

Draft Minutes of the Audit Committee Meeting

Held Wednesday 4 December 2024

Present Ian Hughes (*Chair*), Tiffany Harvey-Pallent (*Vice Chair*), Shabir Chagan and Kate Taylor

In attendance Andrew Woodford (*Vice Principal, Chief Finance Officer*)
Louise Tweedie (RSM UK)
Nathan Coughlin (Bishop Fleming)
Jennifer Sunter (*Clerk to the Corporation*)

It was agreed that item 7.1 would be taken as the first substantive item.

The Vice Chair started the meeting while awaiting the arrival of the Chair.

1		Apologies
		There were none. The Chair had advised of a late arrival.
2		Declarations of Interest
		Internal and External Auditors declared their interests in items 7.3 and 8.1 respectively.
3		Minutes of Audit Committee Meeting held 6 June 2024
		The minutes of Audit Committee Meeting held 6 June were approved as a correct record. Under Matters Arising From the Audit Committee Meeting 7 March 2024, item 4c Website Compliance Review, it was noted that review of the procedure for policy updates, with regard to provision for the website remained ongoing and would be rescheduled for the March meeting of the Committee. From the Audit Committee Meeting 6 June 2024, item 5c Learner Number Systems: Apprenticeships, the action plan was provided under the agenda.
	7.1	Freedom of Information and GDPR monitoring
		Governors received the monitoring report which highlighted areas addressed since the previous meeting. The improved format of the report was commended and the CFO outlined the plan to increase data reporting moving forwards. It was noted that in person training was scheduled for 2025 to help reduce low level mistakes. Governors were also pleased to note the mitigating actions applied to the College systems to assist staff in avoiding mistakes when emailing.
		<i>Ian Hughes joined the meeting and assumed the Chair.</i>
4		Accountability and Assurance
	4.1	Summary of Assurance relating to Systems of Internal Control and Corporate Governance
		The CFO reported that the summary of assurance, as supported by the reports from the internal and external auditors, underpinned the Audit Committee in

		<p>advising the Corporation that it is satisfied with systems of internal control and corporate governance.</p> <p>Governors were satisfied that the content of the report provided support in advising the Corporation. The report would be provided for the Corporation.</p>
4.2		<p>External Audit: Key Issues for Discussion Document year ended 31 July 2024</p>
		<p>The External Auditor provided a comprehensive overview of the key points arising from their audit work. The report provided a clear view of the work undertaken and a successful working relationship. Members noted and discussed:</p> <ul style="list-style-type: none"> • That the College had now received the required letter of support regarding Halesowen College Enterprises. • Review of journals identified no issues of fraud or failure of control. • Pensions were appropriately accounted for noted the asset position; actuarial assumptions used were consistent. • Risk areas were addressed and the volume and value of capital development was noted. • Management action regarding accounting of monies for Free School Meals was discussed and would need to be addressed directly. • Debt recovery from local authorities for Element 3 funding remained a question of time of payment rather than non-payment. • There were no adjustments regarding audit findings. • Overall performance (following removal of pensions) revealed that the position was good but not as strong as previous years. • Current year issues were outlined and any unresolved prior issues also noted, including management responses. • Unadjusted audit differences which Committee confirmed were appropriately treated by the College
		<p>The Audit Committee recommended the External Audit: Key Issues for Discussion Document year ended 31 July 2024 to the Corporation.</p>
4.3		<p>Annual Report and Financial Statements year ended 31 July 2024</p>
		<p>The CFO outlined the key points from the Annual Report, which included the consolidated accounts from the College and the wholly owned subsidiary Halesowen College Enterprises Limited. The College remained a going concern with performance in line with forecast and had achieved an unqualified audit opinion.</p> <p>While the year was relatively challenging for financial performance, due to capital works and increased staff costs to meet student growth, this should improve with funding for growth under the lagged model.</p> <p>The College recognised that it remained reliant on core funding body income and was therefore seeking mechanisms to diversify.</p> <p>In addition to outlining the College's strategy the report commented on key risks which included recruitment and retention of staff, accommodation challenges and education reform.</p> <p>The improved performance of HCE Ltd would see profit covenanted back to the College.</p> <p>Governors noted the range of responsibilities outlined and the reports in support of the Corporation approving its governance statement.</p> <p>Governors discussed performance change for EBITDA and concerns on reduced cash balances but noted that F&R had discussed this, and that while</p>

