

Audit & Risk committee Meeting (Joint Corporation)

Minutes of the meeting held on Tuesday 26th November 2024

4.00pm – 5.30pm Woodlands Campus.

Present Amirun Nehar – Chair of A&R Committee
Harrison Thompson
Dave Nanda
Michael Burnett – External Member

In Attendance Barbara Hughes – Chair of Corporation, Paul Assinder – Chair Designate, Tony Lucas – Vice Chair of Corporation, Christine Abbott, Susie Ankrett, Megan Bacalla – Student Governor FE, Tasleem Chaudary, Rebecca Gater – Principal & CEO, Helen Kinghorn, Ravi Kumar, Mehreen Mirza, Graham McKean, Cheryl Pidler, Donna Poole – Staff Governor, Sharmin Rima

Heather Hunt – Deputy Principal and CFO, Pete Haynes – Vice Principal HR & Student Services, Sam Bromwich – Director of Corporate Governance, Risk & Compliance, Linda McLaughlin – Assistant Principal Quality and Innovation, Gita Gorman – Director of Finance, Dave Garside – Director of IT, Craig Sullivan – Bishop Fleming LLP, Jane Grimshaw – Bishop Fleming LLP, Edward Blackman – RSM, Louise Tweedie – Partner RSM (on Teams for one item), Tina Taylor – Senior Governance Officer (minute taker)

Apologies Sarah Horton-Walsh, Tony Worth – External Member, Lee Jamison - Vice Principal Quality & Curriculum, Nancy Buckley - Vice Principal Business Growth, Skills & Partnerships

1. Welcome and Apologies for Absence

Corporation members joined in attendance for the joint Audit & Risk committee meeting. Apologies were received and accepted for Sarah Horton-Walsh, Tony Worth – External Member, Nancy Buckley and Lee Jamieson.

Sharmin Rima was welcomed as a guest, and governors were informed that she is recommended for the position of HE Student Governor to be discussed at the Corporation meeting.

2. Declarations of Interest

None declared.

3. Minutes and Actions Log of the Previous Audit & Risk Committee meeting held on 15th October 2024

The previous minutes of the Corporation meeting held on 15th October were received and **APPROVED** as a true record. The Chair's signature will be added to the minutes.

3.1. Matters Arising (verbal)

The Director of Corporate Governance, Risk, and Compliance updated the committee on the outstanding actions regarding the Internal Audit Opinion. The Director of Corporate Governance, Risk, and Compliance emphasised the importance of corporation members understanding that the audits are deep dives, resulting in detailed work and numerous recommendations. These audits examine top-level strategies and policy integration, impacting the overall audit opinion. At

the last A&R committee it was discussed whether to continue with this audit style and the need for clarity on its impact on the annual internal audit opinion.

3.2. Actions

The actions of the previous meeting on 15th October 2024 were reviewed and **noted**

4. Chairs Action

None to be advised.

5. Membership Update

Dave Nanda was welcomed to his first Audit & Risk Committee meeting since his appointment on 1st November. He provided a detailed overview of his extensive experience.

6. Board Assurance Presentation – Managing the Risks of Artificial Intelligence (AI) and Digital Strategy

The Director of IT gave an update on the AI and Digital Strategy, covering the assessment of AI risks and future projects. A copy of the Digital Strategy 6 monthly report was shared for information. The update included tracking the implementation of the new Digital Strategy and progress on the internal audit recommendations from RSM's audit on cyber incident management.

A presentation on Managing the Risks of AI was delivered, and governors responded positively to the update. Following an update on Learn wise, the Director of Corporate Governance, Risk, and Compliance noted that it is linked to the current website content. The plan is to populate it with governance information within the college, and a pilot of the website content is underway.

Following a question from a governor, the Director of IT provided an update about the timescales and confirmed there will be a trial with the governance data before it's extended to the college.

The Director of IT provided an update on feedback from 50 teachers who trailed TeacherMatic. The feedback is being collated and can be shared. In response to a question about student feedback, it was noted that while direct feedback is challenging to obtain due to the content, it can be gathered from student surveys, which can also identify an impact on attendance. **ACTION**

Following a question from a governor the Deputy Principal and CFO provided an explanation about the recommendations from RSM's internal audit, which focused on cyber incident management and advised that the follow-up audit and progress report are included in the board pack. There was a discussion on whether Bishop Fleming LLP reviewed these recommendations and confirmed that the cyber audit and its follow-up are part of the ongoing review process.

