to align it with the CFH. The amendments mirrored the CFH but a note of the changes had been saved together with the full Governance Guide in the Document Library of Convene. These documents were also publicly available on the government website.

8.3 **It was resolved** to note the compliance with the new College Financial Handbook and the FE and Sixth Form College Corporations Governance Guide.

9 **Audit Committee's self assessment of its own performance in 2023/24**

9.1 The DCG advised that it was considered good practice for the Audit Committee to undertake a self-evaluation of its performance each year. The questionnaire had been completed on behalf of the Committee and members were invited to consider whether the answers drafted reflected their own views of the Committee's performance in 2023/24. Members concurred with the assessment of performance.

9.2 **It was resolved** to approve the Audit Committee's self-assessment of its own performance in 2023/24.

External Audit Matters

10 **Regularity self assessment questionnaire**

10.1 The CFO advised that the Post-16 Audit Code of Practice 2023/24 set out a common standard for the provision of assurance and accountability in relation to funding of post-16 providers. Within the code it stated that College Corporations must publish a statement of regularity, propriety, and compliance within their annual accounts.

10.2 To support college corporations in drafting the statement of regularity, propriety, and compliance, the ESFA published an annual self-assessment questionnaire to provide clarity over the accountability framework, including the interpretation of the key requirements

and the type of evidence that should be considered. The regularity self-assessment questionnaire would inform the audit work being undertaken by external auditors.

- 10.3 The CFO advised that the leadership team had completed the questionnaire and were satisfied that the responses were full and complete. There were no issues noted as a result of the responses provided.
- 10.4 W Davies raised a query regarding the IoT float, noting that the Corporation had discussed the position where repayment was not expected to occur as anticipated. The CFO clarified that the IoT business plan was close to target for the end of year 3 and outlined steps to revise the TTPL budget to achieve a surplus within the next two years. The TTPL board had noted that they would need to prepare a going concern statement, and had plans in place to return to a surplus by 2025. L Tweedie confirmed that this matter would be reflected in the group financial statements but did not meet the definition of irregularity.
- 10.5 Members of the committee concurred with the responses provided to the questionnaire.
- 10.6 **It was resolved** to recommend the regularity self-assessment questionnaire to the Corporation for approval.

Internal Audit Matters

- 11 **Internal Audit Progress Report including internal audit reports**
- 11.1 L Tweedie presented RSM's progress report on their current activity.
- 11.2 *Progress report*
The progress report noted that the 2023/24 internal audit plan had been delivered in full.
- 11.3 Two internal audits had been completed prior to the summer break, and a summary of the reports was noted:
- 11.4 *Health and Safety Compliance Framework*
RSM advised that the board could take reasonable assurance that the H&S controls were suitably designed, applied and effective. Three medium and four low recommendations had been agreed with management with implementation dates between October 2024 and July 2025. L Tweedie noted that this audit had covered a wide-ranging area and was overall a very positive report.
- 11.5 *Follow Up Report*
RSM had reviewed 39 recommendations previously made during their internal audits and judged that the College had demonstrated good progress in implementing the agreed management actions. 14 actions had been fully implemented, one partly implemented, two not implemented and 22 had been superseded. Twenty of the superseded actions related to the high-level ISO 27001:2022 gap analysis (IT) where the College had already identified that its existing cyber security measures were sufficient not to implement all of the advisory recommendations.
- 11.6 The three recommendations not yet fully implemented were:
- The annual HR report to Corporation would include details of staff performance management reviews (partly implemented).
 - The apprenticeship employer contract would include a breakdown of costs, in line with funding rules.
 - On the apprenticeship employer contract any reduction in the negotiated price needed to be documented in line with funding rules.

- 11.7 These actions remained on the audit recommendation tracker and were being monitored.
- 11.8 **It was resolved** to note the internal audit progress report.
- 12 **Rolling schedule of audit recommendations**
- 12.1 The CFO presented the report which provided details of the progress made in implementing the recommendations agreed in the audit reports submitted by internal audit. The report showed only live audit recommendations that had not yet been checked by RSM at follow up to confirm completion.
- 12.2 Since the last report, seven recommendations from the audit of the Framework for Compliance with Legal Requirements: Health and Safety had been added; none of these were due yet however work had started on their implementation. There were 34 live recommendations of which 19 had been completed.
- 12.3 All actions were progressing as expected, with good progress being made on those areas where delays had previously been highlighted.
- 12.4 **It was resolved** to note the rolling schedule of audit recommendations.
- 13 **Annual Internal Audit Report**
- 13.1 L Tweedie presented the Annual Internal Audit Report which set out the work carried out by RSM in the 2023/24 academic year, including recommendations made in each category, and RSM's performance against plan.
- 13.2 The summary of internal audit work completed in 2023/24 was noted as:
- Quality Assurance
 - Key Financial Controls Procurement and Accounts Payable
 - Examination Arrangements
 - Learner Number Systems – Devolved AEB
 - Curriculum Planning and Management Processes
 - Follow-up
 - Framework for Compliance with Legal Requirements: Health & Safety
- 13.3 RSM had reported that the College continued to have an adequate and effective framework for risk management, governance, and internal control in place, with the recommendations made throughout the year helping to identify further enhancements to the framework or risk management governance and internal control. The green/yellow opinion was consistent with that provided in 2022/23 and also the opinion awarded to most FE Colleges (80%).
- 13.4 During the year, RSM had undertaken four assurance audits, one receiving substantial assurance and three with reasonable assurance; the follow up audit was given Good Progress. There had also been one advisory and one compliance assignment. As a result of this work two advisory, one high, 13 medium and 14 low priority actions were agreed.
- 13.5 In response to a question from W Davies, L Tweedie explained that it was rare for a GFE college to achieve the highest possible level of assurance and that most colleges who did were Sixth Form Colleges with less complex funding and infrastructure, or in the rare case where this was achieved by a GFE College, the internal audit programme had focused on inherently less complex areas of operation.