		<p>capital projects required careful management it was a medium term issue of which the board was cognisant.</p> <p>It was noted that the DfE had asked the College to provide case studies relating to capital and in-year growth funding challenges. While the 16-19 demographic was due to fall in 2031 the College was mindful of growth for adults and NEETs provision.</p> <p>The CFO noted that once approved by the Corporation the signed report would be provided to the DfE by the 31 December deadline.</p> <p>The Chair reported that earlier sight of the report had been beneficial for the review and was satisfied with compliance.</p>
		The Audit Committee recommended to the Corporation the approval of the Annual Report and Financial Statements year ended 31 July 2024 subject to final formatting amendments.
	4.4	Halesowen College Enterprises Ltd Directors Report and Financial Statements year ended 31 July 2024
		<p>In noting the approved Directors Report for Halesowen College Enterprises Limited, governors noted that this had been prepared by the external auditors. Members discussed the optimum level of detail provided for efficacy and transparency.</p> <p>The report was received.</p>
	4.5	Audit of Pension Contributions
		<p>The external audit of pension contributions was noted.</p> <p>Governors were informed that</p> <ul style="list-style-type: none"> • the Government proposed to underwrite the LG Pension Scheme • there was a triennial evaluation due March 2025 • the College was banded in the low band currently and therefore did not pay higher contributions or a secondary lump sum <p>The report was received.</p>
	4.6	Audit Committee Annual Report year ended 31 July 2024
		<i>Prior to consideration of the Audit Committee Annual Report the Committee considered the Annual Report from the Internal Auditors RSM.</i>
		<p>RSM Annual Report</p> <p>Louise Tweedie outlined the summary of work leading to an Audit Opinion that ‘the College has an adequate and effective framework for risk management, governance and internal control.’ This secondary level of opinion meant that further enhancements were appropriate.</p> <p>By way of benchmarking context whereby 75% of Colleges received this audit level of opinion.</p> <p>The Chair highlighted that an additional paragraph based on the IA Opinion should be added to the Committee’s Draft Annual Report to Corporation as a key source of assurance.</p>
		The Audit Committee accepted the Annual Report of RSM.
		Audit Committee Annual Report year ended 31 July 2024
		The Chair referred to the Draft Committee Annual Report as provided for members of the Committee.

		Governors agreed that the additional paragraph summarising the IA report would contextualise the change whereby more internal reports were being provided with reasonable rather than substantial assurance.
		The Audit Committee recommended to the Corporation that subject to the inclusion of an additional statement based on the Internal Audit opinion, the Annual Report of the Audit Committee 2023/2024 and the Audit Committee opinion contained therein, be approved, and that this is forwarded to the DfE alongside the Annual Report and Financial Statements 2023/2024.
		<i>The Committee undertook private session with the Internal and External Auditors.</i>
		<i>External Auditor left the meeting.</i>
	4.7	PFA Audit Findings Report
		<p>The CFO presented the very positive outcome from Provider Financial Assurance (PFA) Audit. While some issues were raised these remained proportionally small. The College was addressing points raised through the action plan.</p> <p>Governors discussed the proportionate response to controls and actions in relation to risk and savings.</p> <p>Staff were commended.</p>
5		Risk Reporting
	5.1a 5.1b	Risk Management Policy and Procedure Update Risk Register and Risk Plan
		<p>Governors considered the data metrics report on risk and the work in progress in moving risk reporting forwards. Governors discussed risk scores prior and post mitigating actions.</p> <p>The CFO outlined work to evaluate the number and presentation of risks to be less granular and more useable, therefore better in supporting assurance and being more impactful for the College.</p> <p>With the internal audit review of risk management to be considered by the Committee and the work of management ongoing, it was noted that this remained work in progress that was going in a positive direction.</p> <p>Two new risks were noted:</p> <ul style="list-style-type: none"> • 7.5 – Failure to adequately deliver a high quality and compliant Apprenticeship provision. • 11.25 – Failure to maintain adequate cashflow to ensure sustainable business operations. <p>One risk score correction was noted:</p> <ul style="list-style-type: none"> • 6.1 – Failure to response to the needs of stakeholders <p>The Corporation discussed the nature of passporting the risk report to the Corporation and agreed that the focus should be on inviting governors to review the highest risks before and after mitigation.</p>
		The Audit Committee recommended that an updated risk report be provided to the Corporation addressing top risks.
	5.2	Prevent Risk Assessment Update
		<p>Governors commended the new report covering Prevent, noting the campaigns and training opportunities. The College had good contacts and was also working on being ready to meet Martyn's Law.</p> <p>Governors asked that some actions could clarify the follow ups to be taken and that the use of acronyms should be considered.</p>

