



AUDIT COMMITTEE MEETING

Date: Tuesday 5 November 2024

Time: 5.00pm

Venue: Board Room / Video Conference

Present:

Andrew Fawcett (Chair)

Sharon White

Farhad Ahmad

Julian Coleman

In Attendance:

Bill Webster (Principal)

Garry Westwater (Executive Director of Finance)

Tim Openshaw (Assistant Vice Chancellor, Planning & Student Experience) (UoB)

Danny Harvey (PwC)

Peter Townsley (Azets)

Julie Flintoff (Azets)

Deborah Bradburn (Clerk)

Jill Hebden (Minute Taker)

1. SECTION A - BUSINESS MATTERS FOR CONSIDERATION UNLESS INDICATED OTHERWISE

(Dr Bill Webster, Mr Garry Westwater, Mr Tim Openshaw and Ms Jill Hebden left the meeting during consideration of the following item).

1.1 Meeting of Auditors (PwC & Azets) without Officers present:

The Chair invited the internal and external auditors to raise any issues they felt were relevant to be brought to the attention of the Committee without Officers.

(Dr Bill Webster, Mr Garry Westwater, Mr Tim Openshaw and Ms Jill Hebden rejoined the meeting).

1.2 Election of Committee Chair

Members were invited to put forward a nomination and elect a Chair for the Committee.

Mr Andrew Fawcett was nominated.

RESOLVED:

Mr Andrew Fawcett be elected Chair of the Committee for the current academic year.

1.3 Welcome to Members/Officers

The Chair welcomed members to the meeting, which commenced at 5.01pm.

1.4 Apologies for absence

Apologies were received from Chris Ball.

1.5 Declarations of Interest

The Chair reminded everyone present to declare any interests that they may have on matters to be discussed. There were no declarations of interest.

1.6 Request for an item to be unstarred

No requests were made.

1.7* Minutes of the previous meeting held on 6 June 2024

The minutes of the meeting held 6 June 2024 had been previously circulated to Committee Members for consideration.

Agreed: that the minutes are approved as a correct record and authorised for publication.

1.8 Matters arising from the previous meeting

The Clerk presented the action progress log and noted that all actions from the previous meeting had been completed.

2. SECTION B - COLLEGE MATTERS FOR CONSIDERATION UNLESS INDICATED OTHERWISE

2.1 Internal Audit Annual Report 2023/24

PwC noted that the progress made this year had been insufficient and that there was catch up work required in 2024/25. Monthly progress review meetings would be arranged between PwC, the Executive Director of Finance and the Clerk to the Board to ensure momentum was maintained.

Governor Questions/Comments:

It would be useful for Committee Members to have sight of the notes from the monthly progress reviews that take place.

RESOLVED:

The Committee noted the internal audit reports.

ACTION:

Monthly progress review meeting notes and a schedule of progress to be shared with Audit Committee Members.

2.2 Internal Audit Plan 2024/25

PwC presented the Internal Audit Plan 2024/25 noting the following:

- There were three additional items within the audit plan due to the carry-over from 2023/24.
- A change had been made to include student experience that replaced safeguarding and sexual harassment due to the processes of the latter being similar at the College.

Governor Questions/Comments:

- *Will the three items brought forward from 2023/24 be prioritised first?*
The agency staff work is nearly complete. However, this will be reviewed at the initial progress review meeting and will be dependent on timings at the College and which items would fit most appropriately with the College cycle of activity.
- *It would be useful to see within the Audit Plan the rationale alongside the timings ie. if there are times within the College cycle that would have more of an impact on audit completion.*

RESOLVED:

The Committee noted the Internal Audit Plan 2024/25 and thanked PwC for all of the work undertaken to date.

2.3† Outstanding Audit Recommendations: Monitoring Schedule

The Executive Director of Finance presented the monitoring schedule, highlighting the following points:

- The two ongoing items were related to the development of policies and procedures that were tied to the new ESFA Financial Handbook.
- The internal audit report for 'Managing Public Money' had made three comparisons and observations in relation to the scheme of delegation, procurement and write-offs/disposals of assets, which would be considered in the new College financial regulations to be developed for June 2025.