- 13.6 **It was resolved** to recommend the annual internal audit report to the Corporation for approval.

Risk Management Matters

- 14 **Risk Management Annual Report**
- 14.1 The CFO presented the risk management annual report, advising that the College continued to proactively deliver the risk management strategy. The senior leadership group revised and updated the risk plan regularly with reports being provided to all sub-committees and the Corporation. The report noted that the recent national and regional political changes were now impacting on the implementation of the College's strategic plan, in addition to the financial constraints within Dudley Borough. The College was in close discussion with the new Mayor of the West Midlands, who had a very clear focus on employer engagement which it was anticipated would present opportunities for the College. National policy relating to curriculum reform, the growth and skills levy and teachers pay also required careful management of the College's approach to ensure that it adapted and responded to policy development, maximising any opportunities.
- 14.2 The risk register had been updated for the new academic year to reflect the approach to these wider issues. The following changes had been made to the number of risks on the register:
- One risk had been removed relating to the quality of service from Professional Services teams.
 - One risk regarding investment in the College estate had been combined with the risk relating to recruitment of technical staff. This gave rise to a broader risk caused by the limits of technical resources.
 - One risk had been added due to the current de-funding of alternative provision (AP) in the Dudley Borough. Actions were in hand to quickly de-risk this issue.
- 14.3 Other risks had been updated and actions to mitigate these had been refreshed. The risk register for 2024/25 was also provided.
- 14.4 Members discussed whether it would be appropriate to add a new risk relating to the current recruitment of a new Chief Executive and Principal. Whilst it was felt that mitigations were in place to manage a smooth transition to a new post holder, this should nevertheless be recorded in the risk register. **It was agreed that a new risk related to the implications of the senior leadership change be drafted for consideration by Corporation when it reviewed the risk register.**
- 14.5 **It was resolved** to recommend the risk management annual report to the Corporation for approval, subject to the addition of a new risk related to senior leadership succession.
- 15 **Confidential – Business Continuity Plan 2024/25**
This item is the subject of a separate confidential minute.
- 16 **Data protection and freedom of information annual report**
- 16.1 The CFO presented the data protection and freedom of information annual report which provided a summary of data protection activity through the 2023/24 year, including staff training, details of data breaches, disclosure to third parties, erasure requests, freedom of information requests, subject access requests and strengthening of data protection officer support roles within the MIS team. There were no significant concerns to report as a result and the level of activity was in line with the previous year.
- 16.2 Members noted that training through staff induction and CPD had made staff more aware of their responsibilities to protect personal data, take appropriate action, reduce risk and

given clarity to policy, procedure and points of contact for advice. It was noted that internal auditors would be undertaking an internal audit early in 2025.

- 16.3 **It was resolved** to note the data protection and freedom of information annual report.
- 17 **Confidential - Cybersecurity annual report**
This item is the subject of a separate confidential minute.
- 18 **Conflicts of Interest Policy**
- 18.1 The DCG advised that, in order to comply with Charity Commission guidance, as set out within the College Financial Handbook, the board must have in place a policy for managing actual and potential conflicts of interest and this must be kept under regular review. To comply with this requirement, a draft Conflicts of Interest Policy was presented to replace the previous guidance provided to staff and governors.
- 18.2 Also appended to the Policy was an Equality Impact Assessment which was required to be produced in respect of all new policies in order to consider the equality implications of the policy on stakeholders. The policy was designed to identify any conflicts of interest in a fair and consistent manner, regardless of the protected characteristics of the individuals involved and as such had been graded as 'low' impact.
- 18.3 **It was resolved** to recommend the Conflicts of Interest Policy to the Corporation for approval.
- 19 **Any Other Business**
- 19.1 There were no matters of other business.
- 20 **Date of next meeting**
- 20.1 The next meeting of the committee was scheduled to take place on 25th November 2024.

The meeting closed at 18:10 hours.

Approved at the Audit Committee meeting held on 25th November 2024.