



## **BOARD OF GOVERNORS** **AUDIT COMMITTEE**

Minutes  
Wednesday 28 June 2023 at 5pm  
Online via MS Teams

		<u>Meeting Attendance</u>
PRESENT:	Jo Croft ( <i>Vice Chair</i> )	(3 out of 3)
	Nathan Garat	(3 out of 3)
	Tony Haines	(3 out of 3)
	Ian Thomson	(3 out of 3)
APOLOGIES	Rob Lewis	(1 out of 3)
IN ATTENDANCE	Gillian May	Group Principal & CEO
	Richard Munday	Deputy CEO
	Tracy Reeve	Director of Governance
	Lucy Gill	Director of Finance
	David Bradshaw	Head of MIS and Exams ( <i>part</i> )
	Daniel Mirzai	Mazars, TWFCG internal auditors ( <i>part</i> )
	Sarah Mason	RSM UK Audit LLP, TWFCG external auditors
OBSERVER:	Karen Griffiths	Vice Principal Sixth Form

### **PART I**

<b><u>MINUTE</u></b> <b><u>No</u></b>		<b><u>ACTION</u></b>
1.	<b><u>Chair's Agenda Item</u></b> The Chair and auditors confirmed that there was nothing specific to raise under this item.	
2.	<b><u>Apologies for Absence</u></b> Apologies had been received from Rob Lewis.	
3.	<b><u>Notification of any other urgent business</u></b> No other business was notified.	
4.	<b><u>Declarations of Interest</u></b> No Member declared a conflict of interest with the agenda.	
5.	<b><u>Minutes of the Previous Meetings</u></b> The meeting considered the minutes of the TWFCG Audit & Resources Committee meeting of 1 March 2023 which had previously been circulated to all members and <b>were agreed as a true record. They would be taken as signed by the Chair.</b> The Director of Governance (TR) confirmed that as these minutes were from the previous joint committee they had also been taken to Resources Committee for approval (Monday 26 June 2023). <b>All Members were agreed.</b>	
6.	<b><u>Matters Arising of the Previous Meetings</u></b> The Director of Governance (TR) presented a report which confirmed that all matters arising had been actioned. <b>The Report was NOTED.</b>	

**ITEMS FOR DECISION/ APPROVAL**

7.

**Internal Audit Reports**

- Payroll

Internal auditor (DM) presented the report from Mazars following their audit of Payroll undertaken in June 2023. The meeting was reminded that this internal audit was undertaken as part of the agreed 2022/23 Internal Audit Plan for WFCG. DM confirmed that the purpose of the review was to provide assurance that the Group had effective controls and processes in place in respect of payroll. The areas covered in the scope had included the following:

- Payroll policies and procedures;
- New starters and leavers;
- Overtime payments;
- BACS payment listings;
- Payroll access restrictions; and,
- Data integrity of payroll data.

Governors were pleased to note that the opinion in the report gave a 'substantial' assurance grading with only one low priority (graded as 'housekeeping') recommendation with respect to regular payroll process guide review and update. This one recommendation had been fully accepted by management and would be implemented in July 2023. The Deputy CEO thanked DM and his team for the useful and well organised audit. The Committee Chair (JC) commended the strong controls within HR and payroll and asked for a minute of thanks to be recorded for the Payroll Manager (IP).

***The internal audit report on Payroll was NOTED and RECEIVED.***

- Learner numbers and funding

The meeting noted that although this internal audit had been completed, the report from Mazars was not yet available. DM confirmed that the specialist team who had undertaken this work were currently on leave, and this would be expedited as soon as they were back. The Group Director MIS and Exams (DB) gave the meeting a verbal update on what the audit had highlighted including the following in relation to apprenticeship funding:

- Three-Monthly progress reviews for apprentices.* These were in place for the majority of apprentices but there were some instances where the review had taken place later than 12 weeks. DB confirmed that the College now had a tracking report in place to identify any future issues with timely review.
- Initial assessment in maths and English.* The audit had found a couple of these were missing. DB confirmed that the process was now in place to capture any omissions.
- BCA's (Digital Apprenticeship Service (DAS) account post-merger.* The meeting noted that historically BCA had its own separate DAS account which ceased at merger (1 August 2022). However, there was no automatic mechanism to transfer the BCA data in relation to apprenticeship employers onto the WFCG DAS account after the merger. This all had to be completed manually by the college MIS Team and employers. The meeting noted that this had been a one-off exercise post-merger and would not need to be repeated. During this intensive data transfer exercise, a couple of errors had occurred:
  - Funding adjustment for one BCA learner coming into the WFCG was wrong.
  - Price of an apprenticeship wrong when transferred from BCA to the WFCG.
- Prior attainment* needed to be updated at every point students re-enrolled throughout the year for any new learning aim (it was not sufficient to input this at the start of the year).

