

**Audit Committee
Finance & General Purposes Committee**

Approved

26 November 2024

Members Rachael Fisher (Chair); Suzanne Lyne; Shawez Mir; Kunal Parkash

Attendees Maxine Deslandes (Director of Finance); Anil Nagpal (Chief Operating Officer); Karen Redhead (CEO/Principal); Richard Ward (Director of Governance)

Paul Goddard (Scrutton Bland); Robert Cloke (Buzzacott)

1 Attendance

The Chair welcomed members to the meeting.

2 Declarations of interest

No interests were declared.

3 Minutes

***Resolved*, That the minutes of the meeting held on 26 September 2024 be approved as a correct record.**

4 Matters arising

The Chair noted that the matter arising from the previous meeting relating to internal audit benchmarking had been completed. The Director of Finance reminded the committee that the tender process would begin in January.

5 Subcontracting update

The Committee received a written report on the College's subcontracted provision. A governor queried whether the reported level of income was on target.

Action: Deputy Principal (Planning, Partnerships and Projects) to provide information on the level of forecast income against performance.

The Committee noted that information relating to the methodology for the RAG rating of subcontractors had been included as an appendix to the paper.

6 Risk management

The Chief Operating Officer presented a report on the College's updated strategic risk register. The net risk score for the seventh strategic risk relating to quality had been reduced to acceptable to reflect the outcome of the College's Ofsted monitoring visit. The net risk score for the ninth strategic risk relating to people and culture had been increased to high to reflect the recruitment and use of agency staff within the College. A governor asked that the reasons for changes in net risk scores were captured explicitly in the commentary of future updates.

7 Fraud report

The Chief Operating Officer reported that there had been no instances of actual or suspected fraud in the College since the last update. A governor asked what trends Scrutton Bland had observed from their work in other colleges. Paul Scrutton informed the Committee that internal/in-house fraud was emerging as a greater threat, often as a result of overly trusting relationships and failure to adhere to internal processes and controls. The Chief Operating Officer informed the Committee that the College's anti-fraud and bribery policy had a review interval of three years.

8 Internal audit tracker

The Chief Operating Officer presented the internal audit tracker, noting that 39 of the 56 items on the tracker had been marked as 'complete' by the College but were awaiting validation by Scrutton Bland. The internal audit tracker was monitored regularly within the College and the priority was on arranging follow-up to assess the progress which the College had made.

A governor commented that several of the recommendations were several years old and questioned whether they were still relevant and needed resolution. The Chief Operating Officer noted that the recommendations had been accepted by the College and it was for the internal auditors to agree whether older recommendations had been superseded.

Paul Goddard commented that several of the recommendations related to funding assurance, which was a subject where definitively resolving recommendations could be more difficult to achieve as a result of exceptions within a large volume of transactions. He added that it would be possible to bring the planned follow-up work forward to see whether recommendations which had been marked as completed could be validated any sooner. A governor suggested that it would be preferable to have a shorter list of high priority recommendations for the College to focus on.

Action: Chief Operating Officer to discuss the timing of follow-up work with the internal audit service with a view to bringing it forward.

9 External audit tracker

The Chief Operating Officer presented the external audit tracker, which included the two recommendations made as part of the audit of the College's accounts for 2022/23. The introduction of the new finance system which included a fixed asset module had helped resolve the recommendation made in respect of the College's fixed asset register, and good progress had been made on the recommendation relating to depreciation.

The Chair noted the significant effort which had been made by the finance team to resolving both issues. The Chief Operating Officer drew the Committee's attention to the fact that the post audit management report included one new recommendation, classified as category C, which would be set out later in the meeting.

10 Annual internal audit report

Paul Goddard presented the annual report of the internal audit service. The internal audit had concluded that the College had adequate and effective risk management, governance and control processes, notwithstanding issues discussed earlier in the meeting relating to the implementation of earlier recommendations. The report included a summary of Scrutton Bland's work during the year, the main areas of recommendations and also benchmarking with other FE colleges which were also clients of Scrutton Bland.

Paul Goddard commented that College management had worked flexibly with Scrutton Bland to ensure that the work met the College's needs during the year. The Chair thanked Paul Goddard for the report, commenting that the benchmarking information provided in the report and document requested at the last meeting was particularly helpful.

Resolved, That the annual report of the internal audit service be recommended to the Board.

A governor commented on the balance between new internal audit work and resolving existing recommendations, and the burden of new assignments within the College. The Director of Finance commented that there were some assignments (e.g. funding assurance and learner numbers) which formed a core of the internal audit plan.

The Director of Governance noted that the Audit Committee owned the internal audit plan and could amend the version that it approved at its June meeting, including to bring forward follow-up work if desired. The Chief Operating Officer added that the draft plan included cyclical elements and other assignments over which the College had more choice.

11 Annual report of the Audit Committee

The Director of Governance presented a draft annual report of the Committee to the Board, which included reference to the principal conclusions of the internal and external auditors, a summary of the work of the Committee and the key opinions that the Committee was required to give.

