

Minutes of the Audit Committee Meeting Held at 4.30pm on 26 November 2024

Present: Prue Amner, Ashley Cullen (by Teams. Left at 7.20pm), Shirley Nellthorpe and Pauline Tiller (chair)

Apologies: Liz Rix

In Attendance: Chris Mantel
Paola Schweitzer
Maria Vetrone

Alliotts (by Teams, Mins 203 – 210)
Director of Governance
COO

Minutes

203 Attendance and Participation

Liz Rix sent her apologies, as did Mike Cheetham who was unable to attend owing to the change in meeting date.

204 Declarations of Interest

There were no declarations of interest.

205 Meeting with External Auditors without Staff

Chris stated that external audit had gone well, even smoother than the previous year. Alliotts enjoyed working with College staff finding them competent, responsive and supportive. The Committee thanked Maria and asked that their thanks be passed on to the Finance team.

206 Minutes

Minute 198: Outstanding Audit Recommendations: Maria clarified that the Director of IT Services previously reported to the VP Information Services but both now reported directly to her. The new VP Information Systems would start shortly and a new Director of IT Services was being recruited.

The minutes from the meeting on 17 September 2024 were **Agreed** as a correct record.

207 Matters Arising

Governors **Noted** that matters arising were either completed, closed or on the agenda.

208 Training: Audit Committee's Role concerning the Financial Statements

Chris gave a [presentation](#) on the Committee's financial statements responsibilities:

- Audit Committee advises Corporation on adequacy & effectiveness of assurance framework & measures taken to ensure that statutory & regulatory responsibilities are met.

- Independent role of External Auditor (EA) is to provide assurance to governors. Confirmation from governors to the EA that they are receiving the information they need from management is made through the letters of representation.
- Audit report matters to consider: Purpose of the EA (true & fair and regularity). Question & challenge. Any surprises or omissions in the accounts?
- Accounts matters to consider: Committee's responsibility is framework & controls (accounts provided for context and numbers reviewed by F&R). Are they in line with management accounts? Do you recognise the college? Critical disclosures (eg remuneration)? Public interest regularity risks (reputation)?
- Governor's responsibility: Do the accounts & annual report make sense? Challenge – don't just accept what's being told, hold management and auditors to account.

Chris clarified that in the statements Katy Quinn, Principal & CEO was giving Corporation her assurance as Accounting Officer and that external audit was the final layer of assurance to Corporation. In response to a question, Chris confirmed that the letter of representation was a standard process and agreeing it shouldn't cause concern unless governors were aware of any issues that hadn't been flagged, in which case they needed to raise them.

209 Financial Statements 2023/24 & Annual Report (paper 691/24/A)

Colleges were required to submit audited financial statements to the ESFA by 31 December. Audit Committee's remit was to review the governance statements and audit opinions of the statements prior to final signature at Corporation. F&R Committee had reviewed the statements' financial components. The accounts included COPC Enterprises Ltd subsidiary company.

The College Group posted an underlying operating surplus of £322k, excluding dilapidations provision for the Birmingham accommodation and FRS LGPS adjustments, for the year ended 31 July 2024. The College achieved *Good* financial health and as at 31 July 2024 there was £6.3m in cash reserves (69 days). The College had met all but one of its KPIs (F&R asked that adjusted current ratio was referenced in the statements as having fallen slightly short of target but was still performing strongly). Governors considered the statement of corporate governance and internal control in particular the governance statement, Corporation performance and internal control including the partial assurance provided by internal audit for staff utilisation. Governors noted that staff recruitment and retention was a considerable risk (triangulated through L&Q and link visits). Governors noted that the external auditors agreed with the College's assessment that for twelve months from the signing of the accounts, the College was a going concern. Governors asked that the following amendments be made:

- P11: Narrative to clarify OfS funded students and other HE provision
- P64: Use Accounting Officer and Principal & CEO titles.

Having scrutinised the statements, in particular the governance statements and audit opinions, governors **Agreed** to recommend the draft audited College Group financial statements to Corporation for approval.

210 External Audit Management Report & Letter of Representation (paper 692/24/A)

Corporation was required to submit the external auditor's management report confirming their findings and opinion to the ESFA. In addition, Corporation was required

to submit a letter of representation confirming information submitted for audit was accurate and that all material information had been disclosed.