7. Treasury Management and Reserves Policy and Bank Mandate

7.1. Treasury Management and Reserves Policy

The Director of Finance provided an update on treasury management which detailed where surplus funds are investment, and an explanation was provided. It was noted that the college has agreed a General Reserve Policy of £50m of which cash reserves will be £10m and the policy will be reviewed annually. It was further confirmed that the college want to extend its Investment Policy for 18 months.

Govenrors received a copy of the Finance Presentation which was presented at the Financial Oversight Group (FoG) on 26th June, a detailed explanation regarding the key notes were provided.

Referring to the general reserves policy, the Chair of the FoG noted that maintaining £50m is standard and necessary for investment returns. The Director of Finance added they have benchmarked against other colleges. Discussions ensued about investment strategies, and an overview was provided.

An update was provided about investment for the sustainability action plan. The Chair discussed green investment and greenwashing, inquiring about governance and monitoring. The Director of Finance responded to say Barclays provides a bi-annual report confirming investments and their outcomes.

The Audit & Risk Committee recommended the approval of the Treasury Management and Reserve Policy and an extension to the investment policy. These recommendations were subsequently **approved by the Corporation** members during the joint A&R Committee and Corporation meeting.

7.2. Bank Mandate

The Bank Mandate change was shared, the committee were asked to approve the updated bank mandate for the College's Lloyds account following the departure of a named colleague and their replacement into the role

Following a governor's recommendation, it was agreed to include the role of a colleague rather than their name in documents. This approach ensures that updates are not needed when staff members leave. **ACTION**

In response to a governor's question, the Director of Finance clarified the authorisation levels for signing off purchase orders (POs), as specified by the financial regulations. It was noted that the updated Financial Regulations will be submitted to the Corporation in January.

The Audit & Risk Committee recommended the approval of the Bank Mandate change the recommendation were subsequently **approved by the Corporation** members during the joint A&R Committee and Corporation meeting.

A governor inquired about the forecast for the current budget NTFS projections and the expected state of reserves by the end of the 2026/27 academic year. They noted that having a three-year NTFS forecast is standard practice and questioned whether we have such a reserve forecast. The governor expressed interest in understanding whether reserves will maintain their current robustness over the next three years. In response, the Deputy Principal and CFO confirmed that the corporation approves the budget each July, which includes a two-year forecast of reserves. Additionally, as part of the property work, this forecast will be extended further.

8. Finance update and A&R Committee Year End Audit Matters

8.1 Finance Presentation

The Deputy Principal and CFO presented the finance presentation and budget update, noting changes since the Financial Oversight Group meeting in November. Key updates were provided.

- **Outturn against budget for 2023/24** were shown in the financial statements.
- **Income** - overall income for the year is very close to the original budget, with some significant movements. A detailed explanation was provided in the report.
- **Pay expenditure** showed some negative variances due to initial assumptions around pay awards and additional funding, which allowed us to meet our 67% pay percentage. This was a planned increase rather than a negative variance. Pension funds became an asset, so the cost did not go through the accounts, which was known during the year but not when the budget was set.

- **Non-pay expenditure** indicated some increases due to project costs. It was confirmed that budgets were managed appropriately, ensuring that the target EBITDA was met.
- **Underlying operating position** showed the surface of reporting in the accounts. An analysis was provided by stripping out one-off costs, along with explanations for these adjustments.
- **Financial KPIs** show green and positive variances across all headings except EBITDA. The negative variance in EBITDA was planned to ensure we hit 1%, achieving good financial health. This strategy, discussed at the FoG, ensured we maximised our spending for the year.
- **Implications of the October 2024 budget** were explained in detail, noting that an update could not be provided at the recent FoG meeting.
- **Going Concern** governors were advised that the college is a going concern. Figures were confirmed for income for 2024/25 and 2025/26.

A governor suggested discussing the accounting treatment of payments received from Oakbridge and TGH, noting that the budget initially accounted for these as a line-item benefit. They emphasised the need for clarity on transitioning this to an exceptional item and requested an explanation of the process. In response, Bishop Fleming LLP explained that the £1.1m initially classified as other income related to the sale of Oakbridge and an asset at Blossomfield. After discussion and review of accounting standards, it was agreed to reclassify this as profit on the sale of an asset, below the line in the income statement.

Bishop Fleming LLP further clarified that income from the sale of a capital item should not be included in operating income but recorded as a profitable gain on the sale, in line with accounting standards. They noted a differing view from the previous auditors based on their evidence regarding the appropriate classification, considering materiality. The update was **noted**.

RK joined the meeting

8.2. Key Performance Indicators and Value for Money Annual Report

The report provided the Corporation with the outturn of the Key Performance Indicators and the Value for Money Report.