6		Audit Plan and Reports
	6.1	Revision of Audit Plan 2024-2025
		A minor amendment encompassing a change to dates for one planned audit, which would remain within the year's planned scope of work was noted. It was agreed that this change was not substantive and did not need to be approved by the Corporation.
	6.2 6.2a 6.2b	Internal Audit Reports <ul style="list-style-type: none"> • Strategic: Curriculum Planning • IT Disaster Recovery
		Strategic: Curriculum Planning The Committee received the findings that the review of curriculum planning provided reasonable assurance. There were two medium and one low priority actions arising from the review. IT Disaster Recovery The Committee received the findings that the review of IT Disaster Recovery provided reasonable assurance. There was one high, two medium and two low priority actions arising from the review. Governors discussed a point raised about changes to systems and processes and timeliness of governor approval of plans. This led to in depth discussion about risk in relation to change of and backing up of systems, in particular Cloud based systems and protection.
	Action 6.2b	It was agreed that the Director of Information Services would be invited to prepare a response on how IT systems are protected.
		The Audit Committee accepted the Internal Audit Reports for Strategic: Curriculum Planning and IT Disaster Recovery and the management responses to these.
	6.3 6.4	Progress Report on Audit Action Plans Apprenticeships and Funding Audit Action Plans Update
		Governors accepted that there were a high number of actions to be addressed following the internal audit of Apprenticeships but that good progress had been made.
		The Audit Committee noted the progress report and agreed removal of items with the status of complete and no longer relevant.
7		Annual Reviews
	7.2	Health and Safety Annual Report and incidents monitoring
		Governors noted that many of the objectives of the previous year remained pertinent and were therefore carried through to the current year. Moving forwards, more data should be included for the monitoring reports being provided to the Committee, to support trend analysis. The report was received.
	Action 7.2a	A data update would be provided for members of the Committee.
		<i>Internal Auditor left the meeting.</i>
	7.3	Review of Internal Audit Performance Indicators
		The CFO reported overall satisfaction with performance against key indicators and the improvement in internal audit reporting.

		Governors discussed internal audits undertaken in more detail and further noted that moving forwards the audit plan should reflect top level identified risks.
8	8.1	External Audit Contract Review
		Governors noted that current external audit provision had been undertaken for three years and the contract provided for a +2 option. The Committee was satisfied with provision and service and relationship.
		The Audit Committee recommended that the Corporation engage Bishop Fleming as external auditors for a further two years.
9		Any Other Business
		Governors discussed the format of the Annual Report and Financial Statements and compliance with the Casterbridge model and the extent of required disclosures and their sequence and formatting. Consideration would also be given to whether the December meeting might usefully be broken into two given the lengthy mandatory items required at this time
10		Date of Next Meeting The next meeting remained as scheduled for 4 March 2025.

The meeting closed at 8.20pm

Audit Committee Meeting 7 March 2024		
4ca	Website Compliance Review The procedure for policy updates with regard to provision for the website would be reviewed. Ongoing Rescheduled for the March 2025	AWo June 2024 December 2024 March 2025

Audit Committee Meeting 6 June 2024		
Action 5ca	Learner Number Systems: Apprenticeships Members recorded their concern and asked that the action plan be provided to the next meeting of the Audit Committee and that Lisa Edwards, as the newly appointed lead attend to update the Committee. Closed: December 2024	RSM/AWo November 2024

Audit Committee Meeting 6 December 2024		
6.2b	IT Disaster Recovery It was agreed that the Director of Information Services would be invited to prepare a response on how IT systems are protected.	JPr March 2025
7.2a	Health and Safety Annual Report and incidents monitoring A data update would be provided for members of the Committee.	AWo January 2025