



BOARD OF GOVERNORS
AUDIT COMMITTEE

Minutes
Wednesday 26 June 2024 at 5pm
Online via Zoom

		<u>Meeting Attendance</u>
PRESENT:	Jo Croft	(4 out of 4)
	Nathan Garat	(3 out of 4)
	Tony Haines	(4 out of 4)
	Rob Lewis	(4 out of 4)
	Ian Thomson	(4 out of 4)
IN ATTENDANCE	Gillian May	
	Tracy Reeve	Group Principal & CEO
	Lucy Gill	Group Director of Governance
		Group Finance Director

PART I

MINUTE
No

ACTION

1. **Chair’s Agenda Item**
The Chair confirmed that she did not have anything to raise with Members under this item.
2. **Apologies for Absence**
There were no apologies.
3. **Any Other Business**
There was no other business notified.
4. **Declarations of Interest**
No Member declared a conflict of interest with the agenda.
5. **Minutes of the Previous Meetings**
The meeting considered the minutes of the TWFCG Audit Committee meeting of the 6 March 2024. These had previously been circulated to all members and **were agreed as a true record. They would be taken as signed by the Chair.**
All Members were agreed.
6. **Matters Arising of the Previous Meetings**
The Director of Governance presented a report which confirmed that all matters arising had been actioned or were on track for timely completion when due. The only outstanding item – the submission of the Financial Statements – would now be concluded to meet the extended deadline of 31 July 2024.
7. **ESFA funding audit**
The meeting was given a verbal update on the current position with the ESFA Funding Audit and the signing of the Financial Statements. Audit Committee Members were reminded that the Financial Statements 2022/23 had not been signed off by the college external auditors RSM Tenon due to the protracted ESFA funding audit being undertaken by PwC. The meeting was reminded that this commenced in October 2023 and was only now concluding (expected date mid-July). This was now causing operational issues which had caused the DfE to raise the WFCG audit as a ‘red’ flag in their dealings with PwC. Governors noted that PwC had now concluded their testing work and would produce a B3 schedule which

listed all the potential adjustments identified by the funding audit. The draft B3 Schedule seen by WFCG management had identified a maximum clawback of £50,000 but this would be reduced due to part-year cases and funding not having been claimed. The meeting was assured that the maximum value of £50k clawback would not be material to the external audit and there would be no change to the Financial Statements 2022/23 since last approved by the Board on 13 December 2023. External auditors for 2022/23 – RSM Tenon – would be working to sign-off the Financial Statements 2022/23 in line with a mid-July completion date (11/07/24). As part of this work, RSM had asked for the Board to reaffirm their approval of the College 2022/23 Financial Statements with a formal minute of this on 3 July 2024. LG confirmed that Audit Committee and Resources Committee would receive the detailed B3 Schedule and the final level of any clawback at their September 2024 meetings. This would also be taken to the Board for information in October 2024. Governors were assured that management would be working to minimise any clawback considering the additional costs incurred through staff time during this protracted audit process. The meeting sought, and were given, assurance that the ESFA were providing all necessary support to close the audit; GM confirmed that the Group Finance Director and herself were meeting the ESFA Team on a very regular basis to expedite closure of the audit. GM also informed the meeting that the FE Commissioner was aware of the protracted audit and would be updated when she visited Langley College on 2 July 2024.

The Audit Committee Chair (JC) sought clarity on the appointment of the new external auditors MHA from 1 August 2024. LG confirmed that the College could not appoint MHA formally until RSM had resigned (which they could not do until the accounts were signed). Governors sought clarity on this but were given confirmation that it was not legally possible to have two external auditors at one time. The meeting was informed that MHA would present their external audit plan to the Audit Committee in September 2024 rather than June but LG assured the meeting that she had a planning meeting with MHA on Monday 1 July so work was going ahead as usual.

The update on the Funding Audit and the Financial Statements 2022/23 was NOTED.