Resolved, That the annual report of the Committee to the Board be approved and signed by the Chair.

The Audit Committee was joined by members of the Finance & General Purposes Committee and Phillip Kerle took the Chair.

Audit Committee and Finance & General Purposes Committee

Members Phillip Kerle (Chair), Christopher Taylor, Karen Redhead

Apologies Jonathan Roe

12 Declarations of interest

The Chair declared that he was a governor at Orbital Colleges South.

13 ESFA confirmation of financial health

The Chief Operating Officer presented a letter from the ESFA which confirmed the College's financial health score of 'Good', based on its assessment of the College's CFFR as submitted in July 2024. He noted that the final position for 2023/24 remained subject to completion of the audit.

14 Post audit report from external auditors

Robert Cloke presented Buzzacott's post audit management report. He commented that the audit process had gone well, although the start of the external audit had been slightly delayed as against the timetable. He acknowledged that the changeover in finance systems during 2023/24 had increased the amount of work required by the College's finance team. Buzzacott would also work with the College to clarify what information was required at the start of the audit. He anticipated unmodified and unqualified opinions on both the regularity audit and the financial statements audit.

15 Letter of representation

Resolved, That the Audit representation letter be recommended to the Board for approval.

16 Regularity self-assessment questionnaire

The Chief Operating Officer presented the Regularity Self-Assessment Questionnaire, incorporating a Fraud Assessment Questionnaire, both of which had been reviewed in draft by the Audit Committee.

Resolved, That the Regularity Self-Assessment Questionnaire be recommended to the Board for approval.

17 Draft annual report and financial statements

The Chief Operating Officer presented the draft annual report and financial statements, which had been subject to a thorough audit by Buzzacott. The headlines included a surplus of £313k, as against a surplus of £101k the previous year and the continuation for a third year of 'Good' financial health. The precise financial health score would either be 180 or 190 points, and this was currently being reviewed by Buzzacott and the College.

He noted that the actuarial valuation of the LGPS had come in significantly different to the budget, which had resulted in a benefit to the final bottom line. One new 'category C' recommendation had been made by Buzzacott in relation to how locations of fixed assets were captured within the new fixed asset register. Governors raised questions relating to payment performance, the nature of the College's reserves policy and the staff utilisation rate.

Members of the Audit Committee and representatives of the internal and external auditors withdrew.

Finance & General Purposes Committee

18 Minutes

Resolved, That the minutes of the meeting held on 1 October 2024 be approved as a correct record.

19 Matters arising

The Chair noted that the matter arising from the previous meeting would remain.

20 Management accounts

The Chief Operating Officer spoke to the September management accounts. He noted that period 2 was very early in the year and there was very little to report in terms of movement. The one significant change was on the LGPS actuarial report, where the budgeted £2.6m cost was now forecast to be a credit of £153k giving a projected bottom line surplus of £404k. On the financial KPIs, the College was currently on target, but the year to date financial health score was currently overstated as it was still early in the financial year. The management accounts had been streamlined and improved taking feedback on board. The accounts would continue to be further refined in future versions. The Chief Operating Officer confirmed that the College remained a going concern as at the meeting date.

21 Estates update

The Chief Operating Officer updated the Committee on the College's estates strategy, which covered progress on Hammersmith & Fulham College including refurbishment works. The College did not have the funds to complete the rest of RIBA Stage 3 and was continuing the elements of the work that it could within the available budget for the current year. The Chancellor's Autumn Budget had included £950m of skills capital funding, of which £300m was intended for colleges to maintain, improve and ensure the suitability of their estates. Further details of this funding were anticipated.

The College had met with representatives of the DfE's FE capital team earlier in the month and held constructive discussions on the condition of and options for Hammersmith & Fulham College. Since the last meeting of the Committee, further discussions had taken place on the possible accommodation of another educational establishment. The timelines did not align with the College's redevelopment plans and the proposal would not be taken any further. The Committee discussed progress in the

College's engagement with the local planning authority, the viability of capitalising expenditure on the rest of RIBA Stage 3 and the prospect of using other funding sources, subject to the views of the DfE. The Committee agreed that further discussion in the Estates Working Group, informed by documents prepared by Peter Marsh Consulting and the College, would help inform any subsequent decisions to be taken by the Board.

22 Settlement payments

The Chief Operating Officer reported that no settlement payments had been made since the last meeting.

23 Efficiencies programme

The Chief Operating Officer presented a report on the College's efficiencies programme, the main elements of which related to exam costs, printing and photocopying, distance learning and energy costs. Other potential areas for efficiencies were being examined for feasibility. The Chair commented that the next Committee meeting in March should receive details of progress made on realising the efficiencies which had been identified.

24 Value for money policy

***Resolved*, That the value for money policy be recommended to the Board for approval.**

25 HR policies

The Chair noted that the HR policies set down for consideration at this meeting had been deferred.

26 Next meeting

5.30 pm on Tuesday 18 March 2024.