

MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 18TH NOVEMBER 2024 AT 4:30PM AT THE KINGSWAY CAMPUS

Present:	Karen Banks	External Governor
	Jayne Edwards	Co-opted Governor
	Paul Leatherbarrow	External Governor
	Andrew MacManus	External Governor
	Rachael Owen	External Governor
In Attendance:	Leeann Bellfield	Vice Principal, Head at Cronton
	Jonathan Creedy	Associate Director, ICCA (Internal Audit)
	Julie Holland	Deputy Principal (Finance & Resources)
	Sue Hutchinson	Audit Partner, Beever & Struthers
	Dan Keenan	Head of Technical Support
	Helen Smith	Assistant Principal (Marketing & School Liaison)
	George Wallace	Audit Supervisor, Beever & Struthers
Catherine Shaw	Clerk to Governors	

The Committee met with the Auditors in the absence of the College's senior managers to ascertain whether there were any matters they wished to raise. The Auditors advised they had no issues of concern and reported very good working relationships at the College.

Julie Holland (Deputy Principal, Finance & Resources), Leeann Bellfield (Vice Principal, Head at Cronton) and Helen Smith (Assistant Principal, Marketing & School Liaison) joined the meeting. The Chair welcomed all attendees to the meeting.

1. **APOLOGIES FOR ABSENCE**

None, as all Governors were present and the meeting was quorate.

2. **DECLARATION OF INTERESTS**

None declared.

3. **MINUTES**

3.1 **To approve the minutes of the previous meeting held on 24th September 2024** *(previously circulated)*

The Committee reviewed the minutes from the previous meeting.

Resolved - The minutes of the meeting held on 24th September 2024 were **approved** as a correct record.

3.2 **To review the action log and to consider any matters arising from the minutes (previously circulated)**

The action log was reviewed and the Committee noted that all outstanding actions had either been completed or featured on the agenda.

Resolved: The Committee **noted** the contents of the report.

The Head of Technical Support joined the meeting to present agenda item 4.

4. PRESENTATION ON CYBER SECURITY

Linked to Strategic Risk 4 'Information and Business Critical Systems', the Head of Technical Support summarised the key cyber risks to the College, together with the processes in place for mitigation purposes. These included:

- Password security
- Employee awareness and training
- Phishing emails
- Zero Day – vulnerability in software and/or hardware that was unknown to the vendor, whereby no patch or fix was available
- Ransomware
- Dark Web
- Artificial Intelligence (AI)
- Firewalls, immutable backups, encryption, penetration testing, anti-virus software, use of multi factor authentication

During his presentation, the Head of Technical support referred to a number of high profile cyber attacks that had been publicly reported across organisations such as schools/colleges, NHS Trusts, Local Authorities and the likelihood of any long-term adverse impact.

A discussion took place regarding the levels of control in place regarding known risks, given the rapidly increasing level of sophistication being used in cyber-attacks. In a response to a question raised by a Governor, it was confirmed that 'Cyber Essentials' was the government-backed certification scheme that helped organisations protect themselves from cyber attacks. It was a condition of college funding to ensure this is achieved. The Committee also considered the financial impact on the College in mitigating risk.

Resolved: The Committee **noted** the report.

The Head of Technical Support was thanked for his informative presentation and he left the meeting.

5. FINANCIAL STATEMENTS 2023/2024

5.1 **Audit Management Letter 2023/2024 (previously circulated)**

The External Auditor from Beever & Struthers referred to the Audit Management Letter dated 11th November 2024 which had previously been circulated and advised that the audit of the Financial Statements had been substantially completed. Ms Hutchinson summarised the key audit issues that had been identified as requiring specific consideration and the audit procedure undertaken in relation to them. These included:

- Revenue Recognition – the audit was designed to provide reasonable assurance that the accounts were free from material misstatement. Revenue recognition and management control override had been reviewed. There were no matters to

draw to the Committee's attention based on the work completed to date. Work on any potential clawback by the Education and Skills Funding Agency (ESFA) remained outstanding; the confirmed position was awaited from the ESFA

