



BOARD OF GOVERNORS

AUDIT COMMITTEE

Minutes
Wednesday 27 November 2024 at 5pm
Online via Zoom

PRESENT:	Jo Croft	<u>Meeting Attendance</u> (2 out of 2)
	Nathan Garat	(2 out of 2)
	Tony Haines	(2 out of 2)
	Rob Lewis	(2 out of 2)
APOLOGIES	Ian Thomson	(1 out of 2)
IN ATTENDANCE	Gillian May (Group Principal & CEO)	
	Lucy Gill (Group Finance Director)	
	Tracy Reeve (Group Director of Governance)	
	Neil Clark (Internal auditors, Wylie Bissett)	

PART I

<u>MINUTE</u>		<u>ACTION</u>
<u>No</u>		
1.	<u>Chair's Agenda Item</u> There was no Chair's Agenda item.	
2.	<u>Apologies for Absence</u> Apologies were noted as shown above. The CEO (GM) introduced Wendy Stott (WS) to the meeting who had recently been appointed as the Group Management Accountant for WFCG. WS informed the meeting that her first four weeks at the college had been very busy but had gone well; the meeting noted her relevant FE experience (most recently at Milton Keynes College). The Chair (JC) welcomed Neil Clark (NC) who was the Internal Audit Manager from newly appointed internal auditors 'Wylie Bissett' to the meeting. NC highlighted that Wylie Bissett was now trading as 'wbg'.	
3.	<u>AOB</u> GM informed the meeting that WS would be presenting the first quarter Management Accounts 2024-25 to the meeting for information and context.	
4.	<u>Declarations of Interest</u> No Member declared a conflict of interest with the agenda.	
5.	<u>Minutes of the Previous Meetings</u> The meeting considered the minutes of the TWFCG Audit Committee meeting of the 25 September 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.	<u>Matters Arising of the Previous Meetings</u> The Group Director of Governance (TR) presented a report which confirmed that all matters arising had been actioned or were on track for timely completion when due. TR confirmed that the full Schedule of Outstanding Audit Recommendations would be presented to the Audit Committee in March 2025 after the Management Letter from MHA had been received. It was also noted that the possibility of the CEO writing an article for FE Week would be	

MINUTE
No

ACTION

considered in January after the College financial statements had been submitted.

ACTION:

- i. Schedule of outstanding audit recommendations to March 2025 Audit Committee meeting.***
- ii. CEO to consider article for FE Week on 'The Costs of a Merger'.***

LG/ TR

GM

The Report was NOTED.

ITEMS FOR DECISION/ APPROVAL

7.

Internal Audit Strategy 2024/25

The Internal Audit Manager from 'wbg' (NC) presented a paper which outlined the final draft of the internal audit plan for 2024/25 as well a 3-year Audit Needs Assessment 2024/25 to 2026/27. Group Finance Director (LG) confirmed that she had met with the team from wbg and the proposals had considered a number of factors, including the College's latest strategic plan and risk register 2024/25, the previous internal audits carried out in the College and the experience of the range of audits and their findings at other Colleges. The planned programme of work for 2024/25 being suggested was broken into three tranches as follows:

- 1a) Financial Controls (6 days); and,
- 1b) Review of cyber security processes and procedures (7 days): reviews in January 2025 with draft reports in February and brought to Audit Committee in March 2025
- 2a) Payroll and HR (7 days); and,
- 2b) Procurement (7 days): reviews in April 2025 with draft reports in May and taken to Audit Committee in June 2025
- 3a) Business Continuity and Risk Management (6 days); and,
- 3b) Learner Records: Apprenticeships (7 days): and,
- 3c) Follow up review (4 days): reviews in June 2025 with draft reports in July 2025 and brought to Audit Committee in September 2025.