Governor Questions/Comments:

- *Will there be significant changes?*
There are a number of recommendations and changes needed which will strengthen and bolster our current policies and procedures.
- *Are we taking a regular report on the progress of the financial regulation's revision to the Resources Committee? Should we be?*
Not yet, but if I can bring the development of the financial regulations forward I will. The advisory notes from PwC will most certainly be reflected within the financial regulations.

2.4 Financial Statements 2023/24 and Regularity Audit

(i) Financial Statements 2023/24

The Executive Director of Finance and external auditors presented the statements, and the following points were highlighted:

- The accounts were presented in the standard format.

- The operating deficit for 2023/24 was £1,184k and had been adjusted to take the pension and bursaries into account. This compared to a £864k deficit in 2022/23 and the original budgeted surplus of £200k.
- The ESFA Financial Health Grade for the College was “Requires Improvement” as it was in 2022/23.
- A waiver on two of the three banking covenants had been requested.
- An adjustment had been made following a review of the financial statement on the useful economic life of the building.
- The College had an unqualified audit opinion from the external auditors.

Governor Questions/Comments:

- *Do we consider not meeting the covenants a significant risk?*
There is no indication in the forecast that a covenant waiver will be required in 2024/25. Regular meetings take place between the College, ESFA and the bank with the management accounts shared monthly. The bank appears to recognise that the covenants are not fit for purpose following our reclassification and that we are now a public entity. We have a strong relationship with the bank and there isn't any indication that they would not be supportive if another covenant waiver was required.
- *The College has been reclassified as being in the public sector and is a subsidiary of the University. Who would be the College's guarantor should the bank 'call in' the loan, the University or the DfE?*
This has been raised at the Resources Committee as there is ambiguity. There is the intention to commence work to review where the liability sits as it is a legal interpretation. However, we are not in a position where the bank loan would be 'called in'.
- *From a compliance perspective, it would be beneficial to include some narrative in the financial statement in relation to the covenant risk and to explain that the covenants are being actively managed.*
- *What is the likelihood of there being a change to the financial year end?*
There is a pilot that has been undertaken. There is a likelihood that there will be two reporting deadlines, a fiscal year end on 31 March and another on 31 July to consolidate with the Group.

RESOLVED:

The Committee noted and agreed the financial statements for 2023/24 for recommendation to the Board following further amendment.

ACTION:

- Communications to the ESFA to be provided to Azets.
- Additional comment to report that the covenants were being actively managed.
- Clerk / Board Agenda

(ii) Audit Findings Report for Year ended 31 July 2024

Azets presented the report, and the following points were brought to the Committee's attention:

- The financial statements reflected that the College was financially resilient and would be issued with an unqualified opinion.
- The College was a 'going concern' with a covenant waiver in place.
- A modification was made in relation to a 'Managing Public Money' compliance breach for a novel, contentious and repercussive transaction that had been notified to the DfE.
- Audit adjustments had been made in relation to the T Level capital grant and the need to age the grant in line with depreciation.
- Some new disclosures were included within the report as a result of redundancies.
- The financial controls systems were reviewed with no evidence that internal controls had been overridden.
- The quality of engagement with the College was excellent and the audit team were presented with a good set of financial statements and detailed information on request.

Governor Questions/Comments:

- *Should the intangible assets be incurred now rather than 2024/25?*
We could have done that but they were not material; technically they should have been written off this year.

RESOLVED:

The Committee noted the Audit Findings Report for year ended 31 July 2024 and thanked Azets for their work.

(Danny Harvey left the meeting at 5.42pm)

(iii) Letter of Representation 2023/24

The letter of representation that was required by the OfS and ESFA was presented.

RESOLVED:

The Committee noted the Letter of Representation for 2023/24 for recommendation to the Board.

ACTION:

Clerk / Board Agenda

(iv) Regulatory Self-Assessment Questionnaire 2023/24

The Committee reviewed the self-assessment questionnaire and it was noted that all sections had been appropriately completed with any issues highlighted.