ACTION: B3 Schedule detailing clawback to be brought to Audit Committee (and Resources Committee) in September 2024.

LG/ TR

8. **Internal Audit Report – Bursary Funding**

LG took the meeting through the findings of the draft report from Mazars which had been circulated to Audit Committee Members for information. The meeting noted the following issues which had been flagged by Mazars.

- No material errors were noted.
- Lack of internal checks competed across all sites has been identified as a risk to the college.
- Financial support policy for FY25 is currently under review to ensure all recommendations from the internal audit review are addressed in time for August enrolment.
- Student financial support teams to work closely with admissions team at enrolment and throughout the year to ensure learners are tagged correctly in the IRL and receive the correct funding.

LG confirmed that a full summary would be provided for Audit Committee in September 2024 once the final report had been received. The meeting was also assured that an action plan would be in place in advance of 2024/25 enrolment to ensure there was consistency around eligibility in relation to date of birth and where learners came from.

The Audit Committee Chair (JC) sought clarity on the quantum of bursaries for the 2023/24 academic year. LG informed the meeting that Free School Meals were circa £143k and Learner Support Fund (LSF) was circa £331k (both in relation to 16-19 learners). In addition, the College could apply for £1,200 for each Looked After (LAC) learner; these were learners who had recently left the care system. LG highlighted that there were more than 100 LAC learners at Langley College alone who were mostly unaccompanied asylum seekers. The College could also claim bursary funding through the Adult Education Budget (AEB) to enable adult learners to 'overcome barriers to learning' e.g. travel costs, materials and books. There were 250+ adult learners at BCA and 300+ at Langley receiving support in 2023/24. LG

**MINUTE
No**

ACTION

informed the meeting that she would ask the Funding & Student Engagement Manager to produce a summary of bursary payments – showing numbers of learners and funding value - by category and age group 2023/24 which would be circulated with the final report.

The draft internal audit report from Mazars on Bursaries was NOTED.

ACTION: Final Bursary audit report to come to Audit Committee in September 2024.

- **To include a summary of bursary payments – showing numbers of learners and funding value - by category and age group 2023/24.**

LG/ TR

LG

9. **External Audit – MHA LLP Draft Letters of Engagement**

The Group Finance Director presented a report which outlined the position with the appointment of the new college external auditors (MHA LLP) from 1 August 2024. As discussed earlier in the meeting RSM LLP were still currently appointed as the External College Auditors and would continue to be until they had signed the July 2023 WFCG financial statements; RSM would not sign the accounts until the ESFA funding audit had been completed and they had reviewed the final report and B3 schedule. Once RSM has signed the financial statements they would be asked to resign, and the college could formally appoint MHA for the 2023/24 external audit. Audit Committee members were reminded that RSM had already been notified that they had not been reappointed following the tender process undertaken in the spring of 2024.

LG asked the meeting to consider a template standard audit engagement letter and regularity engagement letter from MHA. The final documents would be provided once RSM had resigned. The CEO/ Group Principal would then be asked to sign these engagement letters from MHA. Governors sought, and were given, assurance that the final letters would mirror the standard template with no specific clauses for WFCG. The meeting noted that in addition to the issuing and signing of the engagement letter, MHA would be required to complete an anti-money laundering check on the college. LG confirmed that this was already underway following the receipt of the personal details requested from all the governors. Governors were assured that the audit planning meeting with MHA (on 1 July 2024) would ensure that the external audit work was completed early in the autumn term and the financial statements for FY24 approved at the December Board meeting. As noted earlier in the meeting, MHA would present their audit plan to Audit Committee in September 2024.

The draft Letters of Engagement from MHA LLP – for the external audit and regularity audit – were NOTED. It was AGREED that the CEO/ Chief Accounting would sign the final versions when presented by MHA (late July 2024).

All Members were agreed.

ACTION: CEO to sign letters of engagement with MHA LLP for 2023/24 financial statements audit and regularity audit.