The committee chair sought clarification on the likely significance of the recommendations. DB confirmed that two were purely merger related and the other were low priority/housekeeping matters. DB assured the meeting that he was confident in the additional tracking which had now been put in place. The CEO (GM) highlighted the very complicated compliance processes and paperwork in relation to Apprenticeship funding. As the provision grew at the WFCG – there were now 680 apprentices across the group – the paperwork

**MINUTE**  
**No**

**ACTION**

became more complicated. However, GM confirmed that she did feel assured by the strong MIS team.

The Deputy CEO sought confirmation from internal auditor DM on whether there was anything else of significance that the committee needed to be aware of. DM informed the meeting that as this audit had been undertaken by a specialist team at Mazars he was not able to answer that question. DM assured the meeting that Mazars were close to issuing the final report – the manager responsible was now back from leave but currently away from work on sick leave. The meeting thanked DB and DM for their verbal update; the internal audit report from Mazars - with management responses – would be presented to Audit Committee in September 2023. The Deputy CEO thanked the Head of MIS and Exams for all the additional work that his team had undertaken in 2022/23 in relation to the BCA DAS account issues which had been complicated and very frustrating.

Governors (AH) sought clarity on what was happening in relation to cyber-security. The Deputy CEO (RM) confirmed that the college would renew its Cyber Essentials accreditation during July 2023 and then move towards attaining Cyber Essentials Plus in July 2024. RM reminded the meeting that the internal audit of cyber security had been postponed until 2023/24. Governors were assured that the Interim IT Director was very aware of cyber security as was the Assistant Principal Digital. However, RM agreed that a formal audit needed to be timetabled for the autumn term 2023 so that a report could come to Audit Committee in November 2023. This reflected the ongoing high risk around this issue and the possible impact of any issues.

***The meeting NOTED the verbal update on the audit of Funding and Learner numbers.***

***ACTION: Learner Numbers and Funding audit report to be brought to Audit Committee in September 2023 with specialist Funding Auditor from Mazars in attendance.***

RM/ TR

***ACTION: Audit of Cyber Security to be timetabled for autumn 2023 with a report to Audit Committee in November 2023.***

RM

***[DM and DB left the meeting.]***

8.

**External Audit Plan and timetable for year-end 31 July 2023**

The Audit Principal (SM) on the RSM audit team for the College presented the Audit Plan for the year ended 31 July 2023 covering the Financial Statements audit for TWFCG and the associated Regularity Audit. The meeting was reminded that RSM UK Audit LLP has been appointed for a one-year contract as the external audit contract would go out to tender in spring 2024. Members noted that the audit team for BCA from RSM had already held a meeting with the Deputy CEO (RM) and the Finance Director (LG) to plan the financial statements audit and the regularity audit which would take place at the same time. It was noted that the membership of the audit team from RSM would be the same as in the prior year which would provide continuity of process for the Finance Team. Members were informed that detailed audit planning work would be undertaken by RSM during July-September 2023 and then the audit team would be on site at BCA for just over a week during September/ October 2023. The current timescale was for the draft financial statements and audit deliverables to be available by the end of September 2023. The timetable was for a draft management letter to be discussed at the clearance meeting to enable the audited accounts and management letter to be considered by the WFCG Audit Committee in November 2023. The meeting was reminded that the deadline for submission of the financial statements to the ESFA was 31 December 2023, after they had been approved by the Corporation. SM highlighted that RSM would be providing two separate opinions: one on the Financial Statements and a separate opinion on Regularity Assurance. SM highlighted the changes in the Regularity Audit which reflected the reclassification of the FE sector into the public sector and the need to comply with HMT's Managing Public Money (MPM) guidance. SM confirmed that RSM would talk to the college's internal auditors about anything that would have a bearing on financial controls and fraud risk. The new approach to risk was also noted with the new 'spectrum of risk' detailed in the audit plan.