RESOLVED:

Members noted the contents of the Regulatory Self-Assessment Questionnaire for recommendation to the Board.

ACTION:

Clerk / Board Agenda

2.5 Audit Committee Annual Report 2023/24

The Executive Director of Finance presented the annual report noting that on the evidence of the audit reports received, the assurances provided, and the work undertaken by College management in addressing outstanding issues, the draft report stated that the Audit Committee could conclude that, in light of the unqualified report from the audit service providers, the systems of control in operation at the College were adequate and provided a high level of assurance.

RESOLVED:

The Committee agreed that the report be submitted to the Board for consideration.

ACTION:

Clerk / Board Agenda

2.6 Risk Management Annual Report 2023/24

The risk management annual report that summarised the College's approach to risk and risk management was presented and discussed.

The planned activity for 2024/25 related to the Post Inspection Action Plan (PIAP), organisational financial health, the College strategic plan and implementation of the operational plan. Further activity would be related to the review of the new DfE guidance and safeguarding compliance that included Martyn's Law.

RESOLVED:

The Committee reviewed and noted the Risk Management Annual Report 2023/24.

ACTION:

Clerk / Board Agenda

2.7 Risk Management / Risk Register

Tim Openshaw presented the report, and the following points were highlighted:

- The risk management annual report summarised the College's approach to risk with a number of updates made to keep the risk register topical.
- There had been a change to the recruitment risk score as recruitment for September 2024 had been buoyant with attendance at the open evening higher than previous years.

Governor Questions/Comments:

- *Is horizon scanning in relation to the environment, climate and emissions reporting something that we track? Is it something that we need to look at?*

It is something that we will need to turn our attention to and there is some work to be done. From this week the Group Director of Estates will be based at the College and this will be a piece of work for him to complete, at the moment there isn't a comprehensive Group strategy.

- *Will climate reporting be coming to the Audit Committee from a compliance perspective?*

It will be interesting to see if we get targets around climate reporting imposed upon us.

- *Should the cyber and artificial intelligence risk be higher? The mitigations that are in place do not really read like mitigations.*

The College can take an additional review of this risk.

- *Maths and English remains 'red' with a score of 6. Although the situation appears to be improving there does not appear to be any additional actions noted as completed.*

This remains 'red' as it is an area that is constantly under threat. The downgrade to 6 is due to it being the first time, in a long time, that there is stabilised staffing in English and maths.

RESOLVED:

The Committee noted the update to the Risk Management / Risk Register.

ACTION:

A review of risk related to cyber security and artificial intelligence to be reviewed.

2.8 Starred Item(s)

(i) * Counter Fraud Strategy

The Counter Fraud Strategy Policy was presented for endorsement by the Committee.

RESOLVED:

The Committee noted the Counter Fraud Strategy and recommended it for Board approval.

ACTION:

Clerk / Board Agenda

(ii) * Data Protection Policy

The Assistant Principal of Curriculum Development, Information & Technical Services had developed a Data Protection Policy in keeping with best practice. The Data Protection Policy was presented for endorsement by the Committee

RESOLVED:

The Committee noted the Data Protection Policy and recommended it for Board approval.

ACTION:

Clerk / Board Agenda

3. SECTION C - UNIVERSITY GROUP MATTERS FOR CONSIDERATION UNLESS INDICATED OTHERWISE

None

4. SECTION D - ANY OTHER BUSINESS

4.1 Policy / Funding Rules / Conditions of Grant Changes

This was a standing item on the agenda to discuss noteworthy matters. The following was noted:

- The College ESFA rating had been assessed as 'Requires Improvement'.



- There would be additional funding of £300 million for the sector. It had yet to be identified how it would be distributed.

RESOLVED:

The Committee noted the update provided.

4.3 Meeting Evaluation

Committee Members noted that the requirements of the Committee were met.

5. SECTION E - FUTURE MEETINGS

Thursday 13 February 2025 at 5.00pm

There being no further business to discuss, the meeting closed at 6.29pm

Chair's Signature:

Date: 13 February 2025