GM/ LG

10. **Risk Register**

The Group Principal (GM) presented the Risk Register for 2023/24 which continued to be reviewed and updated by SLT. GM reminded the meeting that this Risk Register format had been extended into the curriculum and was now also used by the Apprenticeship Team; it was well understood within the College and informed Governor and management meeting agendas. The meeting noted the highest scoring risks and the updated narrative explaining current mitigation and assurance levels.

- Risk 1 Failure to meet budget forecast (risk score remains at 20 'red'): Acute risk linked to financial health. The upwards pressure on pay was still a very real concern. The funding audit had also been an ongoing issue as discussed earlier in the meeting. GM confirmed that the risk was high for 2023/24 but lagged funding would return the College to a positive EBITDA and financial health in 2024/25.
- Risk 2 IT Failure with loss of data for staff or students (risk score raised to 16 'amber'): This key risk was now classified as number two on the Risk Register; GM reminded the meeting of the detailed discussions at the Board Strategy Event in May 2024. Capital had been ringfenced during 2024/25 for essential IT improvements. It was noted that the

Director IT would update Resources Committee in autumn 2024 with progress against the IT and infrastructure upgrade. Audit Committee members noted the addition of some specific risks in relation to GDPR and potential data breaches; these had been drafted by the College Data Protection Officer.

- Risk 3 Uncertainty and risks associated with emerging national curriculum reforms (risk score remained at 12 'amber'): This key 'acute' risk was being well managed and senior staff were fully engaged in advisory groups linked to reform. The meeting noted that the General Election and possible change of government would mean a likely pause in any future imminent curriculum change.
- Risk 4 External Safeguarding Risks (risk score remains at 12 'amber'): The meeting was assured that the Executive Team continued to work with all relevant agencies in relation to any safeguarding incidents.
- Risk 5 Poor student outcome data at Langley results in a challenge to the Good Ofsted rating (risk score remains at 12 'amber'): The CEO confirmed that the Ofsted inspection had now provided a strong external assurance around all aspects of quality for the Corporation.

The meeting spent some time discussing the number one risk in relation to the college finances and the forecast negative EBITDA for 2023/24. The CEO informed the meeting that the Resources Committee had discussed this matter in detail at their meeting on 25 June when the budget for 2024/25 and financial plan 2025/26 was considered. GM assured the meeting that the Resources Committee were confident in the budget 2024/25 – which would come to the Board for approval on 3 July 2024 - and that it would return the college to a positive EBITDA. However, there would need to be a close eye on the cash position during 2024/25 with a special focus on capital projects; LG assured the meeting that cash days would not fall below 26.66 for FY25. GM confirmed that this risk would stay 'red' until mid-year 2024/25 when lagged funding and potential in-year growth had been confirmed. The meeting noted that the WFCG turnover 2024/25 would be just over £50m from £43.5m this year. However, the payroll costs remained a big vulnerability with automatic pay progression costing £682k per annum without any cost-of-living increase. GM informed the meeting that when the FE Commissioner (SL) visited the College (Tuesday 2 July) she would talk her through the in-year position and the return to 'Good' financial health for 2024/25. Governors noted that the visit from the FEC (SL) was the first check-in visit since merger and had no specific agenda; the SLT would use the Risk Register and budget paperwork as a framework for discussions. The plan was also to give SL a 30-minute presentation on the AI work that WFCG was driving; this had been a big success at a sector AI event on 25 June.

GM informed the meeting that recent AoC briefing had urged caution around any assumption of lagged funding for 16-18 growth being available for the 2025/26 financial year. GM confirmed that growth funding for 2024/25 was secure but future lagged funding was not confirmed and any growth in learner numbers could incur costs with no associated income. The meeting agreed that a change in government might remove or change the funding formula. Governors (AH) who had specialist ESFA knowledge suggested that caution did need to be built into future financial modelling.