- Regularity – testing had been undertaken as set out in the Post 16 Audit Code of Practice. This was substantially completed to the Auditor's satisfaction. Testing remained outstanding in respect of an ongoing tender process
- Going Concern – the Auditors' work would remain on-going in this area upto the date the audit report was to be approved and signed, in accordance with the International Standards on Auditing
- Valuation of the Pension liabilities – the Auditors had reviewed the valuation of the College's scheme assets and concluded that the information provided by the actuary was reliable and consistent with the results reported in the Cheshire West and Chester Pension Fund accounts. For the second year the judgement of College Management was to account for the pension position as £nil, which was in line with the requirements of the Financial Reporting Standard (FRS) 102 and reflected in the Letter of Representation
- Capital Investment – Total capital additions for new developments in the year amounted to £3.697m
- Events not driven by the financial records – review of Board and Committee meeting minutes, review of declaration of interest forms for all Governors and key management personnel in respect of any related party relationships and general consideration throughout the audit process of items that required disclosure in the Financial Statements. The Auditor had identified a potential operating lease which was not currently disclosed in the financial statements. College Management were reviewing the terms of the agreement to establish whether the College had any non-cancellable commitments as at 31st July 2024
- Wages and Salaries – Staff costs had increased by £1.8m compared to the prior year as a result of pay increases and an increase in the number of employees. Work had been completed satisfactorily in this area
- Accounting and Internal Control Systems – two recommendations had been made by the Auditors; one had been accepted by College Management and the second was currently subject to further discussion

The External Auditor outlined the firm's independence in carrying out this audit and also drew the Committee's attention to the qualitative aspects of Accounting Practices and Financial Reporting; in particular the requirements of ISA 260. In conclusion, the Auditor informed the Committee that unqualified/unmodified opinions were anticipated in respect of both Regularity and the Financial Statements audits, given that the audit had been substantially completed.

A discussion ensued with several questions being raised by Governors and responded to by the External Auditor. It was confirmed during discussions that there were some presentational changes to be made to the Financial Statements, though this would not affect any financial data contained within them.

Resolved: The Committee **noted** the contents of the report.

On behalf of the Committee, the Chair thanked the External Auditor for her report.

5.2 **Financial Statements 2023/2024** (previously circulated)

To receive the draft Financial Statements for 2023/2024 (*previously circulated*)
The Deputy Principal (F&R) and External Auditor drew the Committee's attention to the following key aspects:

- The underlying operating surplus of £4,338k was in line with the forecast (£4,338k as per the July 2024 management accounts), compared to the surplus of £3,958k in 2022/2023
- During 2023/2024 the College received £7m in grant income and spend £3.7m on fixed assets. It increased turnover by £723k and expenditure by £306k (from the original budget) predominantly as a result of interest earned, revenue grant income and spend, and a cost pressure payment made to staff
- The College repaid the outstanding loan of £200k in year and was now debt free
- Cash balances remained high at £26,208k, with a further £4,000k invested
- The College's financial health, as rated by the ESFA was outstanding
- There was a requirement for the Financial Statements to be submitted to the ESFA, along with the College Financial Forecasting Return (CFFR) by the 31st December 2024

Numerous questions were asked by Governors and responded to by the Deputy Principal (F&R). In doing so, the Deputy Principal clarified the respective positions relating to (i) the fixed asset register, (ii) the detailed testing which had been undertaken in respect of wages and salaries, (iii) confirmation that no costs had yet been incurred relating to the Reconnecting Runcorn Town Deal, (v) extent of capital investment, and (iv) levels of depreciation.

Resolved: The Committee

- (i) **noted** the contents of the reports and that following Board approval the Financial Statements together with the Finance Record were to be submitted to the ESFA by the 31st December 2024
- (ii) **Noted** the Letters of Representation and Assurance 2023/2024

6. INTERNAL AUDIT REPORTS

6.1 **Annual Report 2023/2024** (*previously circulated*)

The Committee noted that at the previous meeting there had been a request to re-word the reference relating to the Auditor's opinion on corporate governance; the purpose of which was to prevent any misinterpretation. This had been duly actioned.

Resolved: The Committee **noted** the contents of the report.

6.2 **Internal Audit Programme 2024/2025 – Terms of Reference** (*previously circulated*)

As agreed at the previous meeting, Governors with queries relating to the proposed terms of reference liaised with the Clerk, following which she met with the Deputy Principal (F&R) and the Internal Auditor to discuss further. With supporting reasons being provided the Committee was requested to approve the terms of reference as follows:

- Equality & Diversity – as presented at the previous meeting on 24th September 2024
- 16-18 Curriculum – slight amendment to clarify that the audit was to include key efficiency measures such as course/faculty financial contribution analysis

- Key Financial Controls – slight amendment to clarify (i) with regards to the Purchase Ledger, reconciliation of supplier statements was to be tested and (ii) was to include reference to College’s Strategic Risk 3
- ESFA Mock Funding – as presented at the meeting on 24th September 2024, as the terms of reference replicated funding audits undertaken by the ESFA

A discussion took place regarding the student focus within the equality and diversity internal audit and whether this ought to incorporate staff and governor cohorts in more detail. As a more comprehensive audit would require a greater number of days to complete, it was agreed for the suggested terms of reference to be approved.

Resolved: The Committee accepted the recommendation and **approved** the terms of reference, as presented.

