

Minutes of the Meeting of the Audit Committee (and Joint Board meeting for items 1-3.1)
29 November 2024
8:00am to 10:00am

Governors present: Helen Simpson (Chair) 'HS'; Andrew Elsby-Smith; David Isteed; Stephen Davies.
Apologies: Philip Atkins
In attendance: Claire Boliver (CEP), John Snow (Deputy Principal – Finance and Resources) 'JS'; Helen Knowles (External Auditors - Mazars); Roopa Patel-Harji (Internal Auditors – Validera) 'RPH'; 'CB'; Jo Hutchison (Head of Governance) 'HoG'

Governors present for the joint meeting between the Board and the Audit Committee (items 1-3.1)

Mike Rowley (Chair of the Board); Tim Legge (Vice-Chair of the Board), Steven Bell; Yvonne Bradshaw; Nicki Truman; Liz Furey; Claire Boliver (in her capacity as Governor); Angela Storer.

Decisions: in bold; Support: Blue; Challenge: Yellow Confidential

Audit	Agenda Item	Actions
	Joint meeting of the Board and the Audit Committee (items 1 to 3.1)	
1.	<p>Welcome and Apologies for Absence</p> <p>HS opened the meeting at 8:00am and welcomed the governors and attendees to the joint meeting of the Board of Governors and the Audit Committee. The Chair welcomed Stephen Davies, co-opted member to the Audit Committee, to his first meeting of the Audit Committee. The Chair thanked all Governors present and in particular welcomed Steven Bell and Angela Storer, who were recently appointed Governors, to their first meeting.</p> <p>Philip Atkins had given his apologies for the meeting which were accepted. There were no other apologies for absence from the members of the Audit Committee.</p> <p>The Chair thanked Philip Atkins for his long service to the College as a Governor and as a member of the Audit Committee. The Chair highlighted that Philip had been invited to join Governors at the Board Strategy Event in February 2025 so that the Board could thank Philip in person.</p> <p>Apologies had been received from the following Governors who were not members of the Audit Committee; Chris Brewerton, Rose Judeh-Elwell and Daniel Gallagher.</p> <p>The Governors who were not members of the Audit Committee were invited to stay for the remainder of the meeting after item 3.1.</p>	
2.	<p>Declarations of Interest</p> <p>There were no declarations of interest.</p>	
3	External Audit and Items for approval	
3.1	<p>External Audit Completion Report (ACR) & Letters of Representation</p> <p>In compliance with the Post 16 Audit Code of Practice, all governors had been invited to attend the meeting to hear the External Audit Completion Report (ACR) from the External Auditor and to raise queries directly with the external auditor.</p> <p>JS introduced the Report and thanked the Finance team and the Management Information Systems (MIS) team for all their work in the audit process and introduced Helen Knowles, the College's Engagement lead from Mazars.</p>	