Governors (IT) sought additional assurance around the income recognition work undertaken in relation to the verbal update on the recent funding audit in light of the complexity and ongoing changes to funding rules. SM confirmed that RSM would look at the Internal Audit Funding/ Learner number report when it was available. The meeting also noted that RSM

also undertook separate testing on income – SM was currently working with the WFCG MIS team to get data samples. The meeting agreed that it would be crucial to make sure that income was correctly reflected over the next few years when budgets would remain very tight. RM reminded the meeting that the college commissioned the Learner Numbers and Funding audit on an annual basis as a standing audit for full assurance around education income.

The meeting considered the key risks affecting the audit plan which were outlined within the RSM report (a lot of these were noted as generic risks affecting the FE sector): management override of controls; income recognition; completeness of other income; defined pension scheme liabilities; regularity and the impact of reclassification to the public sector; accounting for the merger (which took place on 1 August 2022); and going concern (which was now even more of a focus). The fees for the three-stage process – planning, fieldwork, and preparation of the final report for the Financial Statements and Regularity Assurance - were noted as £44,880.

The Chair of Audit Committee (JC) sought clarification from SM on whether she had any concerns as so much seemed to have changed during the last year. SM confirmed that the audit process had not fundamentally changed but as already discussed there were three key things that would require a different focus:

- The merger between BCA and the WFCG needed to be accounted for.
- Additional disclosures would be required to reflect the ONS reclassification and the new impact of the MPM guidance.
- The Regularity Audit format would change to reflect MPM requirements.

SM confirmed that she did not have any specific concerns about the 2022/23 financial statements and regularity audit after the initial planning meeting which had been held with RM and LG.

***The timetable and plan for the Financial Statements Audit 2022/23 was NOTED and AGREED.***

- **RSM Letter of Engagement**

SM asked the meeting to consider the Letter of Engagement for RSM which was being presented for approval and would be taken to the Corporation for approval. This new letter reflected a one-year contract for RSM from 1 August 2023 as the WFCG Financial Statements auditors.

***The Letter of Engagement was APPROVED as presented, it would be RECOMMENDED to the Corporation for approval.***

9. **Risk Register**

The Group Principal (GM) presented the Risk Register for 2022/23 which continued to be reviewed and updated by the Senior Leadership Team. Audit Committee members noted the risks and their ratings, in detail and additional verbal assurance was provided for the key 'red' and 'amber' risks. GM highlighted that the Risk Register had also been considered in detail at the separate Resources Committee meeting earlier in the week (26 June).

***Risk 1 Failure to meet budget forecast (risk score increased to 20 'red' from 16 'amber':*** The inflationary pressures on energy and pay costs was still a key risk and the CEO asserted the need for the College to maintain a Good financial health grade. GM highlighted that although application numbers for 2023/24 were strong across all four colleges, this risk would be discussed in some detail when the budget 2023/24 was discussed at the Corporation meeting on 5 July 2023. The budget 2023/24 and financial plans would be challenging in all FE colleges with clear actions necessary to ensure that the Group continued to generate a positive EBITDA. The small increase in base funding for 2023/24 had not matched the inflationary rises in non-pay and pay costs. RM informed the meeting that the recent pay harmonisation exercise which had been implemented for BCA staff post-merger had cost £540,000. However, SLT were still committed to keeping pay costs to a level which was below 70% of income. As well as upwards pressure on pay, there were also inflationary pressures on utility and energy costs. GM confirmed that this was forcing the WFCG to take a longer-term view on the curriculum offer. However, this was a concern as the college headed into a likely Ofsted inspection; the tension between expenditure and maintaining quality of provision would be important to remember. GM confirmed the need to re-engineer

back office and support functions post-merger.

*Risk 2 Uncertainty and risks associated with emerging national curriculum reforms (risk score reduced from 16 'amber' to 12 'amber')*: This key risk was being well managed and senior staff were fully engaged in advisory groups linked to reform but it did not appear that government were listening to FE college concerns. This sector-wide change posed an enormous threat to learner outcomes and college finances in all FE colleges. However, T Level plans were now in place for TWFCG from September 2024 which was giving management more confidence around the T Level proposal.

*Risk 3 External Safeguarding Risks (risk score remains at 16 'amber')*: The meeting was assured that the Executive Team continued to work with all relevant agencies in relation to any safeguarding incidents. Additional Safeguarding and Prevent Training had now taken place for all staff and governors.

*Risk 4 Poor student outcome data at Langley results in a challenge to the Good Ofsted rating (risk score remains at 16 'amber')*: The meeting was reminded that Vice-Chair (Rob Lewis) had taken on the role of the Governors' 'special ambassador for Langley' to provide assurance for the Corporation Members on the implementation of the Langley College Quality Improvement Plan (QIP). This had also been discussed in detail at the recent Quality & Curriculum meeting (20 June 2023) when governors reviewed progress against the Langley QIP for 2022/23.

