

AUDIT COMMITTEE
**Minutes of a meeting held at 14:45 on Wednesday 6 December 2023
in B05028 (Conference Room), Waterfront, Huddersfield Centre**

Present:	Mrs J Clement Walters Dr A Conn Mr I Wainwright Mr M Pearmain Ms J Firth	Independent Member (Chair) Independent Member Independent Member (by videolink) Co-opted Member (by videolink) Co-opted Member
Attendance:	5/5 = 100%	KPI 80% Quorum: 3
In attendance:	Ms J Arechiga Ms A Clegg Ms J Green Mr R Harwood Mr R Lewis Mr S Pringle Mr D Rayneau Mr P Singh Mr P Sugden	Vice Principal Curriculum & Innovation Head of Financial Operations Director of Governance (meeting clerk) Head of Health & Safety (Item 11 only) RSM (external audit) representative (by video link) Wylie & Bisset (internal audit) Executive Director Business Systems Principal and CEO Director of Estates & Facilities (by video link Item 11 only)

Item		Action/ Report Item
CLOSED SESSION		
0	WELCOME AND INTRODUCTIONS	
i	The Chair welcomed the auditors to the closed session. Introductions were made.	
1.1	NOTICE AND QUORUM	
i	Due notice had been given; the requirement for all persons participating to be able to communicate was satisfied and the meeting was quorate.	
1.2	APOLOGIES FOR ABSENCE	
i	Apologies were received from Mr P Doherty, Vice Principal Finance & Resources ("PD").	
1.3	DECLARATIONS OF INTEREST	
i	All confirmed they had no direct or indirect interest in the business to be transacted at the meeting which they were required by the Instrument of Government to disclose, other than those matters previously disclosed.	
0	MATTERS RELATING TO THE COMMITTEE'S REMIT AND ANY ISSUES ARISING FROM THE AUDITS	
i	The Chair reminded the Committee that the purpose of meeting in closed session with the auditors was to offer Members the opportunity to openly discuss any issues or concerns relating to the audits or to raise more general issues.	
ii	The Committee discussed with Mr Lewis of RSM ("RL"): <ul style="list-style-type: none"> ➤ the College team's positive attitude to and responsiveness towards the audit; ➤ the specific findings in respect of Apprentices and how they were identified; 	

Item		Action/ Report Item
iii iv	<ul style="list-style-type: none"> ➤ the treatment in the RSM Audit Findings Report (the “Findings Report”) of the two areas identified as being the ‘principal management judgements and estimates’: assumptions for the defined benefit pension scheme, and impairment of tangible fixed assets; and ➤ Members’ queries about an accrual, which RL said he would look into further. <p>Mr S Pringle of Wylie & Bisset (“SP”) said the internal audit work was proceeding to plan.</p> <p>The meeting noted that College Governors had been invited to dial into the meeting at 15:30 to observe Items 4 and 5.</p>	
PRELIMINARY ITEMS		
15:00 Mrs J Arechiga, Mr P Singh and Mr D Rayneau joined the meeting.		
0 i	<p>WELCOME AND INTRODUCTIONS</p> <p>The Chair welcomed the management team to the meeting.</p>	
2.1-2 i	<p>APPROVAL OF MINUTES OF THE PREVIOUS MEETINGS</p> <p><u>RESOLVED:</u></p> <p>(i) To approve the minutes of 2 October 2023 as an accurate record.</p>	
2.3 i	<p>MATTERS ARISING NOT ON THE AGENDA</p> <p>There were no matters arising that were not on the agenda.</p>	
2.4 i ii iii iv	<p>UPDATE ON AGREED ACTIONS</p> <p><u>Confirm what percentage of staff agreed with the statement “I feel safe at work” in the 2022-23 all-staff survey: 85% of staff had agreed - but there was a significant split by department, with particularly high levels of concern in Engineering. Work was in progress to investigate the reasons, so as to address any issues.</u></p> <p><u>Provide to all Governors a copy of Wylie & Bisset’s three-year audit needs assessment, proposed Internal Annual Plan and proposed performance measures: Actioned.</u></p> <p><u>Complete the review of the effectiveness of the Whistleblowing framework, in light of the 2023 staff survey results: Unfortunately, the survey had been rationalised in the hope of securing a larger sample size. A statement the Committee had hoped to use for assurance: “Senior leaders create a culture where it is safe to challenge decisions” had not made the cut. The Committee agreed that response to this statement could be a useful barometer for the likelihood that staff were able to address serious concerns via the management channels and therefore had no need to whistle blow. It was suggested that the statement be reinstated, or something similar added. Members also emphasised the need to understand and address any staff concerns about the College culture.</u></p> <p>Action: Ensure that the 2024 staff survey includes a statement designed specifically to measure whether staff feel comfortable raising concerns internally as a source of assurance for whistleblowing policy effectiveness.</p>	PS
RISK		
3 i	<p>STRATEGIC RISK REPORT</p> <p>The Risk Management Group had completed the implementation of the new risk management software system (RSM’s “4Risk”), replacing the previous Excel-based model. The work of transferring the information to the online platform had provided an</p>	