NC outlined the scope for each of the proposed audits and went through a high level summary of the objectives of each of the reviews. He highlighted the new Procurement Bill 2024 coming into force in February 2025 which would look for effective staff training and that procurement policies were being followed. The meeting noted the planned coverage for internal audit over the next three years with the allotted resourcing of 50 days per annum (including follow-up and management time). NC confirmed that the plans for Years 2 and 3 would be reviewed with WFCG management at the start of each academic year. The meeting noted the detailed appendices which contained the following: the Grading Structure which outlined the definitions associated with Wylie Bissett's assurance grades and the priority of any recommendations; the Key Performance Indicators that wbg would be judged by; a selection of Training Topics that wbg would cover with Governors and management during the period of the contract if requested; and an Assurance Map which provided a link to the college Risk Register and detailed mitigating controls.

Governors (AH) asked for clarification in relation to the seven day Cyber Security audit planned for 2024-25; AH asked whether this time period was in response to a needs assessment from WFCG. NC confirmed that all reviews included time for planning, review and report writing and that wbg had suggested that seven days was a standard time allocation for cyber security audits at colleges.

The Chair (JC) asked why there was an audit of financial controls in year 1 but nothing in years 2 and 3. NC suggested that there would be a 'financial review' each year; Year 2 would be 'Budget and Financial Reporting' and Year 3 'Strategic Financial Planning'. However, the annual review of the plan with college management and Audit Committee would allow any additional financial controls audits to be put in place if required.

Governors (RL) commended the inclusion of the Business Continuity Plan in the 2024-25 audit plan and sought clarity on whether that would include Disaster Recovery. NC confirmed that this audit would review all risks, so it was likely to cover Disaster Recovery including the recovery of IT systems. The Chair commended the very clear plan for 2024-25 and the internal audit strategy for the next three years which was helpful for Audit Committee Members. The Letter of Engagement with 'wbg' dated 25 October 2024 was received.

MINUTE
No

ACTION

Members NOTED the report and APPROVED the proposed internal audit coverage 2024/25.

Members NOTED and RECEIVED the Letter of Engagement with 'wbq' as internal auditors of WFCG for a period of three years from 1 August 2024 to 31 July 2027.

ACTION: The final IAS Plan 2024/25 and the Audit Strategy until 2026/27 to be taken to the Board for approval in December 2024

Refer to Board

8. **Internal Audit Annual Report from Mazars**

The Group Director of Finance informed the meeting that the College had not received an annual report from the outgoing internal auditors Mazars. It had not been possible for Mazars to give an 'opinion' in terms of assurance as the planned internal audit programme had not taken place. Due to the pressure of merger work within the Finance Team there had only been two audits undertaken by Mazars which had looked at Funding/ Learner Numbers and Student Bursaries. This was exacerbated by the senior staffing changes in the Finance Team and the protracted and complicated Funding Assurance audit which had placed considerable additional pressure on the College MIS Team. The meeting expressed disappointment at the lack of internal audit activity in 2023-24 but was assured that a clear plan was in place for 2024-25 and beyond.

The verbal update was NOTED.

[Neil Clark left the meeting at 5.30pm.]

9. **TWFCG: External Audit Management Report & 2023/24 Financial Statements**

The CEO (GM) explained the circumstances around the delay to the external auditors (MHA) signing off the WFCG Financial Statements 2023-24 and producing their Management Letter for the Governors. GM confirmed that the audit was going well with no issues identified but the audit had slipped due to a delay in the college providing the necessary paperwork to enable MHA to complete the audit. GM assured the meeting that the last few outstanding items would be sent to MHA tomorrow. One element which had taken more time was the college's Fixed Asset Register – the decision had been taken to put this right after several years of Management Letter points. However, this work had taken time. The CEO affirmed her commitment that the College must file the financial statements with the ESFA by the deadline of 31 December 2024, she did not want to ask the ESFA for an extension to the filing date. GM asked the meeting for their support in managing a revised timeline. The proposal was for an additional one-item Audit Committee meeting to be scheduled for Monday 16 December at 8am; this would be an online meeting with MHA in attendance to present their findings. There would then need to be a short additional Corporation meeting on Friday 20 December to enable the Board to consider and approve the Financial Statements and receive the management letter from MHA. After discussion the meeting agreed to proceed on the basis of this revised timescale; the necessary finish time of 8.45am was noted for Audit Committee on 16 December. GM reasserted that this delay was due to delays within the College and was not attributable to any fault in MHA's performance as external auditors.