	<p>HK presented the draft report for 2023-24 and confirmed that the audit had gone smoothly and was substantially complete with some outstanding matters most of which were routine pieces of work which would be finished off before the audit opinion was signed.</p> <p>HK reported that in terms of the current status of the audit;</p> <ul style="list-style-type: none"> • The External Auditors had now completed their work related to deferred capital grants; • The External Auditors work in respect of accruals continued however was expected to be completed shortly. • The External Auditors work on the cashflow statement would also be completed as part of the final work on the Accounts. <p>HK also noted:</p> <ul style="list-style-type: none"> • There had been no change to the External Auditors approach or the basis of materiality from that reported to the Committee and Board in the Audit Strategy Memorandum; • The testing work undertaken in respect of the four Significant Audit Risks and reported that there were no matters to report following that work, although work continued in respect of one aspect of the Going Concern covenant compliance testing; • The work undertaken in respect of the Tamworth relocation campus which was recorded in the ACR where no issues had been identified. HK reported that one area remained under discussion with JS related to the treatment of the final end of year's valuation certificate; • That no new deficiencies in internal control had been identified and HK reported that the two issues identified last year had been fully resolved; • There was one misstatement identified which related to reclassification of unspent capital grants which had been adjusted for in the Financial Statements and there were no unadjusted misstatements; • The inclusion of the Confirmation of independence of the External Auditors at Appendix E to the ACR. <p>Mazars anticipated issuing an unqualified opinion without modification as set out in Appendix C of the completion report.</p> <p>Mazars had included their standard draft Management Representation Letter and draft Regularity Representation Letter and Mazars had not requested the inclusion of any specific points.</p> <p>A Governor sought clarification on the extent that the audit was complete and whether the External Auditors envisaged any delay to submission of the Accounts. HK reported that they were substantially complete and had reviewed covenant compliance and management accounts and were awaiting the final forecast to substantiate the Going Concern report presented to the Board. HK reported that she did not envisage any delays to sign off and submission.</p> <p>A Governor sought clarification on the depth of testing on the Tamworth development project. HK reported that it had been a significant area of focus over the past 2 years and that the External Auditors were happy with how this had been treated, including in this year's accounts. JS reported that there was one area which remained under discussion with the External Auditors which related to which financial year the work completed in July 2024, invoiced and paid in August 2024 and for which grant funding was received by the College in September 2024, should be recorded.</p> <p>A Governor requested that if any matters were identified by the External Auditors which the Audit Committee needed to be notified of that this be undertaken through the Head of Governance.</p> <p>A Governor thanked the External Auditors for their work in supporting a smooth and timely audit.</p>	
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	<p>Resolved to recommend to the Board the approval and signing of the two Letters of Representation.</p> <p>Financial Statements 2023-24 on a Going Concern basis</p> <p>The Committee and Governors in attendance reviewed the annual report and accounts in detail and with JS answering questions for Governors noted the following:</p> <ul style="list-style-type: none"> • Risk Management; where it was agreed that the text would be updated to reflect the review undertaken by the Audit Committee of the Annual Risk Management process • Adjusted cash days; where the final figure would be included following completion of DfE documentation, which would be prior to the accounts being presented to the Board in December. • Accessibility of the College website; a Governor sought clarification on whether the college website was compliant with accessibility requirements and if so to include details of that within the Disability Statement. A minor amendment to the Disability Confident Leader accreditation title was suggested. • External Governance Review; a Governor suggested the inclusion of additional detail to explain the outcomes of the review. • The areas highlighted in yellow in the draft accounts, including the Statement of the Audit Committee would be reviewed and updated following the meeting; • Further consideration to be given to how the financial performance of the College was described, noting that under the ESFA measures as well as matters related to bank covenants and specific to the Tamworth project. JS agreed to review this area. • Contingent liabilities; whether any were expected to be reported, where JS reported that this was not currently expected. • Bad debt provision; where a Governor sought clarification around recovery action undertaken, where JS reported that action was taken to recover bad debts if necessary and that most related individual's non-payment of tuition fees. • Events after reporting period; JS reported that he was not expecting any further items which were not already recorded. <p>A Governor thanked JS and the finance team for the work to produce the Annual Report and commented that the report was easy to read.</p> <p>JS presented his report on Going Concern and responded to Governor questions setting out:</p> <ul style="list-style-type: none"> • That the College considered its going concern status for the next 12 months as part of the approval of the financial accounts for 2023-24; • In response to a Governor question in respect of the period of time (looking forwards) which was considered in terms of cash flows and the College's financial and operating position, where it was reported that the 2024/25 financial year was considered as well as up to 31 December 2025 (as well as the remainder of 2025/26, so far as the 2024/25 year impacted on it) and cashflows up to July 2026, all of which confirmed there was sufficient cash flows to operate. A Governor requested that the number of cash days at the end of the Going Concern period be provided to the Board. • Despite difficult conditions around inflation and energy costs, the College's underlying performance was good and two tranches of additional 16-18 funding in 2023-24 had supported a much improved out-turn while also allowing the College to make a significant pay award. • In response to Governors' questions on covenant testing through the period and the extent of the headroom, JS reported that for 2023/24, 2024/25 and 2025/26 there were no issues with any covenants. In 2025/26 the College remained covenant compliant at 139% (against a measure of >100%). • Growth in 16-18 numbers above allocation in 2024-25 (approximately 450 additional learners) would likely result in good levels of additional in-year funding 	<p>JS</p> <p>JS</p> <p>JS</p> <p>JH</p> <p>JS</p> <p>JS</p> <p>JS</p> <p>JS</p> <p>JS</p> <p>JS</p>
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	<p>and definitely result in significantly more 16-18 funding in 2025-26 than predicted in the Three Year Financial Forecast made in July 2024.</p> <ul style="list-style-type: none"> Overall the College can be confident that it was a going concern during the next 12 months. <p>Resolved: Subject to the Committee's comments, the updates still required to be made, to recommend to the Board of Governors that the Financial Statements be approved on a Going Concern basis.</p> <p>The Chair thanked all the Governors for their attendance at this meeting and were invited to remain.</p> <p><i>With the exception of Steven Bell and Nicola Truman, the Governors who were not members of the Audit Committee left the meeting at this point.</i></p>	
3.2	<p>Annual Risk Management Report</p> <p>JS presented the Annual Risk Management Report for 2023-24 which provided a review of the College's risk management arrangements over the previous financial year and confirmed that headline financial targets had been exceeded and student achievement rates had been met.</p> <p>The report set out the key areas of assurance available for the assessment of risk management and internal control along with comparative data from the previous year including:</p> <ul style="list-style-type: none"> Achievement of business targets; Internal and external audit reports; Risk management processes; Fraud risk; Regularity assessments; and Policy framework and other factors <p>A Governor sought clarification on the top risks for the College and how these risks were being mitigated and JS reported that he considered that the risks around the Tamworth development and the Level 3 provision and curriculum reform were high risks. The risks associated with Tamworth were being carefully monitored. The Level 3 issues related to a Government decision and the college was working with the AoC to ensure that the College's voice was heard. CB reported that they were expecting a Government announcement in January 2025 on Level 3 courses and T Levels. CB further reported that risks around the property strategy, space to accommodate learner numbers and improved facilities for learners was also a high risk, in light of the lack of capital grants available to Colleges.</p> <p>A Governor sought assurance on the steps being taken regarding the TORC lease and the risks associated with this. JS reported that work continued to resolve the issue and to deliver a longer term lease for the College, and that the risk of this not being delivered was relatively low, however there remained risks in respect to the amount of space which the Council would make available to the College.</p>	
3.3	<p>Annual Report of the Audit Committee</p> <p>The Committee received the draft annual report of the Committee which summarised the work of the committee and the outcomes of the internal audits in 2023-24. The Head of Governance confirmed that the report would be updated to reflect the presentation of the annual report and financial statements in this meeting.</p> <p>Resolved: to recommend the Annual Report to the Board for approval.</p> <p><i>Nicola Truman left the meeting at the end of this item.</i></p>	