*Risk 5 Changes to external funding risks future financial sustainability (risk score remains at 12 'green')*: The meeting was assured that the College was responding to future curriculum developments and the extraordinary strategy meeting for the Corporation (10 July 2023) would consider this. GM reminded the meeting of the possible link of capital funding with new curriculum areas and T Level development.

*Risk 6 IT failure worth loss of data for staff and students (risk score remains at 12 'green')*: GM confirmed that this needed to be kept under careful review to determine whether the risk profile should be increased. There had been a recent change in key personnel and the IT Director role was being covered by an external interim consultant who was finalising the post-merger workstream actions.

*Risk 8 ONS reclassification (risk score remains at 8 'green')*: The meeting was assured that the SLT were aware of all new guidance and were working to any new limitations. The new restrictions on borrowing did not have any impact on the WFCG. The CEO highlighted the recent grants received post-reclassification, one of which was in relation to decarbonisation.

*Risk 9 Lack of collaboration regionally (risk score remains at 9 'green')*: The meeting sought assurance that the collaborative work in relation to the Local Skills Improvement Plans (LSIP) – Berkshire, Oxfordshire, Surrey, and West London – would be beneficial and cost efficient for the WFCG. The Vice-Principal Sixth Form (KG) talked about the current strategic curriculum planning work being undertaken at Windsor College; this would be considered by the Board on Monday 10 July. KG outlined the LSIP priorities and the government focus on screen and creative industries. There were already a number of big studios in around Berkshire and Surrey (Shinfield, Bray, Shepperton) and Amazon and Netflix studios were also being built. However, there was a shortage of technical staff to support the growth of this industry. Windsor College had always been strong in their provision of creative courses but were less strong in academic A Level provision (there were school sixth forms in Berkshire which kept the most academic pupils. However, there was a clear gap in the vocational market for creative industries. SLT were looking at developing a long-term curriculum plan to fill this hole in the market with delivery based at Windsor College. Governor sought confirmation on whether this change would necessitate capital expenditure and KG confirmed that funding would be available under the Local Skills Improvement Fund (LSIF) as well as through funding for equipment to deliver T Levels.

*Risk 15 Insufficient capital investment results in poor stewardship of the college estate (risk score remains at 12 'green')*: The meeting noted the highlight in relation to the possible impact of any move towards low cash reserves.

One governor (NG) suggested that the Risk Register could provide more detail on how the risk scoring related to each other – e.g. what was the relative concern around a 16 score compared with a 20 score. NG suggested that the Risk Register needed a Risk Appetite Statement, and that the CEO should look at how to make the format more informative and

**MINUTE**  
**No**

**ACTION**

meaningful. The CEO highlighted praise previously received from other governors who believed the Risk Register focussed the Corporation on key risks and drove all sub-committee and Corporation agendas.

***It was AGREED that an alternative template and suggested amendments to the format of the Risk Register/ Risk Appetite Statement should be shared for SLT consideration.***

GM confirmed that she would amend the text of the Risk Register to reflect the separation of Audit Committee from Resources Committee.

***Members NOTED and RECEIVED the updated College Risk Register.***

**NG/ GM**

**FOR INFORMATION**

10. **Register of Outstanding Audit Recommendations**

Finance Director (LG) highlighted that the current list was comprised of external audit recommendations that BCA had received via the Audit Findings Report for 2021/22 from RSM UK Audit LLP. The meeting was reminded that external auditors for TWFCG – Buzzacott – had not made any recommendations in their Audit Findings Report 2021/22. LG informed the meeting – and external auditor SM confirmed – that all external audit recommendations were now complete. LG confirmed that the recommendations from recent internal audit reports (once confirmed) would be added to the report for the next meeting.

***The Outstanding Audit Recommendations Report was NOTED.***

**Dir of  
Finance**

11. **Fraud, Irregularity and Whistleblowing Report**

The Deputy CEO (RM) presented the report which confirmed that there had been no incidences of fraud, corruption or irregularity perpetrated against the College during the year-to-date 2022/23. The meeting noted that the Whistleblowing report was also a nil return for the period 1 August 2022 to date.