The Group Finance Director (LG) apologised for pushing the approval of the accounts into the second half of the month and thanked Audit Committee Members for adjusting to a revised timetable. LG confirmed that as newly appointed external auditors for 2023-24, MHA had presented a very well prepared audit team who had asked 'all the expected questions' and had taken time to understand the business of WFCG. The MHA audit team had been on site at the College for most of the October half-term. Audit Committee Members were reminded that there had been a slight delay in engaging and onboarding MHA as new external auditors (to succeed RSM) due to the protracted PwC Funding audit 2022-23 commissioned by the ESFA. LG confirmed that she did not expect any significant issues to be raised on the management letter from MHA. The meeting was informed that there would be a point in relation to documents for apprenticeships - some learner agreements pre and post-merger were missing - which was in line with the findings from the ESFA funding audit. There would also be a Management Letter point in relation to Fixed Assets; in some cases, there was no evidence for disposals where the college had been clean sheeting net book value items. The meeting noted that the Staffing Notes had been finalised earlier in the day

**MINUTE
No**

ACTION

and all the accounts were now reconciled. The Chair (JC) commended the apparently very thorough audit process and reminded the meeting that this was also the first year-end for LG as Group Finance lead as well as having new external auditors.

Governors noted the front-end narrative section of the Financial Statements 2023-24 and *RL highlighted that his name was missing from the list of governors on the front page and his membership of Remuneration Committee was missing from the governance summary table.*

The meeting talked about the costs of pay harmonisation post-merger and whether this was a one-off cost. GM reminded the meeting that the actual cost of implementing the pay harmonisation had been under stated by circa £1m in the merger due diligence. GM affirmed that this increase was a one-off, but the higher salaries impacted the ongoing salary run rate. *Governors suggested that the wording explaining this needed to be clearer in the narrative to the accounts.*

Members AGREED that an additional meeting of the Audit Committee would be needed before they could agree to recommend the Financial Statements to the Board for approval.

**Refer to
Board**

ACTION:

- i. Final version of Financial Statements to be circulated to Audit Committee Members (and Resources Committee Members) by Friday 13 December to allow consideration at an Extraordinary Audit Committee meeting (online) on 16 December.***
- ii. Errors in list of Governors to be corrected and pay-harmonisation wording to be clarified (as outlined in orange italics above).***

LG/ TR

LG

➤ **Regularity self-assessment questionnaire (SAQ)**

The meeting was reminded that the Regularity Audit report from MHA would be within the Audit Findings Report and the unqualified regularity opinion was noted. The meeting noted and considered the draft Regularity Audit Self-Assessment questionnaire 2023/24 which had been completed by the Exec Team. This detailed report which had been updated to reflect reclassification into the public sector was noted as a useful source of assurance for Governors and a clear reminder of the necessary 'checks and balances' that should be in place. The meeting noted that this questionnaire was 99% complete and the 'highlighted figures' would be provided by the Finance Team in advance of the final version being taken to the Governing Body on 11 December 2024. Governors (RL) sought and were given confirmation that this template was standard across the sector and had been comprehensively reviewed by the Exec Team to update from the prior year.

The Regularity Self-Assessment Questionnaire 2023-24 for WFCG was NOTED and would be finalised and taken to the Board for final approval on 11 December 2024.

The CEO asked for the meeting to consider the additional agenda item – First Quarter Management Accounts 2024-25 – at this point in the meeting.