The Audit & Risk Committee noted Annual Value for Money report. This was subsequently **approved by the Corporation** members during the joint A&R Committee and Corporation meeting.

8.3. Going Concern Report

The report was shared for information, excluding non-governors.

8.4 Annual Report of Audit & Risk Committee and Principal Summary of:

- (a) Risk Management Annual Report 23/24
- (b) Internal Auditors Annual Report 23/24
- (c) Regularity Self-Assessment Questionnaire

The A&R committee approved to **recommend** the Audit and Risk Committee Annual Report Committee to Corporation for approval and signature by the Chair and Principal. These recommendations were subsequently **approved by the Corporation** members during the joint A&R Committee and Corporation meeting. **ACTION**

8.5 Bishop Fleming LLP report

The item was presented in detail. A governor inquired about any concerns regarding year-end transactions. Bishop Fleming LLP responded that there is a cut-off, and testing revealed no issues to flag. The report was received by the Corporation for assurance during the meeting.

8.6 Letter of Representation

The A&R committee approved to **recommend** the Letter of Representation to be signed by the Chair of Corporation. These recommendations were subsequently **approved by the Corporation** members during the joint A&R Committee and Corporation meeting. **ACTION**

8.7 Financial Statements and Members' Report 23/24

The College's Draft Financial Statements 2023/24 were received.

The A&R committee approved to recommend them to Corporation for approval. Subsequently, the Corporation approved the College's Draft Financial Statements 2023/24

9. Internal Audit

The Partner of RSM joined the meeting on Teams and provided a detailed update about the internal audit which had been previously circulated. The update was given about:

RMF Audit

The Chair disclosed that discussions had taken place with the Principal and CEO regarding the issues identified. RMF, our main subcontractor, faced unexpected challenges, which were surprising and disappointing. The Principal and CEO clarified that RMF is not accustomed to internal audits and is currently adapting under a new Managing Director. They are collaborating with auditors as a learning experience and are not considered a risk to quality and education, a view supported by the combined authority. RMF acknowledges the need for support in these areas, and our role is to provide the necessary assistance as a mitigation measure. The Partner of RSM noted it is positive to hear they are looking to professionalise their audit

Discussions took place regarding having assurance there is no financial clawback. It was noted the audit was valuable as it helps to implement the recommendations to be able to provide assurances. Further assurances were given regarding reputation at the college due to the recommendations

Mehreen Mirza joined the meeting

A governor expressed concerns about the organisation's lack of mechanisms to address fundamental issues, suggesting internal audits with RMF to identify these. The Principal and CEO emphasised the role of the new managing director in addressing these concerns and highlighted the importance of supporting this initiative. They also noted a recent successful Ofsted inspection, which did not identify these issues.

Governors expressed disappointment with the results and emphasised the need for a clear action plan. They requested to see this plan to address the identified issues. **ACTION**

Progress Report

The Partner of RSM confirmed they are on track with the plan, with additional dates scheduled. Some 2024 dates will be moved to 2025, but overall, we are progressing as expected.

Annual Report 2023/24 (see item 8.4)

The item was shared under 8.4. The Partner of RSM provided an update on the overall outcome, noting that the college is consistent across the FE client base.

10. Contributions Analysis Report 23/24

Governors received a report detailing the actual contributions by faculty and school for 2023/24. Due to confidentiality, this report was not shared with Staff and Student Governors. The Actual Contribution Report 2023/24 and July PMR was also shared for information.

In response to a governor's question about the existence and progress of an action plan, the Deputy Principal and CFO confirmed that budgets are under review and a report will be presented to the Corporation in January. **ACTION**

11. POLICIES

The reserves policy was discussed under item 7.1.

12. Confidential

Colleagues from RSM and Bishop Fleming LLP left the meeting due to the item's confidential nature.

Governors received the report on additional work completed by the College's internal and external auditors and any ad hoc audits that have taken place at the College. The report was **noted** for information.

13. Items for Information

The following items were shared for information.

- September PMR
- Health & Safety Termly Report

14. ANY OTHER BUSINESS

There were no items discussed

15. FUTURE DATES

Dates were confirmed as per the agenda. An additional meeting in February 2025 will be held to discuss the internal audit plan. Governors were asked to respond to the poll.

The meeting concluded at 5:50pm to allow the joint Corporation (A&R Committee) meeting to commence. Members of the A&R Committee left the meeting.

Signed: 

Dated: 04.03.2025

Amirun Nehar – Chair of Audit & Risk Committee