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	opportunity to structurally review and reconfigure the strategic risk register, with very positive results. The new system was a considerable improvement; it made it easier for management to measure and monitor the College's risk exposure, to capture key sources of assurance for control effectiveness, and to understand the dependencies affecting risk management.	
ii	Action: Deliver for Audit Committee: a training session on 4Risk and risk management generally; a session to review the target exposure scores for the risks currently on the College risk register; later in the year, a deep dive session.	PD
iii	Corporation report: The Committee received an assurance report on the new format strategic risk register. This substantially improves on the previous Excel system; it is a good management tool, which provides excellent oversight of the College risk profile.	Report Item 1

ANNUAL REPORTING 2022-23

15.30 Governors Mr G Hetherington and Mr C Robinson, and Head of Financial Operations Ms A Clegg joined the meeting.

4 MEMBERS' REPORT AND FINANCIAL STATEMENTS 2022-23

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| i | The Chair welcomed everyone joining the meeting, noting that Governors had a fiduciary duty to the College's beneficiaries and were required to exercise reasonable care, skill and diligence in the preparation of the Financial Statements and Members' report. |
| ii | <p>In PD's absence, the Head of Financial Operations Ms A Clegg ("AC") presented the Members' Report and Financial Statements. She reminded the Committee that it was required to review the draft documents and, if thought appropriate, recommend them to the Corporation for approval. It was noted as follows:</p> <ul style="list-style-type: none"> ➤ Some additional disclosures were included in the documents following the reclassification of colleges as part of the public sector; ➤ The year on year increase in income had continued; ➤ Within the Statement of Comprehensive Income (p43 of the report) the College was reporting an improved underlying deficit and an EBITDA¹ of £4.5m; ➤ The Balance Sheet (p46 of the report) showed an increase in net current assets, primarily due to the fluctuating annual actuarial valuation for accounting purposes of the Local Government Pension Scheme; ➤ The Balance Sheet also showed an increase in cash at bank in hand and an increase in creditors due within one year; ➤ The cash balance was inflated by substantial capital grants received but not yet spent as at July 2023. Provision had been made for a Restructuring Fund clawback and an overage liability repayable in 2026; ➤ The draft Financial Statements translated into a financial health grade of 'Good' for 2022-23, with a total score of 210. |
| iii | Prior to the meeting, the Chair had emailed PD, seeking to better understand the reasons why the number of FTE teaching staff or staff directly engaged in the delivery of the curriculum had decreased by 12 between 2021-22 and 2022-23 while the number of FTE staff in other roles had increase by 23 (see p8 of the Strategic Report under the heading "Resources". PD had explained that, although the roles the College had recruited to were not categorised as either teaching, or staff directly engaged in the delivery of the |

¹ Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) is a measure of a business's operating performance which is used by the College in its financial planning and reporting.

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	curriculum, with the exception of two FTE refectory staff, all provided additional teaching support to enhance the student experience. The email was tabled and received.	
5	FINANCIAL STATEMENTS AND REGULARITY AUDIT FINDINGS	
i	Mr R Lewis ("RL") presented the RSM report on the Financial Statements and Regulatory Audit Findings and the meeting noted as follows: <ul style="list-style-type: none"> ➤ The audit had been conducted as planned; ➤ There were no significant findings; no unadjusted misstatements above the 'clearly trivial' threshold had been identified. ➤ It had been a clean audit with no adjustments to the accounts presented. <u>'Going concern' assessment (p8 of the Findings Report)</u>	
ii	RL said he understood that based on the forecasts submitted to the Education & Skills Funding Agency ("ESFA") prior to year-end, the Corporation had concluded that it was a going concern, at least to July 2025. It would need to reaffirm its conclusions in this regard prior to sign-off of the Financial Statements. He said RSM expected to be able to satisfactorily conclude the audit with no material issues arising in relation to the going concern of the business - and therefore to concur with the Corporation's finding.	
iii	<u>Income recognition</u> RSM had highlighted some data quality points, which were noted in the "recommendation on controls" section of the Findings Report. It was agreed that the Committee should monitor the achievement of the related actions.	
iv	<u>Management override of controls</u> Attention was drawn to an instance of a journal being put through in error with the date typed in place of the amount. This had been resolved and accounted for properly, following due process.	
v	<u>Regularity Audit</u> RL reminded the meeting that the regularity audit looked at whether expenditure (disbursed) and income (received) had been applied for the purposes intended by Parliament and whether financial transactions conformed to the authorities which governed them. RSM's work in respect of regularity had concluded with nothing of concern to report; RL anticipated being able to issue an unmodified regularity conclusion.	
vi	Corporation report: The Corporation may be satisfied that, in all material respects, the expenditure disbursed and income received between 1 August 2022 and 31 July 2023 were applied to purposes intended by Parliament and the financial transactions conformed to the authorities which governed them.	Report Item 2
vii	<u>Qualitative aspects of accounting</u> RSM considered the management assessment of accumulated depreciation and accumulated impairment losses reasonably prudent. The judgements in respect of the pension schemes were based on actuarial advice and RSM regarded them as 'where they needed to be'.	
viii	<u>Recommendations on Controls: financial controls</u> The audit had identified some issues relating to financial controls, specifically whether a supplier contract relating to the refectory should be re-tendered, and some failures to upload quotes to the procurement system. These were not classed as 'significant'. The Committee would monitor the audit actions.	
	<u>Auditor Independence</u>	