3.4	<p>Policy Reviews: Risk Management Policy</p> <p>JS reported that whilst the Risk Management Policy had been updated in March 2024 changes were proposed in light of the recent internal audit recommendation on Risk Management. JS highlighted that these related to the addition of a section to cover the treatment of risks – Terminate, Transfer, Treat and Tolerate (section 5.15 to 5.19) and an expanded section (3.11 to 3.15) and Appendix (appendix 3) related to the topic of Risk Appetite.</p> <p>A Governor sought clarification on the risk appetite terminology related to paragraph 1.3 and section 3.11 to 3.15 and also to further understand how it was expected that risk appetite arrangements would be embedded / implemented as part of risk management activities including in the risk registers. JS reported that he would redraft 1.3 and would consider further the comment on implementation prior to presentation for the Board's approval.</p> <p>Resolved that subject to the comments made, the Audit Committee recommended the Risk Management Policy to the Board for approval.</p>	JS																												
3.5	<p>Terms of Reference for the Audit Committee</p> <p>The HoG highlighted that the two proposed areas of change to the Audit Committee's Terms of Reference were to:</p> <ul style="list-style-type: none">• provide flexibility on the number of eligible governors and / or co-opted members of the Committee• clarify the role of the Committee to ensure the investigation of areas of impropriety and whistleblowing (as well as in relation to instances of fraud, data protection and cybersecurity breaches which are already covered in the Terms of Reference). <p>Resolved that the Audit Committee recommended the updated Terms of Reference to the Board for approval</p>																													
3.6	<p>Minutes of the Meeting held on 26 September 2024</p> <p>Resolved that the minutes of the meeting held on 26 September 2024 be approved as a true record.</p>																													
	<p><i>Andrew Elsby-Smith left the meeting at 8.56am.</i></p>																													
4	<p>Action Grid</p>																													
4.1	<p>The HoG reported that the first action remained outstanding and related to the Internal Auditors KPIs in the Progress Reports. RPH reported that for the current year the internal audits were on track.</p> <p>An update on the learner numbers on the Cannock Chase Engineering Academy was provided. The table below shows classroom and apprenticeship learners who have benefitted from the project, the total of which comes to 592.</p> <table><tr><th>Years</th><th>2021/22</th><th>2021/22</th><th>2022/23</th><th>2023/24</th><th>2024/25</th><th>Total</th></tr><tr><td>Full time Learners</td><td>116</td><td>109</td><td>102</td><td>82</td><td>121</td><td>530</td></tr><tr><td>Apprentices over 4 years</td><td>36</td><td>41</td><td>47</td><td>50</td><td>62</td><td>62</td></tr><tr><td>Cumulative</td><td></td><td></td><td></td><td></td><td></td><td>592</td></tr></table> <p>The Committee reviewed the actions and noted the completed items.</p>	Years	2021/22	2021/22	2022/23	2023/24	2024/25	Total	Full time Learners	116	109	102	82	121	530	Apprentices over 4 years	36	41	47	50	62	62	Cumulative						592	
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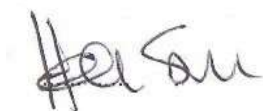
5.1	<p>Annual Fraud, Bribery and Irregularity Report</p> <p>JS presented the annual report for 2023-2024 which provided a fraud and bribery risk assessment for the College and information on incidents in the previous year. JS highlighted that:</p> <ul style="list-style-type: none"> • There had been no instances of fraud or bribery at the College in the previous 12 months. • There had been 19 declarations to the Gifts and Hospitality Register in the last 12 months. • After a successful internal audit review in 2023-24, Procurement still remained a high risk area but carried more assurance. <p>The Chair invited the internal auditors to provide any comments and RPH had nothing further to add.</p> <p>The Committee noted the report.</p>	
5.2	<p>Update</p> <p>JS reported there was nothing further to update, other than the RIDDOR report at item 5.3.</p>	
5.3	<p>RIDDOR Report</p> <p>JS presented his report and highlighted:</p> <ul style="list-style-type: none"> • There has been a RIDDOR (“the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations”) reportable incident in the Autumn term, where the College had needed to notify the Health & Safety Executive (“HSE”) • The incident was a slip/trip/fall in a staffroom with no obvious trip hazard. • The seriousness of the accident was compounded by the incident not being reported as a workplace accident at the time of the incident leading to the RIDDOR report being submitted later than stipulated. • The College had now investigated the accident fully and had also further investigated why the reporting process was not fully followed at the time of the accident. <p>A Governor sought further clarification on the reporting of the incident itself as well as improvement actions already implemented, and JS reported that the incident had been fully reported and documented. Furthermore, the College had launched (in October) a Slips and Trips campaign which had been widely publicised.</p> <p>A Governor sought further assurance from JS on the reporting of accidents, and on the lessons learnt from this incident and its late reporting and requested that a report be presented to the March 2025 Audit Committee on risk mitigation actions taken.</p>	JS
6	Internal Audit Reports and Action Grid	
6.1	<p>The Chair invited RPH to present the Internal Audit Reports on Risk Management and Health & Safety to the Committee.</p> <p>RPH introduced the <u>Risk Management</u> audit report and reported that a substantial assurance had been given which was the highest level of assurance and demonstrated that the systems and controls relating to this area were substantial. RPH highlighted there were three green actions in total, which related to the risk management policy and approach, improving elements of the risk register and implementing formal risk management training. RPH reported that management had accepted all three recommendations.</p> <p>A Governor congratulated the college on achieving substantial assurance and noted management's response to look at both impact and likelihood which reflected good practice.</p>	