7. AUDIT COMMITTEE’S ANNUAL REPORT 2023/2024 *(previously circulated)*

As required by the Post-16 Audit Code of Practice (ACOP), the Committee received the draft Annual Report for 2023/2024 for approval prior to its submission to the Board at its meeting on 9th December 2024. The Clerk advised that the ACOP prescribed a number of mandatory elements for inclusion and these were listed within the briefing note which accompanied the report.

Resolved: The Committee **approved** the Audit Committee Annual Report 2023/2024.

8. RISK MANAGEMENT *(previously circulated)*

8.1 To receive a report on risk management activities that have taken place since September 2024.

The Deputy Principal (F&R) outlined the risk management activity that had taken place since the last meeting and highlighted the following aspects from her report:

- The Key Strategic Risk and Assurance Mapping reports had been reviewed by the Risk Management Group (RMG). Both gross and net key risks were scored and RAG rated in line with the revised risk scoring guidelines (Appendix 2), using measures relating to impact (I) and likelihood (L)
- The Quality Improvement Plan (QIP) recommendations in the Risk Management Action Plan (RMAP) at Appendix 3 had been updated following the agreed College Self-Assessment Review (SAR) 2023/2024 and QIP 2024/2025.
- A focus on the two key risks which were RAG rated red and reasons for this were provided. An overview was provided regarding the disruption to the College estate, in light of the significant capital investment that was currently taking place.
- No material non-compliances had been brought to the Management’s attention.

The Deputy Principal (F&R) assured the Committee that the RMAP continued to be monitored by the RMG and updated, as appropriate. She invited any questions from Governors.

In response to a question raised by a Governor, the Deputy Principal (F&R) advised that the revised scoring approach was working well within the RMG in assessing impact and likelihood of risks to the College. A discussion took place regarding the level of mitigation contained within the report and whether additional information was required. Reference was made to the RMAP which was presented at each meeting whereby mitigation was expanded upon. The comprehensive Sub-Risk Register presented

annually at the committee's September meeting was considered to provide additional assurance in this area.

It was pleasing to note that the revised scoring approach had been well received by both the RMG and the Audit Committee in their respective capacities. Given its recent introduction, it was agreed to keep this aspect under review.

Resolved: The Committee **noted** the contents of the report.

8.2 **Value for Money (VfM) Annual Report** *(previously circulated)*

The Deputy Principal (F&R) referred to the three priority strategic objectives of the College which linked directly to the Strategic Plan 2024/2025, namely (i) Quality, (ii) Efficiency (iii) Growth and the associated QEG performance report that was regularly monitored by the Board and also incorporated VfM. In considering the Audit Committee's responsibility to provide the Board with assurance that VfM was being delivered, Governors considered the activities contained within Appendix 1 which evidenced source documentation, policy processes and reporting mechanisms throughout the governance structure and standing committees.

During discussions, a Governor commented that the report demonstrated a clear link to strategy; both in financial terms and the quality of provision being delivered at the College.

Resolved – The Committee **noted** the Value for Money Annual Report.

8.3 **Risk Management Policy** *(previously circulated)*

The Committee noted that approval had been deferred from the last meeting for the inclusion of the revised risk scoring methodology.

Resolved – the Committee **recommended approval** of the Risk Management Policy to the Board.

9. **FE SECTOR UPDATES**

Karen Banks and Andrew MacManus had recently attended a Finance & Audit Chairs' Network meeting hosted by the AoC and provided an overview of the content to the Committee.

The Clerk advised that the slide deck from this session had been uploaded to the Training and Resources section on the GovernorHub portal for information purposes.

Resolved: The Committee **noted** the report.

10. **ANY OTHER BUSINESS**

There were no additional matters of urgent business to be addressed.

11. **MEETING REVIEW**

In accordance with the approved action plan resulting from the external board review in 2023/2024 Committee Members were asked to review the effectiveness of the meeting with any comments to be forwarded directly to the Clerk.

Resolved: The Board **noted** the request.

12. ITEMS TO BE REPORTED TO THE BOARD

A discussion took place.

Resolved – the following reports were to be presented to the Board at its next meeting on 9th December 2024:

- Audit Management Letter
- Financial Statements 2023/2024
- Overview of risk management activity
- Risk Management Policy for approval

13. DATES OF FUTURE COMMITTEE MEETINGS

Resolved - The Committee **noted** the following meeting dates:

- Board – 9th December 2024
- Audit Committee – 3rd March 2025

The Chair thanked all attendees for their attendance and contribution at the meeting. The meeting was closed at 5:45pm.

Signed: ...Office copy signed by Karen Banks.....

Chair of Audit Committee

Date: ...3rd March 2025.....