Item		Action/ Report Item
ix x	<p>Details of RSM's independence were set out on p17 of the report. Noting these, and having discussed all aspects of the audit findings report, the Committee agreed to report to the Corporation as follows: Corporation report: The Corporation may be satisfied that there are no significant facts or matters that impact on RSM independence as auditors.</p> <p>Corporation report: The Corporation is advised as follows:</p> <ul style="list-style-type: none"> ➤ The Audit Committee considered the external auditor's audit findings and the report was received. RSM had identified no significant control deficiencies and advised that the Financial Statements were in agreement with the accounting records and had been properly prepared. ➤ The Members' Report and Financial Statements 2022-23 are recommended for Corporation approval at the 19 December 2023 meeting. 	<p>Report Item 3</p> <p>Report Item 4</p>
6 i	<p>LETTER OF REPRESENTATION</p> <p>This had not yet been received and would follow.</p> <p><i>16:15 Mr R Lewis, Mr G Hetherington and Mr C Robinson left the meeting.</i></p>	
7 i ii iii	<p>ANNUAL REPORT OF THE AUDIT COMMITTEE</p> <p>The Chair presented the report, which summarised the Committee's activities over the course of the 2022/23 financial year, covering meeting dates, membership, attendance, the Committee's view of its own effectiveness and details of its development work. The internal audit coverage was listed, together with the Committee's view of the adequacy and effectiveness of the Corporation's assurance arrangements, framework of governance, risk management and control processes for the effective and efficient use of resources, solvency and the safeguarding of assets and the Head of Internal Audit opinion.</p> <p><u>RESOLVED:</u></p> <p>(i) To approve the 2022/23 annual report of the Audit Committee.</p> <p>Corporation report: The Committee presents its annual report for the Corporation.</p>	<p>Report Item 5</p>
8 i ii	<p>INTERNAL AUDIT PLAN UPDATE</p> <p>SP gave a verbal update on the progress of the planned internal audit work. Wylie & Bisset had completed the three scheduled reviews and expected to deliver a 'substantial' and a 'strong' assurance opinion (the third piece being an advisory review).</p> <p>Action: Send the internal audit review reports to Members as soon as they are finalised.</p>	<p>PD</p>
9 i ii iii	<p>FUNDING ASSURANCE REPORT</p> <p>Executive Director of Business Systems Mr D Rayneau ("DR") provided an update on 'Funding Assurance', revisiting the recommendations from the recent funding and regularity assurance audits. These were discussed and progress on the actions was noted.</p> <p>A concern about the PDSAT tool produced by the ESFA was discussed. This had not been produced until 30 November and issues meant colleges were struggling to use it. Members emphasised the need for the sector to advocate for itself.</p> <p>Corporation report: An update was given on action plans following a series of funding assurance audits. Plans for ongoing review and assurance reporting for 2023-24 were also discussed. This remains an area of risk but significant progress has been made on the agreed actions and the Committee has no concerns to report.</p>	<p>Report Item 6</p>