The Chair asked Governors for comments or questions and the following was discussed:

- Risk 2 IT Failure: Governors (NG) suggested that management needed to consider whether the current risk rating at an 'amber' risk score of 16 was correct. NG suggested that without knowing the 'End of life schedule' it could mean that the problem would only get worse with limited capital being available for the next two years. He sought confirmation that the risk score would not deteriorate to 'red' if the backlog of replacement and upgrade got bigger. GM informed the meeting that the IT Team had profiled the replacement strategy to focus on the urgent which was not ideal. ***The CEO suggested that NG should meet with Director of IT to discuss the ongoing risks around the 'end of life' schedule.***

Governors (RL) asked how quickly the risk around IT failure would improve once the planned IT equipment and infrastructure improvements were underway. The CEO informed the meeting that this was related to the previous question about backlog as the College would effectively be running to stay still. GM informed the meeting that the AoC had lobbied DfE on behalf of the sector to highlight the need for additional estates capital for IT infrastructure and equipment upgrades as it was a sector-wide concern. The meeting was informed that the exam boards were already looking at moving to online exams; GCSE English was piloted

MINUTE
No

ACTION

online in 2024 so this was likely to move quickly and FE colleges needed to be ready to support this change.

The Chair (JC) sought confirmation on how DfE would support the increased running costs moving forward as teaching, learning and assessment became more technologically and digitally focussed. The meeting noted that DfE were looking at the likely impact and trying to assess the additional need to be included within the next Spending Review. NG informed the meeting that it would be more cost effective when the College moved to a cloud-based system as planned. The meeting discussed whether the cost savings resulting from a move to cloud-based systems would also save money on cyber security; the answer to this was not finalised. The meeting discussed the actual benefits of using AI and governors expressed some hesitation to see the full value. GM asserted her very strong belief that AI was proving massively beneficial for WFCG and the private Chat GPT model being used by WFCG was sector leading.

ACTION: CEO to speak to Director of IT about scale of replacement backlog and whether this risk score should be increased

GM/ DF

➤ Risk 2 IT Failure: Governors (RL) asked management to consider whether the likelihood of IT Failure was too high on the Risk Register; at a score of 4 post-mitigation this was defined as 'very likely/ more likely to occur than not'. The CEO cited the recent examples of a loss of telephony across sites which had occurred on several occasions. RL suggested that although it was relatively likely to have inconvenient events he believed it was relatively unlikely to experience a major event.

ACTION: CEO to speak to Director of IT about whether the likelihood score post-mitigation should be reduced to 3 'likely'.

GM/ DF

➤ Risk 3 Uncertainty in relation to emerging national curriculum reforms: Governors (AH) asked whether there was any additional clarity on whether this would continue if there was a change of government on 4 July 2024. GM informed the meeting that the queries around the Agriculture T Level had now been resolved in WFCG's favour. GM also highlighted that the Labour party commitment was only to pause any ongoing defunding not stop it; they would undertake their own review to see what reform was needed for the 16-18 sector. GM informed the meeting that WFCG had already made some changes that were put in place for 2024/25 but not auditable until 2025/26 e.g. adding an additional hour of maths delivery to the study programme for relevant learners. Governors were assured that management remained committed to ensuring that all of the WFCG curriculum remained fully funded. Governors (AH) suggested that this should be reviewed in detail in late Autumn once it became clearer what any new government might change.

The meeting discussed the possible impact of the General Election and a possible change in government. GM informed the meeting that none of the manifestos referred to any additional funding for post-16 education. The Labour Party manifesto was light on reference to FE and very light on Agriculture with only 72 words in relation to Agriculture and food security.

ACTION: SLT to undertake a High-Level Impact Assessment later in 2024 to look at potential curriculum reform (under a new government) and the possible impact on college income.

SLT

The Audit Committee Chair (JC) thanked Governors for their detailed input and challenge; this was a great example of governors using their specific expertise for the benefit of the College.