9.1

WFCG Quarter 1 Management Accounts 2024-25 (Any other business)

The Group Management Accountant (WS) presented the first quarter management accounts for 2024-25 for information and assurance. The meeting was pleased to note that the results for Quarter 1 FY25 indicated significant improvement to the group's operating performance; which had been supported by lagged funding from the 16-19 student growth in the previous year. The meeting was reminded that this was on top of circa 240 additional full time 16-19 students in the current academic year (lagged funds to be received in FY26). WS confirmed that the cash balance held at 31 October was £4.123m, which was £59k less than the budget due to the phasing of capital payments and timing of large curriculum payments such as exam fees. Governors were assured that the cash days at 31 October 2024 were 29 days which was above the sector minimum benchmark of 25 days and had remained consistently at that level or above for the last seven months.

The meeting was pleased to note that payroll for Q1 FY25 was also well controlled in line with budget. Planned pay increases had been made in the current year and back dated to 1st September 2024 but there continued to be a very clear focus on ensuring no creep in staff costs; all new or replacement posts were only approved after consideration by the Exec Team at their weekly meetings. The meeting was also assured that all non-pay costs continued to

be well controlled. Income for the first quarter was in line with the budget with the first quarter performance tracking ahead of the prior year for High Needs and Higher Education, all other income streams remained on budget.

The meeting noted the following summary of performance and took the detailed management accounts as read.

Key Performance Indicator	Quarter 1	Budget
EBITDA	£705 k	£350 k
Cash balance	£4,123 k	£4,182 k
Cash days	29.27 days	26 days
Income	£12,430 k	£12,337 k
Pay costs	£8,662 k	£8,741 k
Pay as % of income	69.7%	70.8%

The Group Finance Director (LG) highlighted the additional detail provided in the Income and Expenditure account; additional lines had been added to align with the College Financial Forecasting Return (CFFR). The format of the Balance Sheet now mirrored the CFFR. Audit Committee Members were pleased to note that the current financial health grade had improved from Requires Improvement to Good for the first quarter.

The Audit Committee Chair sought clarity on what the £93k 'Other Income' was for. WS informed the meeting that £60k was for the car park at Windsor College and £15k was from the BCA shop (including turkeys and honey). The meeting was informed that the car park income was received on a quarterly basis from RBWM who were invoiced by the college a quarter in arrears. It was noted that there were spikes in this income in August and December each year when there were no students or staff onsite.

Governors were given assurance that there was a very tight process in place to ensure that payroll costs remained within budget. This was a focus at every weekly Executive meeting and had been discussed earlier in the day as November payroll costs had exceeded budget by £19,000. GM informed the meeting that a line-by-line review of all agency staff (covering for sickness and sessional staff) would be undertaken to mitigate any future overspend. A spike in overtime claims for security staff covering 'out-of-hours' lettings at Slough & Langley College had also been identified. The meeting noted that this was still a real risk but commended the rigour of the controls to ensure the year-end budget for staff costs was met. The Audit Chair sought confirmation on whether this level of control was manageable going forward in light of the growth in learner numbers for 2024/25. GM confirmed that average group sizes had been increased for 2024/25 so costs of running additional groups had not been incurred but if this growth continued into 2025/26 then it would require additional groups with the associated staff costs for teaching and support. Governors (AH) sought confirmation on the level of in-year growth that the College would be hoping to apply for in spring 2025. GM confirmed that this would be circa £860,000 which was not included in the budget; the Group FD highlighted the need to ringfence this in-year growth funding for cash. The meeting commended the positive picture. GM informed the meeting that governor Ian Thomson (IT) although not able to attend the meeting – had read the papers and sent some comments. IT had asked management to make it easier for Governors to see 'available' cash by separating out any cash that the college had received for grant funding. This would enable Governors to see available cash with ring-fenced cash, committed to certain expenditure, separated out. This would be even more important when FE Colleges received additional cash for estate capital work early in 2025 as promised in the budget; this was likely to be circa £1m for WFCG.