	<p>RPH introduced the <u>Health & Safety</u> audit report and reported that an adequate assurance had been given which demonstrated that the systems and controls relating to this area were adequate. RPH highlighted there were seven actions in total, one of which was amber which related to specialist training logs, and three green actions relating to Service Certificates & Contract Checks and the inclusion in Incident Reporting Forms of a RIDDOR section and three blue good practice. RPH reported that actions points had been agreed by management.</p> <p>A Governor asked whether in view of the RIDDOR Report considered at item 5.3 there was anything else in terms of systems and processes and controls which should be considered in the Health & Safety internal audit report. RPH reported that as part of the testing in the Health & Safety internal audit RIDDOR Reported incidents were considered and identified areas related to reporting and document location and this was why a recommendation had been made to include on the Incident Reporting Form a section for RIDDOR reporting.</p> <p>RPH presented the <u>Progress Report</u> and highlighted that that there had been no changes to the Internal Audit Plan this year. RPH reported that Validera had not received any completed client satisfaction surveys.</p> <p>A Governor requested that client satisfaction surveys be considered at the Audit Committee and reviewed at the next meeting.</p>	JH
6.2	<p>Internal Audit Recommendation Tracking Grid</p> <p>JS presented the tracking grid and confirmed that</p> <ul style="list-style-type: none"> • The College started the year with 12 active audit recommendations. • Seven further recommendations had been made in Internal Audit reports this year, giving a total of 19 recommendations. • Of these, ten recommendations had subsequently been completed including the two external audit recommendations. • Two In Progress recommendations had been slightly delayed (Information Governance) and would be completed before Christmas and seven recommendations from the recent Risk Management and H&S Audits are In Progress but not yet due. 	
7	Risk Management	
7.1	<p>Corporate Risk Register</p> <p>JS presented the updated risk registers for 2024-25 which had been reviewed by the Risk Management Group and the Executive Leadership Team prior to consideration by the Audit Committee. JS highlighted the main seven risks:</p> <p><i>[Redacted due to confidentiality]</i></p> <p>C16 - Risk of losing lease at TORC Centre, Tamworth. The College had not been able to secure a short term lease for the remainder of the current academic year and would switch tactics to push for the longer term agreement from summer 2025. However the College was currently operating at TORC with no lease which was a large risk.</p> <p><i>[Redacted due to confidentiality]</i></p> <p>C14 – Failure to execute the College Property Strategy. The College was mitigating against the lack of capital investment money by ensuring that it had projects ready to commence quickly should capital money become available again. The College was rapidly running out of space and this could limit future growth particularly at Cannock</p> <p><i>[Redacted due to confidentiality]</i></p> <p>C5 – Qualifications Reform. There was a limited amount that the College can do to mitigate this government policy</p>	

