

AUDIT AND RISK MANAGEMENT COMMITTEE

Minutes of the hybrid meeting held on 18 November 2024 at 4.30pm

Present physically at ASFC:	J Wakelam, WSC Governor, Vice Chair K Chapman, WSC Governor, Chair
Present virtually:	H Nydam, Committee member(part) M Searcey, WSC Governor P Frazer-Gale, Committee member (part) R Cannon, WSC Governor R Hetherington, WSC Governor
In attendance:	A Brewster, Group Head of Finance A McGarel, CFO L Carroll, Group Head of Project Accounting, Risk and Transformation L Cox, Scrutton Bland N Savvas, CEO S Gales, Governance Professional S Mason, RSM S Prickett, Group Director Finance & Operations
Apologies:	J Gazzard, WSC Governor S Hope, Group Director Compliance
Absences:	
WSC Governors in attendance for items 1-6	A Duffety, WSC Governor (part) C Higgins, WSC Governor (part) C Chua, WSC Governor (part) E D'Souza, WSC Governor (part) M Downes, WSC Governor (part) M Chatt, WSC Governor (part)

1. Declaration of Interests and Apologies for absence

J Wakelam declared her role as a Trustee and P Frazer-Gale declared his role a Committee member of Eastern Education Group Trust. No conflicts of interest in relation to the items of the agenda were declared.

Apologies were accepted from J Gazzard.

The Chair noted that pursuant to clause 62 of the Post-16 Audit Code of Practice, members of the Corporation have been invited to join the meeting to receive the External Auditor's findings. Members introduced themselves.

The Committee congratulated the staff following their recent Ofsted inspection.

2. Audit Committee's annual report

Members received and considered the draft Annual Report provided and the CFO summarised the key points.

The Chair noted that, in line with responsibility 4 of the Committee's Terms of Reference, the Committee met with the Internal and External Auditors without the Executive in June 2024. Members asked for the section 3 on page 2 relating to 'Meetings Held' to reference this. The CFO requested a further amendment to section 7 on page 4 relating to 'Risk Management' to reference L Carroll's role in relation to prepare and maintain the Risk Register. Members **agreed** for the CFO to make these amendments.

Members **approved** the Annual Report, subject to the amendments above, **and agreed to recommend it to the Corporation.**

Action

CFO

C Higgins joined the meeting at 4.45pm

3. **Regularity Self-Assessment Questionnaire (RSAQ)**

Members received and considered the draft RSAQ provided, and the Governance Professional confirmed the Executive co-produced the responses to explain the control measures and process by which the College complies with the regularity requirements.

Members discussed the 'Project appraisal' section on page 11 and queried whether the Committee's Terms of Reference should expressly state their role in monitoring effective risk management in relation to projects. The CFO and Governance Professional explained that this Committee's role is a continuation of its duties, rather than distinct new duties, and therefore advised the Terms of Reference are sufficient.

Members discussed the 'Incoming Resources' and 'Funding Agreements' section on page 1 and queried whether this Committee should be referenced. The CFO and Governance Professional explained that, in accordance with our Financial Regulations, the Finance Committee has delegated authority to lead on these and that this Committee's role centres on the Internal and External Audit assurance of compliance and the effectiveness of the Finance Committee's oversight and controls; and therefore advised the response section is appropriate.

Members noted the 'Special Payments, including severance, compensation and ex gratia payments' section on page 3 is incomplete and queried if the values of any payments are below the thresholds requiring ESFA/DfE consent. The CFO and External Auditor confirmed the values were below the thresholds. Members asked for this section to be completed.

Members discussed the 'Investment in subsidiary, joint ventures or similar arrangements' section on page 9 and queried if reference to SAT should be amended to EEGT following its change of name. The CFO advised that SAT is used as it was the name of the multi-academy trust throughout the reporting period the RSAQ applies to.

Members **approved** the RSAQ, subject to the amendments above, **and agreed to recommend it to the Corporation.**

CPO
CFO

H Nydam joined the meeting at 4.51pm

4. **Draft 2023/24 Audited Accounts**

Members received and considered the draft audited accounts provided, and A Brewster summarised the key data and how the process taken to draft these.

A Brewster informed that the draft accounts are unaudited and will be further proof checked to correct spelling, punctuation and casting. Moreover, the draft accounts are awaiting further information in relation to student achievements, the report on carbon from a third-party source, and some access and participation figures in Note 26 at the end of the report. A Brewster confirmed that none of these should change anything material.

A Brewster noted the year-end outturn was a surplus of £212,000 against a £201,000 budget, our ESFA financial health score is predicted to be outstanding and the college has increased its reserves.

The Committee thanked Samuel Ijaopo, Nicky Hardy and the entire finance team, for producing the draft accounts.