The Management Accounts to October 2024 were NOTED.

ACTION: Future Management Accounts to separately identify cash received through ring-fenced capital grants.

LG

10.

Annual Report of the Audit Committee 2023/24

The Group Director of Governance (TR) presented the Annual Audit Committee Report 2023/24 which had been agreed in draft format by Audit Committee at their last meeting (25 September 2024). The meeting was reminded that the purpose of this report was to provide

**MINUTE
No**

ACTION

assurance to the Corporation from the Audit Committee on the adequacy and effectiveness of controls and risk mitigation in place. Governors noted that the Annual Audit Committee Report was a mandatory requirement within the Post 16 Joint Audit Code of Practice. TR highlighted that this annual audit committee report would be submitted to the ESFA to accompany the financial statements from each of the colleges.

TR informed the meeting that as the external audit was not yet finalised the assessment of MHA against the stated KPIS (including their self-assessment) would be brought to the additional meeting of the Audit Committee on 16 December. TR confirmed that the assessment of the auditors would be appended to the Audit Committee Annual Report before it was submitted to the ESFA.

Members APPROVED the WFCG Audit Committee's annual report 2023/24 which would be taken to the Board for assurance on 11 December 2024 and submitted to the ESFA to accompany the Financial Statements.

**Refer to
Corporation**

All Members were agreed.

ACTION: Assessment of MHA against the KPIs to be undertaken at Extraordinary Audit Committee on 16 December.

**Audit Com/
TR**

10.

Risk Register

The Group Principal (GM) presented the Risk Register for 2024/25 which continued to be reviewed and updated by the Senior Leadership Team. Corporation members noted the risks and their ratings, in detail and additional verbal assurance was provided for the key 'red' and 'amber' risks. 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 now reduced to 16 'amber' from 20 'red'): Acute risk linked to financial health. The upwards pressure on pay was still a very real concern. GM confirmed that the risk had remained high for 2023/24 and was reflected in the year-end position, but lagged funding and tight control of costs would return the College to a positive EBITDA and financial health in 2024/25. GM confirmed that the financial indicators were on track to meet the year-end forecast as discussed earlier in relation to the first quarter management accounts. GM reminded the meeting that there was no guarantee of lagged funding being available after 2025/26 for 16-18 and budgets for adult learning would not be increased. The meeting agreed that the learner growth and cost control now in place supported the risk reduction for this item.
- 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 and capital had been ringfenced during 2024/25 for essential IT improvements. It was noted that the Director IT had update Resources Committee on 26 November with progress against the IT and infrastructure upgrade. The discussions at Resources Committee had included useful input from Governors with specialist IT and technology knowledge. The systems upgrades (in IT, HR and Finance) to increase efficiency and resilience had also been discussed at recent committee meetings and was now being actioned as a priority.
- Risk 3 Uncertainty and risks associated with emerging national curriculum reforms (risk score remains at 12 'amber'): This key 'acute' risk was being well managed and senior staff continued to be engaged in advisory groups linked to reform. The meeting noted that the recent change of government had caused a pause in future curriculum change. The meeting noted that the expected result was that some of the BTECs would not be defunded as originally planned. It was expected that that there might be some scope for applied general vocational qualifications to sit alongside T Levels; the AoC were awaiting confirmation of this before the Christmas break. There would then be a longer period of review across the post 16 landscape – Higher Education Institutions – before reform was announced. The meeting agreed that it was positive that the new government appeared to be listening to the concerns of the FE sector.
- 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 in some curriculum areas results in a challenge to the Good Ofsted rating and the resulting impact on quality and reputation (risk score remains at 12 'amber'): The CEO confirmed that post Ofsted inspection this continued to be a focus for management to ensure consistency across the four campuses. The review of the Strode's College curriculum was noted; the proposed changes in the offer at Strode's would come to Quality & Curriculum Committee on 28 November 2024.
- Risk 6 Changes to external funding risk future financial sustainability (risk score remains at 12 'amber'): The CEO reminded the meeting of the pro-active approach to adult education in Slough which was now being driven forward following the rebranding of Slough and Langley College.