Item		Action/ Report Item
	<p>urged to continue to consult with partners and consider alternative solutions. The importance of educating students to be safe online was strongly emphasised.</p> <p><u>Smoothwall Data Processing Agreement</u></p> <p>ii A compliance concern had been resolved by Assistant Principal Student Experience Mrs P Harrow, with support from external solicitors. A new agreement was in place.</p> <p><u>The Data Protection People: Review Findings</u></p> <p>iii The data protection consultants the College had appointed to support the data protection improvement work had completed their findings review and their report had been shared with the Committee. JG said there were no surprises in the report, which had given good assurance in respect of much of the framework; the review findings would inform the scope of the consultancy work.</p> <p>iv Corporation report: The Committee received an assurance report on data protection. It has no concerns to report.</p>	Report Item 9
13	There was no item 13	
14	REVIEW AND REFRESH OF FINANCIAL REGULATIONS	
i	Corporation report: The Committee reviewed proposed changes to the College's Financial Regulations and recommends that the Corporation approve them and adopt the amended version. The majority of the changes relate to the reclassification of colleges as public sector organisations in the national accounts. Colleges are now subject to the framework for financial management set out in 'Managing Public Money' published by HM Treasury and therefore our Financial Regulations need to reflect this. Other changes were itemised in a report, which will be shared with the Corporation when the amended Financial Regulations are presented for approval.	Report Item 10
15	FRAUD REGISTER	
i	Corporation report: Having made enquiries in line with its terms of reference, the Committee has no concerns to report in respect of fraud or other irregularities.	Report Item 11
MATTERS TO NOTE AND ADMINISTRATION		
16	DATE OF NEXT MEETING	
i	Wednesday 17 April 2024 at 15.00	
17	PUBLICATION OF AGENDA PAPERS	
i	It was agreed that all documents marked confidential on the meeting agenda should remain confidential.	

Items of Report for Corporation		
#	Details	Min
1.	The Committee received an assurance report on the new format strategic risk register. This substantially improves on the previous Excel system; it is a good management tool, which provides excellent oversight of the College risk profile.	3iii
2.	The Corporation may be satisfied that, in all material respects, the expenditure disbursed and income received between 1 August 2022 and 31 July 2023 were applied to purposes intended by Parliament and the financial transactions conformed to the authorities which governed them.	5vi

Item		Action/ Report Item
3	The Corporation may be satisfied that there are no significant facts or matters that impact on RSM independence as auditors.	5ix
4.	<p>The Corporation is advised as follows:</p> <ul style="list-style-type: none"> ➤ The Audit Committee considered the external auditor's audit findings and the report was received. RSM had identified no significant control deficiencies and advised that the Financial Statements were in agreement with the accounting records and had been properly prepared. ➤ The Members' Report and Financial Statements 2022-23 are recommended for Corporation approval at the 19 December 2023 meeting. 	5x
5.	The Committee presents its annual report for the Corporation.	7iii
6.	An update was given on action plans following a series of funding assurance audits. Plans for ongoing review and assurance reporting for 2023-24 were also discussed. This remains an area of risk but significant progress has been made on the agreed actions and the Committee has no concerns to report.	9iii
7.	A progress report was received on the implementation of previous internal audit recommendations. There is still an outstanding action from the June 2022 data protection/ GDPR audit but all other actions from 2021-22 have been closed down. The Committee agreed a short extension to the implementation deadline for one action.	10iii
8.	The Committee discussed the College's preparedness for a serious safety incident, the likely impact of anticipated legislation relating to the security of public premises, and the protection of the public from terrorism. The College has committed to a project of work to further improve its incident handling capabilities and the Health & Safety Committee will monitor this.	11vii
9.	The Committee received an assurance report on data protection. It has no concerns to report.	12iv
10.	The Committee reviewed proposed changes to the College's Financial Regulations and recommends that the Corporation approve them and adopt the amended version. The majority of the changes relate to the reclassification of colleges as public sector organisations in the national accounts. Colleges are now subject to the framework for financial management set out in 'Managing Public Money' published by HM Treasury and therefore our Financial Regulations need to reflect this. Other changes were itemised in a report, which will be shared with the Corporation when the amended Financial Regulations are presented for approval.	14i
11.	Having made enquiries in line with its terms of reference, the Committee has no concerns to report in respect of fraud or other irregularities.	15i

Agreed Actions				
#	Who	Action	Min	By
1.	PS	Ensure that the 2024 staff survey includes a statement designed specifically to measure whether staff feel comfortable raising concerns internally as a source of assurance for whistleblowing policy effectiveness.	2.4iv	Oct 24
2.	PD	Deliver for Audit Committee: a training session on 4Risk and risk management generally; a session to review the target exposure scores for the risks currently on the College risk register; later in the year, a deep dive session.	3ii	Between strategic away day and next committee meeting
3.	PD	Send the internal audit review reports to Members as soon as they are finalised.	8ii	When finalised
4.	DR	Capture the recommendations from the Findings Report in an action plan - separate from the rolling audit actions.	10iv	By next meeting