Members discussed the 'adjusted surplus before actuarial losses and gains' as stated on page 9 and queried whether the figure is correct given the figures on pages 40 and 51 suggest the figure on page 9 is the pension adjusted figure. The CFO to review.

Members discussed the surplus/deficit figures on page 40 and suggested this be reviewed, to ensure it accurately reflects the college's positive year-end outturn position.

CFO

CFO

The CFO thanked RSM for the smooth external audit process.

P Frazer-Gale joined, and E D'Souza left the meeting at 5.00pm

Members noted the accounts are still draft and require further finalisation, and queried if the Executive are confident the final version will be ready for the Corporation to receive and approve at its meeting on 10 December 2024. The CFO confirmed it will be.

Members discussed the 'reserves' section of page 10 and queried how the college sets its reserves policy to ensure there are sufficient funds to develop and maintain the estate. The Governance Professional explained that the Finance Committee recommends the reserves policy to the Corporation and advises on the appropriate level of reserves, considering key internal information about the investment needed (linked to our Property Strategy) and likely available funds (linked to our budget and 3-year financial forecast), as well as external best practice guidance (from the DfE) and benchmarks of similarly sized organisations. A Duffety as Finance Committee Chair informed that the Finance Committee is working closely with the CFO's team and the Resources Committee to consider the longer-term investment needed and reserves usage to ensure the policy is both appropriate and is used appropriately.

Members commended the clarity of the report.

Members discussed pensions and queried why the 'net defined benefit asset / (liability)' was recorded as nil. The External Auditor advised this is standard accounting practice in the FE sector.

Members queried if the section on 'Taxation' on page 51 was accurate. The CFO to check.

Members discussed the 'Related Party Transaction' section on page 71 and suggested this be reworded to reflect the discussions at the Finance Committee. The CFO to update.

Members discussed the 'Resources' section on page 3 and queried whether the wording relating to the average FTE should be expanded to provide more context. The CFO to consider.

Members discussed the 'Key Performance Indicators' on page 9 and queried if 'positive intended destination' is a recognised term. The CEO explained the term.

Members discussed page 53 and queried why the Higher Education Grants and Contracts figure from 2024 is significantly reduced compared to 2023. The CFO noted page 54 explains the reduction results from there being no additional 'Grant income from HE franchised provision'.

The Chair informed that the draft accounts will be further reviewed and updated by the Executive and presented to the Finance Committee at its meeting on 27 November 2024, ahead of being presented to the Corporation at its meeting on 11 December 2024.

5. **External Auditor's Audit Findings report**

Members received and considered the report provided and S Mason summarised the key findings.

S Mason thanked Samuel Ijaopo, Amanda Brewster, Anthony McGarel and others involved in the external audit for their support and commended the clean audit with 'no adjusted or unadjusted audit misstatements'.

S Mason outlined the external audit and assurance process in relation to the four significant risks (management override of controls, Income recognition – Apprenticeships and AEB, 16-19 income and other), three higher risks (defined benefit pension scheme asset, going concern, regularity – reclassification to the public sector), and other risks (accommodation strategy).

CFO

CFO

CFO

Members noted that the 'Defined benefit pension scheme asset' section on page 6 has an incomplete sentence. S Mason to amend. Members queried whether there has been a change in the accounting treatment in relation to the 'amount recognised in the financial statements for the LGPS scheme'. S Mason confirmed it is not a change, and suggested she amend the wording to provide greater clarity.

Members noted the Government is considering changing how it manages LGPS and queried the likely impact to the college. S Mason informed it is too early to know the impact.

S Mason informed there were no 'significant control recommendations' and six 'other control recommendations', with one 'observation noted', and confirmed the Executive has appropriately responded to the recommendations.

K Chapman
A Duffety

The Chair noted that the findings report will be further reviewed and updated by RSM, shown as tracked changes compared to the version presented to this Committee, ahead of being presented to the Corporation at its meeting on 11 December 2024. Members noted it is unlikely to be ready for review by the Finance Committee on 27 November 2024. The Committee granted **delegated authority** to K Chapman (as Audit and Risk Management Committee Chair) and A Duffety (as Finance Committee Chair) to review the updated Audited Accounts and Findings Report, and to recommend them to the Corporation.

A Duffety, C Chua, and C Higgins left the meeting at 5.37pm

Members noted RSM utilise AI as part of the external audit and queried the security of the college's data. S Mason outlined RSM's data security mechanisms and noted the AI used is an in-house tool, so the data is not shared beyond RSM.

The Chair thanked Sarah Mason for her thorough presentation of the findings report.

6. Internal Auditor's annual report

Members received and considered the annual report provided, and L Cox summarised the key findings.

L Cox noted their opinion is that for the year ended 31 July 2024 the College:

- Has adequate and effective risk management processes;
- Has adequate and effective governance processes;
- Has adequate and effective control processes, notwithstanding the further progress that needs to be made in implementing our prior year recommendations; and
- Has adequate and effective processes surrounding efficiency and effectiveness.