The meeting NOTED the Risk Register.

11. **Register of Outstanding Audit Recommendations**

The Group Finance Director (LG) presented this report for Governor's assurance. It was confirmed that all recommendations from the external audit 2022/23 and the ESFA Funding Audit would be added to this standing report. LG informed the meeting that a new Group Management Accountant had started in May and would take over responsibility for completing the actions shown. The recommendation in relation to journal testing would be further reviewed by MHA LLP during the external audit 2023/24.

The Outstanding Audit Recommendations Report was NOTED.

Fraud, Irregularity and Whistleblowing Report

The Group Finance Director (LG) presented the report which informed the meeting of a further loss of petty cash between 16 March and 2 April 2024. Further to the report given at the March Audit Committee meeting, a further £450 had been unaccounted for from the BCA petty cash tin held in the Finance Office; this was the second such incident in the current financial year. The meeting noted that a full investigation was completed by a member of the Senior Leadership Team and the Executive Team had subsequently reviewed and amended its procedures for the handling of cash and the quantum of cash held on site. Audit Committee Members took the detailed report which summarised the investigation conducted by BCA Director of Estates as read. LG highlighted that the very thorough investigation had concluded the following:

- There was no reason to suspect Finance Office staff of misconduct.
- There were several weaknesses in the controls relating to the handling of cash and cash procedures.
- There were numerous individuals with the potential to access the Finance Office and the safe. Governors were assured that this risk had now been removed.

The detailed recommendations into cash handling and the revised procedures that had now been implemented were discussed by the meeting. LG confirmed that the cash float had now been reduced from £3,000 to £300. However, there was still two areas remaining where there was still a need to remove cash from the business: referee payments for sport fixtures at BCA; bursary payments; and to a lesser extent the BCA shop. The meeting discussed these in more detail:

- Referee Payments:** The Sports Team at BCA had asserted that the availability of referees would be adversely affected if the College stopped paying cash. LG confirmed that she was pushing back with the Sports Department and was hopeful of moving away from cash payments after the summer. LG highlighted the time and effort of setting up additional controls in relation to football and the meeting was reminded of the important relationship with Maidenhead United which was key to the WFCG Football Academy provision. Governors asked the Finance Team to take a firm stance on not paying cash as the risk of future loss needed to be reduced.
- Bursary payments.** There was a difficulty for asylum seekers – young people or adults - to open bank accounts. However, recent changes meant that this was now easier than before. LG informed the meeting that the College would be asking banks to be involved at enrolment.
- BCA Shop:** The cash float had now been reduced to £50 (same as for Reception) but Finance were aiming to reduce this further

Governors were concerned that management seemed to be accepting of the loss, but the CEO challenged this assertion as a full investigation had been undertaken and tighter processes now put in place. GM confirmed that a review of all cash in the business would be an important element of internal audit for 2024/25. Governors sought confirmation on why the matter had not been reported to the police. GM assured the meeting that the internal investigation had been very challenging for all the Finance Team and had concluded that none of them were involved. If this matter had been reported to the police – who would not have taken any action – it would have created very bad feeling for no benefit. GM confirmed that the Finance Office was now locked when unoccupied and there was a physical barrier to entry for anyone even when finance staff were in the room. Governors suggested that everything possible needed to be done to prevent any future loss and suggested only holding cash in an area where there was CCTV coverage. Appropriate signage should be installed to highlight the camera coverage. The Chair asked whether the loss had been communicated to the wider college and LG confirmed that although it had not been formally advertised all staff were very aware of the change in procedure and the new rules prohibiting access to the Finance Office. The meeting agreed that the Group Finance Director needed to undertake additional work to minimise cash held within the business in order to protect the finance team from future incidence.

Whistleblowing: The meeting noted that the Whistleblowing report was a nil return for the period 1 August 2023 to date.