***Members NOTED the Fraud Report (nil return).***

12. **Capital Expenditure Update**

The meeting noted an update schedule which outlined the planned Capital Expenditure for the next two financial years which amounted to circa £5.7m. The figure was the sum of the three grants available to the college: the Reclassification Fund (£0.99 million), Energy Efficiency (£0.38 million) and the Transformation Fund (£1.34 million) along with a sustainability allocation of £0.40 million as previously advised and spending from internal funds amounting to £2.30 million. The meeting noted these capital projects and the associated funding, it was noted that the Resources Committee would monitor progress against these timelines during 2023/24. The meeting was reminded that the Transformation Fund had to be spent by March 2024 so the college was undertaking projects that did not need planning permission earlier. The meeting commended the external funding of circa £2.8m which would have a beneficial impact across the Group. The Audit Committee Chair sought clarification on whether the Executive had a view on the likelihood of ongoing additional capital funding from government. RM asserted that this was currently very uncertain with nothing else on the horizon at the moment.

The meeting discussed the number of capital 'bids' made by budget holders across the group that could not be funded for 2023/24. RM confirmed that on the whole, people accepted the refusal well as the process was seen to be fair. 'Category 1' bids in relation to H&S, legal, and compliance – had to be funded ahead of any 'nice to have' capital projects. RM confirmed that the list of funded projects would be given to budget holders before September 2023. The meeting sought clarification on whether the MUGA project at Langley had any bearing on the capital budget. RM confirmed that the possible MUGA purchase had not been included in any of the budget 2023/24 paperwork.

***The Capital Expenditure update report was NOTED.***

13. **Post-16 Audit Code of Practice**

The Director of Governance (TR) presented the updates guidance Post-16 Audit Code of

**MINUTE**  
**No**

**ACTION**

Practice (ACOP) 2022/23 which was published in April 2023. Governors were reminded that the Post-16 Audit Code of Practice (the 'Code') set out a common standard for the provision of assurance in relation to the funding of post-16 providers. TR highlighted that the changes for 2022/23 were detailed on pages 5 and 6 of the ACOP and that many of the changes related to the reclassification of FE colleges into the public sector from 29 November 2022. TR reminded the meeting that she had already put together an action plan for TWFCG in relation to the Bite-Sized Guides issued by DfE in relation to the ONS reclassification (as presented to Audit & Resources Committee on 1 March 2023). The Audit Committee was assured that the Executive Team and TWFCG external auditors were fully aware of the updated ACOP and would work to meet all of the requirements of the new guidance.

***The Post-16 ACOP 2022/23 was NOTED and RECEIVED.***

14. **RSM Briefing: Emerging Issues, Spring 2023**

The meeting considered a report from RSM which had been circulated to all Governors by the Director of Governance; this report focussed on the emerging issues within the FE sector. Key factors were noted as: the Public sector reclassification of the FE sector; the 2023 Post-16 Audit Code of Practice; the 2023 College Accounts Direction; the Special Educational Needs and Disabilities (SEND) and Alternative Provision (AP) Improvement Plan; the DfE Corporate Governance Guide; the new draft AoC Code of Good Governance; common issues with Funding Assurance Reviews; Environmental Social and Governance (ESFG) reporting; Recruitment fraud risks; Lifelong learning and the introduction of the Lifelong Learning Entitlement (LLE) in 2025; Returnerships – apprenticeships for the over 50s; Institute for Fiscal Studies (IFS) annual report which highlighted continued financial pressure within the FE sector; Ofsted; and the FE Commissioner's Annual Report.

The meeting commended this useful briefing paper which outlines all the key issues for the FE sector.

***The Meeting NOTED and RECEIVED the sector briefing provided by RSM Audit UK LLP.***

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

The proposed dates and times for the Audit Committee meetings in 2023/24 were noted as:

- Wednesday 27 September 2023, 5.00pm
- Wednesday 29 November 2023, 5.00pm
- Wednesday 6 March 2024, 5.00pm
- Wednesday 26 June 2024, 5.00pm

TR confirmed that all of these meeting would be held online via Zoom and would include a joint element with Resources Committee members also in attendance; this would allow a joint review of the risk elements of the agenda.

***Members NOTED the proposed Audit Committee dates for 2023/24 which would be confirmed after the Corporation meeting on 5 July 2023.***

***ACTION: Director of Governance to be informed of any non-availability for the proposed Audit Committee meeting dates.***

TR

All

16. **Any Urgent Business**

There were no urgent items of business raised.

The meeting closed at 6.10 pm.

Chair.....

Date.....