Moreover, of the internal audit work conducted in 2023/24, four were graded as **strong assurance**, three were graded as **significant assurance** and three were graded with **reasonable assurance**.

Members discussed Appendix B of the report and queried the number of FE college comparators used in the benchmarking analysis. L Cox informed Scrutton Bland work with approximately 35 colleges.

Members noted the Internal Audit of Culture had been postponed and queried how Scrutton Bland measure Culture and why it was postponed. L Cox informed the audit considers staff satisfaction metrics across the organisation and any silos and/or variations, as well as feedback from staff focus groups. L Cox noted that the audit was postponed in recognition of the ongoing staffing and structural changes arising from the expansion of the Trust, and that it would be prudent to delay the audit until the staffing structure is more established and embedded so the audit can produce more meaningful findings.

7. Minutes of the meeting held on 7 October 2024

The minutes of the meeting held on 7 October 2024 were **agreed** as an accurate record.

8. Matters Arising from meeting on 7 October 2024

Two of the seven matters arising from the previous meeting were complete, with two ongoing. Scrutton Bland provided a verbal update on the other three matters arising:

MA3 – L Cox confirmed that the next Follow-Up report will set out the reasons for any 'unable to conclude' or 'not implemented' recommendations.

MA4 – L Cox informed that the next Follow-Up report will consider the alternative controls, and the Mental Health recommendation will be reviewed/updated accordingly.

MA6 – L Cox explained that an 'open job' is a vacant post that is available to be filled, whereas an 'open position' is a vacancy with an open job that can be occupied by a person.

Members discussed that a historic matters arising in relation to the risks arising from our HE provision has been closed as this was superseded by the staffing and structural changes within this area, and that the Apprenticeship and HE Educational Excellence Committee are monitoring these risks (via the Risk Register Extract) going forwards.

9. **Risk Management Update**

Members received and considered the proposed new Risk Register which includes **3 red, 16 amber, 5 yellow** risks, with ten new Group-wide risks. L Carroll summarised the key points.

M Chatt left the meeting at 5.55pm

Members commended the significance progress in developing the new Risk Register and the radar.

Members noted that EEG020 (relating to cultural integration) is truly Group-wide and queried how we will monitor the effectiveness of the mitigation. The CEO outlined how the Executive are working to create an integrated staff body in furtherance of our Group strategy – one organisation, multiple locations. The CEO noted that culture takes a while to embed following significant change (e.g. the recent expansion of the Trust) and noted there are key milestones we are measuring progress against.

Members noted that, in the future, we could use an Internal Audit of Culture to measure the effectiveness of mitigation in relation to EEG020. The CEO noted it is too premature at this stage.

Members discussed how to distribute the risks (via the Risk Register Extracts) to the Committees. The CEO and CFO to recommend the distribution to this Committee and EEGT's Audit and Risk Management Committee for approval.

CEO
CFO

10. **Audit Recommendations Tracking Report**

Members received and considered the tracking report which shows that of the 47 recommendations; of which 19 are considered complete and 28 are ongoing. L Carroll summarised the key information.

Members queried whether recommendations from the External Auditors should be added to the tracker. L Carroll to add to all audit recommendations to the tracker.

L Carroll

Members discussed the multiple ongoing recommendations in relation to IT infrastructure and queried whether these are still relevant and achievable. The CFO noted these will be reviewed as part of the Follow-Up audit, and explained that as new technology is always coming out we need to implement and close the recommendation, rather than continue to revise our management response to the recommendation to reflect our ongoing operational actions to develop our IT infrastructure – otherwise the recommendation can never be closed. The CEO informed that developing our IT infrastructure is a core consideration of our wider Resources and Property Strategy, overseen by the Resources Committee, to ensure we invest in appropriate technologies, systems, security and equipment.

11. **Incident Management update**

Members received and considered the report provided and L Carroll summarised the key information of the report.

Members discussed the anti-social behaviour at the Thetford PPL centre and queried whether the police have been involved. L Carroll answered this and explained the actions taken to ensure students and staff are kept safe. The CEO informed of plans to seek new accommodation in the town.

H Nydam left the meeting at 6.28pm

12. Policies

i. Whistleblowing

Members received and considered the updated policy, and the Governance Professional explained the rationale for the proposed changes.

Members asked for the policy to include a response timeline.

Members **agreed** to review the updated policy via email in readiness to recommend it to the Corporation.

13. Any Other Business

- Bursary and Free Meals (ESFA Audit)

The CFO informed that the college had been selected by the ESFA for the above audit which took place in the autumn term and noted the findings report will be shared with the Committee once finalised.

The meeting closed at 6.35pm

S Hope