	<p>C23 – UK Economic Outlook and risks to public spending. The College had very little control over this risk.</p> <p>A Governor sought clarification on the College's approach to removing lower level risks to reduce the total number of risks and to focus on the major and higher risks. JS reported that there were some risks which were fairly short term risks, however there were others which reflected the cyclical nature of the College, for instance the annual enrolment cycle, and OFSTED inspections. JS agreed that there were a significant number of risks and that it would be valuable to continue to review the approach in future meetings.</p> <p>A Governor thanked JS for including the direction of travel arrows on the Risk Registers.</p> <p>The Committee reviewed the Corporate Risk Register and, following questions from Governors, the following were highlighted and discussed:</p> <ul style="list-style-type: none"> • C3 – Higher Level Provision and Office for Students (OfS) registration – given the administrative burden OfS registration involved, assurance was sought on the impact this could have and any arrangements in place to address this and any partnerships with universities. CB reported that a Consultant had been appointed to support this activity to ensure there was the capacity and experience available to support this work. • C7 – Good OFSTED Grade – given the recent OFSTED inspection (April 2024) the Committee discussed whether this could be removed as a risk, however it was noted that OFSTED could revisit a College if any of its data or any aspect of the Self Assessment Report (SAR) raised areas of concern. • [Redacted due to confidentiality] • C25 - Absence management / Pandemics – consider the inclusion of HR Policies as a control for this risk. <p>Covenant Risks</p> <p>JS reported that risks of covenant breach in the 2024-25 financial year were low due to the strong underlying performance of the College and the variation of the Barclays covenants to account for College payments towards the Tamworth Relocation Project.</p> <p>[Redacted due to confidentiality]</p>	
7.2	[Redacted due to confidentiality]	
7.3	<p>Finance System; procurement, budget and implementation update</p> <p>JS presented his report and highlighted:</p> <ul style="list-style-type: none"> • [Redacted due to confidentiality] • A tender process had been undertaken to identify a new system using the Find a Tender platform. • Three firms were eventually shortlisted from a long list of 11 firms that returned tenders • [Redacted due to confidentiality] <p>A Governor sought clarification on the legacy data and how to extract the data and JS reported that options were being explored.</p> <p>A Governor sought assurance that the training and support for the roll out of the new system would be adequate. JS reported that as the company already provided the MIS system which meant they understood and knew the College and the experience with the MIS system had been positive. This did provide the College with assurance that their support and training would be adequate.</p> <p>A Governor sought clarification on the Go Live date and also on the capacity within the Finance, MIS and IT teams to implement the new system. JS reported that they expected</p>	

	<p>to start implementation in January 2025 and the supplier was comfortable with this. In addition this timing suited the Finance team and their workload. The Go Live date was expected to be in the summer 2025.</p> <p>A further update on implementation was requested for the March meeting as at that point the process would be well underway. In addition at that point the Audit Committee would discuss the internal and external audit testing of the system both pre and post commissioning of the new system.</p>	JS
8	Any Other Business	
8.1	There was no other business.	
8.2	[Redacted due to confidentiality]	
9	Meeting between the auditors and the Committee	
	<p>JS and CB left the meeting for this item [Redacted due to confidentiality]</p> <p>HK and RPH left the meeting at this point.</p> <p>CB and JS returned to the meeting at this point.</p>	
10	Meeting between the Committee and Management	
	[Redacted due to confidentiality]	JS
11	Date of Next Meeting	
	<p>The meeting closed at 10:00am</p> <p>The next meeting is at 8.30am Wednesday 26 March 2025 via Microsoft Teams</p>	

Approved as a true record in a meeting on 26 March 2025



Chair of Audit Committee