Members NOTED the Fraud & Whistleblowing Report and the Actions that had been put in place within the Finance Team after the loss of petty cash reported.

MINUTE
No

ACTION

The Audit Committee AGREED that the College should move away from using petty cash unless there was no alternative (e.g. asylum-seeker bursary payments).

All Members were agreed

ACTION: Group Finance Director to contest Sports Team assertion of cash payments to referees with a view to removing - Audit Committee challenge to be used as additional rationale

LG

13. **Dates and Times of Future Meetings**

The proposed dates and time of future meetings for 2024/25 were noted; these would be confirmed after the Corporation meeting on 3 July 2024.

Members NOTED the proposed 2024/25 meeting schedule.

14. **Any Other Urgent Business**

• **Draft Internal Audit Plan 2024/25**

The Group Finance Director (LG) presented the internal audit plan for 2024/25 which had been agreed with the new internal auditors Wylie and Bissett. LG confirmed that the proposals aligned with Risk Register; the order of the reviews had not yet been agreed. The proposed plan was noted as follows:

a. **Financial Controls Audit**

Objective:

- Assess the adequacy and effectiveness of financial controls.
- Evaluate the handling and management of cash and petty cash at all four college campuses.

b. **Learner Records Audit**

Objective:

- Ensure the accuracy and completeness of learner records, with a focus on apprenticeships and skills boot camps.
- Verify enrolment data, funding claims, and learner eligibility.
- Assess data integrity and reporting accuracy.
- Work with subject-matter experts for in-depth analysis as needed.

c. **IT and Data Security Audit** (as discussed earlier in the meeting)

Objective:

- Assess the adequacy of IT controls and data security measures, including cyber security.
- Review the IT control environment and data security policies.
- Test IT controls related to financial systems.
- Collaborate with subject-matter experts for specialised insights.

d. **Procurement and Expenditure Audit** (post ONS reclassification to ensure compliance)

Objective:

- Evaluate the efficiency and compliance of procurement and expenditure processes.
- Review procurement policies to include the use of the credit cards and adherence to them.
- Test compliance with expenditure approval processes.
- Ensure compliance with the revised ESFA rules on procurement.

e. **Payroll and HR Controls Audit**

Objective:

- Assess the effectiveness of payroll and HR controls.
- Review payroll processing and accuracy.
- Evaluate HR policies and compliance.

f. **Business Continuity and Risk Management Audit**

Objective:

- Ensure the corporation's preparedness for disruptions and effective risk management.
- Review business continuity plans and risk management strategies.
- Assess the corporation's organisational culture and management information systems.

LG confirmed that the internal audit programme was designed to be flexible and responsive to emerging risks, ensuring alignment with WFCG goals and regulatory changes. The plan included evaluation and testing of controls, data analytics and collaboration with subject-matter experts to ensure comprehensive coverage and effective risk management. GM informed the meeting that although this appeared to be a busy audit schedule the position two years post-merger necessitated this coverage.

The meeting APPROVED the draft Internal Audit Plan 2024/25.

All Members were agreed.

ACTION: The College would discuss this coverage with Wylie Bissett and factor in priority to arrive at an annual internal audit schedule 2024/25 which would be brought to Audit Committee in September 2024.

• Use of AI to drive WFCG efficiency

The CEO informed the meeting that she would like to give Audit Committee Members a tangible example of the value of using generative AI within back office and governance functions. GM informed the meeting that one of the cover papers for this Audit Committee meeting had been produced using the college's private chat GPT model. Governors were unable to identify which executive summary had been produced by AI. GM informed the meeting that it was the last paper submitted under AOB. The meeting noted that the Internal Audit Plan 2024/25 had been generated by the College AI system based on the WFCG Risk Register and DfE Guidance on audit requirements for FE Colleges.

The meeting NOTED the positive example of how the WFCG was using generative AI to improve efficiency.

There were no other urgent items of business raised.

The meeting closed at 6.30pm.

Chair.....

Date.....