Members NOTED and RECEIVED the updated College Risk Register.

12.

GDPR Annual Report and Action Plan

The meeting noted a draft GDPR Annual Report and Action Plan which had been produced by the College DPO (Data Protection Officer) (YHM). The meeting noted that better staff training on GDPR had improved the frequency and accuracy of reporting in relation to any data breach. There had been 48 data breaches reported by staff to the college data protection officer in 2023-24; the majority of these (28) were due to errors while sending emails. There had only been one data breach during 2023/24 which had necessitated a discussion with the Information Commissioner's Office (ICO). The meeting noted that data breaches which were deemed reportable were those which posed a severe enough risk to the rights and freedoms of the data subjects affected. One incident was initially deemed serious enough to be reportable during 2023-24, but following an informal discussion with the ICO, it was agreed that it did not need to be reported. The meeting noted that this more serious breach was when HR had attached a salary data file to an email incorrectly. GM assured the meeting that Payroll and HR staff were now fastidious about using encryption on sensitive email traffic.

The report confirmed that 11 Subject Access Requests (SARs) were received by WFCG during the year. Governors were assured that out of the 11 SARs received in 2023-24, 9 were responded to within the one-month statutory deadline. One response was late as the data subject did not respond in a timely manner to requests for identification. The other request was late due to the complexity of the request, but the data subject was kept informed of progress throughout.

The meeting commended the improved training programme for staff which the current DPO had put in place. For the 2023-24 academic year, six GDPR refresher training sessions had been delivered to a total of 628 attendees. All WFCG staff were required to attend at least one training session per year, whilst new staff were required to complete two mandatory online training modules during their induction which were tested, via the GDPR Sentry software system.

The meeting was reminded that WFCG had a GDPR Action Plan in place which provided a framework of what was required to enable the College Group to achieve compliance with data protection regulations. This action plan was being taken forward by a college GDPR Working Group with membership from SLT. The meeting took the detailed GDPR Action Plan as read.

Governors commended the interesting report and NG asked whether the report could be enhanced with additional detail on the severity of breaches as follows:

- *The number of escalations to the IoC as (currently reported).*
- *Information on whether breaches were internal or external, severe or not severe.*
- *A note to say how WFCG had followed the industry standard of classification of breaches.*

On a separate but related matter, the meeting also sought clarification on whether the College had data available on the number of cyber security attempts on College systems. GM confirmed that she would source this information from the Group Director of IT for the next meeting.

The GDPR Annual Report and Action Plan were NOTED and RECEIVED.

<u>MINUTE No</u>		<u>ACTION</u>
	<u>ACTION:</u> <i>i. Future GDPR reports to include additional data on severity and classification of breaches as outlined above (in italics).</i> <i>ii. Data on cyber-security threats and attempts to be brought to the next Audit Committee meeting.</i>	DPO CEO
13.	<u>Register of Outstanding Audit Recommendations</u> This report was not presented but had been considered under agenda item 6 Matters Arising. <i>The Audit Recommendations Report would be brought to the next Audit Committee meeting.</i>	
14.	<u>Fraud, Irregularity and Whistleblowing Report</u> The Group Finance Director (LG) 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 2024/25. The meeting noted that the Whistleblowing report was also a nil return for the period 1 August 2024 to date. Members NOTED the Fraud Report (nil return).	
15.	<u>Dates and Times of Future Meetings</u> The date and time of future meetings in 2024/25 were noted as: <ul style="list-style-type: none"> • Wednesday 6 March 2025 • Wednesday 25 June 2025 Members NOTED the 2024/25 meeting schedule and verbal update.	
16.	<u>Any Urgent Business</u> There were urgent items of business raised.	

The meeting closed at 6.20pm.

Chair.....

Date.....