The External Audit Management Report confirmed a number of issues including that significant matters were known and being addressed by the College, there were good operational and management controls and nothing had come to their attention from their regularity review that required drawing to the ESFA's attention. The report included two regularity unqualified opinions in line with ESFA and OfS requirements. The only recommendation raised concerned clarification of the College's amortisation policy relating to IT software and this was not in the form of a management letter.

Governors briefly discussed an outstanding audit query regarding a settlement payment made to a member of staff analysed between contractual and non contractual elements, with Maria clarifying that whilst it was well below the permitted threshold for DfE authorisation the payment exceeded contractual requirements and would be disclosed as such as required. Chris noted cashflow was being well managed, cash was being generated and cash reserves were increasing but were still too small for a college of COPC's size. Pauline asked if the College should have a higher number of cash days. Chris believed it was important to balance remaining within sector norms against building reserves/contingency to manage potential future liabilities, particularly those associated with leased properties.

Maria confirmed that the letters of representation were a standard external audit requirement and there were no additional issues to raise. Chris congratulated Maria and her team on a clean audit.

Having scrutinised the management report and letter of representation, in particular the work carried out and conclusions, governors **Agreed** to recommend the external auditor's management report and the letter of representation to Corporation for approval.

Chris left the meeting

211 Review of Internal Audit 2023/24 (paper 694/24/A)

This report assessed the performance of RSM's internal audit service based on staff views. Performance was graded excellent against all eight qualitative KPIs. The remaining cost-based KPIs showed *maintenance of fee level* was good and *fees compared to market* was at the top end of the market but when it had been market tested with an emphasis on high quality of service. There was discussion of the comparator colleges quoted. Maria had identified these based on turnover alone so not including number of campuses. Maria advised the Committee on which internal auditor each used and governors were content.

Governors **Agreed** the review of internal audit 2023/24 and performance against KPIs.

212 Review of External Audit (paper 695/24/A)

This report assessed the performance of Alliot's external audit service based on staff views. Performance was graded excellent against all six qualitative key performance indicators (KPIs), with the remaining cost-based KPIs showing *maintenance of fee level* was good and *fees compared to market* was at the lower end of the market thereby providing excellent value for money.

Governors **Agreed** the review of external audit 2023/24 and performance against KPIs.

213 Audit Committee Annual Report to Corporation (paper 693/24/A)

The Committee's annual report summarised its activities from 01 August 2023 to 31 July 2024 and concluded that, based on its work and reports received over the year, the Corporation's assurance arrangements, framework for safeguarding, framework of governance, risk management and control processes for the effective and efficient use of resources, solvency and the safeguarding of assets were adequate and effective. The report would be considered by Corporation prior to the financial statements. Governors discussed the breadth of their activity during the year and noted the green sections that required further action. It was agreed that the report would hyperlink the Ofsted report and refer to the External Audit Management Report (rather than letter).

With these amendments, governors **Agreed** to recommend the Audit Committee's Annual Report to Corporation.

214 Internal Audit Progress Report – November 2024 (paper 694/24/A)

No audits had been completed under the 2024/25 internal audit plan (the first audit, risk management, had taken place but the report was not yet finalised). Governors noted several changes were needed to the dates at which Audit Committee that would receive the final reports, namely risk management & HR Advisory reports would be considered in February 2025 and apprenticeships in September 2025. Maria would discuss with the internal auditors. Governors discussed the *Emerging Issues* report in particular the impact of the ESFA transferring to the DfE and asked that Tim Jackson be advised of the sustainability webinar.

Governors **Noted** the internal audit progress report November 2024.

215 External Assurance: Ofsted Inspection, October 2024 (paper 697/24/A)

Following a full inspection in October 2024, Ofsted gave the College the overall effectiveness judgement of *Good*. All areas were *Good* except for Apprenticeships which was *Requires Improvement*. The report would be published by Ofsted shortly.

Governors congratulated the Executive Leadership Team and all staff on a great result and **Noted** the report, particularly the areas of strength and areas for further improvement.

216 Outstanding Audit Recommendations Follow Up (paper 698/24/A)

The report provided an update from management on progress in implementing audit recommendations raised by internal and external auditors as well as other independent reviewers of the College's internal control framework.

All 2023/24 internal audits had been completed. Of the 34 recommendations 32 had been completed, one hadn't started but was still in date and one was in progress. The latter concerned the automation of the staff utilisation system from the integration of Zellis with EBS. Governors recognised the critical importance of ensuring HR data was accurate (as safeguarding lead governor Shirley confirmed that this impacted the SCR) and improving staff utilisation. In response to a question, Maria confirmed there were no technical or resourcing barriers and that the Director of People Strategy &

Organisational Development expected the recommendation to be completed by the end of this term (December 2024).

Of the twelve cyber event actions, nine had been implemented and three were in progress (one of which was beyond its completion date). Governors expressed concern that the HR capability process had not yet been completed as it posed a risk to the College and **asked that the matter be resolved before the Director of IT Services left the College.**

Having scrutinised the recommendations, particularly those that had not been implemented and had passed agreed timelines, governors **Noted** the outstanding audit recommendations.

217 Strategic Risk Register (paper 699/24/A)

The strategic risk register contained 28 risks, two of which were categorised as *significant/business critical* and 10 as *high*. The register had been updated following the recent Strategic Risk Management Board meeting. Ashley and Shirley attended this meeting and confirmed to the Committee that the College had a robust risk management process and that they were able to triangulate the information.

Recent activity and resulting assurances, including the Ofsted inspection, strong student recruitment leading to significant in-year growth funding and the strong year end financial outturn meant there had been a de-escalation in a number of risks in the register. There were only two significant/business critical risks for this update:

- Failure to recruit and/or retain suitably qualified professional and teaching staff
- Failure to properly manage apprenticeships provision.

Governors discussed staff recruitment and asked that the challenges of recruiting business support staff be included in the register. They noted the challenges of recruiting H&S staff and that at present, activity was being driven by an external specialist. There was a discussion about risks 6 and 7 (*failure of key information systems and loss of data* and *failure to implement a digital strategy and to assess and address the impact of artificial intelligence*) and Prue asked that the register clarify the owner of risk 6. Maria stated that the interim VP Information Systems was implementing the digital strategy and recruitment was about to start for an expert to take forward the digital strategy with particular emphasis on teaching and learning.

Having scrutinised the register, including changes in risk definitions, risk assessments, movement of net risks and associated commentary and actions, governors **Agreed** to recommend the strategic risk register, with the amendments discussed, to Corporation.

218 Whistleblowing Policy (paper 700/24/A)

At its last meeting the Committee agreed amendments to the whistleblowing policy and asked that the policy was separated from the procedures and brought to this meeting. Whilst the policy had been separated from its procedures, both were still in a single document for management's ease of use. One further change, concerning annual reporting, was proposed.

Governors discussed their role in approving policies but not management procedures, the merits of retaining policies and procedures in a single document and the publication of policies. Further amendments were agreed namely replacing the word complain(ant)

to avoid possible confusion with that the College's complaints policy and widening the reference to the College's grievance procedure (paragraph 2.3). Governors asked that HR (policy owner) carry out a more comprehensive review of the policy (within the context of reclassification into the public sector/Managing Public Money, governor review and to ensure that the policy was able to stand alone) and asked that it be brought to the Committee's next meeting.

Governors **Agreed** to recommend the revised whistleblowing policy, with the additional amendments discussed, to Corporation for approval. Pauline asked that the policy be added to the College's *Our Policies* web page. Also that the outstanding action from the previous meeting of how many of the 16 policies that required board approval needed to have the policy and procedure separated.

219 Data Protection Breaches

Maria reported that she was not aware of any data protection breaches since the Committee's last meeting.

220 Anti-Fraud, Bribery & Corruption Breaches

Maria reported that she was not aware of any fraud, bribery or corruption breaches since the Committee's last meeting.

Governors agreed that they would not do a deep dive at the next meeting.

They asked that S&G review Committee membership to ensure meetings were able to remain quorate.

Pauline asked that Paola liaise with the external auditors at an early stage concerning the date of their presentation on regularity in 2025/26.

The meeting ended at 7.35pm