

MEETING OF THE AUDIT COMMITTEE (the Committee) OF MACCLESFIELD COLLEGE (the College)

Tuesday 19 March 2024 – 9.30 AM

HYBRID MEETING HELD IN THE EXECUTIVE AREA AND VIA ZOOM

PART I

Clerk: Mrs C Gritton

Director of Finance and Estates to join the meeting once the Committee has ascertained whether there are any matters that the internal auditor wishes to pass to the Committee, whilst no College staff are in the room.

The Internal and External Auditors confirmed that there were no matters to pass to the Committee from their perspective.

Attendance	M Wright (Chair), M Bowers, G Bristow, N Hodkinson, C Johns (CJ)
Attendance Non-Committee Members	Internal Auditor Validera – Lee Glover (LG) – Item 5 only (9:30am to 10am) V Hayhoe – Director of Finance and Estates (VH)
Apologies	I Lees, A Hunter

ACTION	RESPONSIBILITY
5/24 The Clerk will upload a copy of the Internal Audit Schedule to Trust Governor. Completed 20/03/2024.	Clerk
6/24 VH will ascertain staff turnover and attrition figures and report back to this Committee.	VH
6/24 Recommendation that the May Strategy Day include: 1. Consideration of an Opportunity Register to assist with risk mitigation. 2. Key KPIs	VH
<u>Previous Meetings' Actions:</u>	
The Audit Findings Report for the year ended 31 July 2023 will be recommended for approval at the Corporation meeting on 5 December 2023. Confirmed Completed 19/03/2024.	VH/RC

The letters of representation will be shared at the Corporation meeting on 5 December 2023 for signing by the Chair of the Corporation and the Principal. Confirmed Complete 19/03/2024.	VH/RC
To receive a copy of the draft Report and Financial Statements for the Year ended 31 July 2023. This will formally be considered by the Corporation at its meeting on 5 December 2023. Confirmed Complete 19/03/2024.	VH/RC
The Chair of the Corporation and the Accounting Officer are required to sign the Self-Assessment questionnaire to meet audit and DfE requirements. Confirmed Complete 19/03/204.	VH/RC
Management have requested as part of the Internal Audit Strategy that the Internal Auditors review Apprenticeships again in the future and therefore it is included in the future Internal Audit Plan.	Internal Auditors
The Annual Risk Management Report for the period 1 August 2022 to 31 July 2023 will be recommended to the Corporation for approval. Confirmed Complete 19/03/2024.	VH/RC
Audit Committee Members recommended the Annual Review of Risk Appetite report to the Corporation meeting of 5 December 2023. Confirmed Complete 19/03/2024.	VH/RC
The Audit Committee recommended the Annual Report of the Audit Committee to the Corporation meeting to be held on 5 December 2023. Confirmed Complete 19/03/2024.	RC
The Terms of Reference will be recommended to the Corporation meeting for approval at the meeting on 5 December 2023. Confirmed Complete 19/03/2024.	RC

MINUTES

- | Item | Title |
|------|---|
| 1/24 | <p>Welcome and Apologies for Absence
No Apologies for absence were received.</p> |
| 2/24 | <p>Declaration of Members' Interest
There were no declarations of Members' interest.</p> |
| 3/24 | <p>Minutes and Matters Arising
The Minutes of the Audit Committee meeting held on 14 November 2023, were approved as a true and accurate record.
All papers referred to herein had been uploaded to Trust Governor, prior to the meeting.</p> |

- 4/24 **Fraud, GDPR and RIDDOR Reportable Incidents**
VH confirmed that there had been no reported fraud issues since the last meeting.
- 5/24 **Internal Audits – Paper 5 Internal Audit Performance Management 23/24 Final Report was Received.**
LG reported a good outcome for the performance management report, with no substantial Recommendations. The only point of note is the large number of indicators within the dashboard used by the College, but the point is recorded only as an observation. Traced figures have been validated and are generally good, so Substantial Assurance has been recorded.
Q – The Committee asked whether the KPIs are those the Auditor would expect to see for a FE College.
LG confirmed that in general in governance, sometimes, too much detail is sent up the governance structure; the Education Commissioner issued a dashboard containing numerous KPIs, but less should come to the Board. From a governance perspective, committees look at relevant KPIs at granular level and report to the Board so the Corporation can ensure the College is on track. LG advised that the Corporation focus on 10 KPIs important at Corporation level.
VH reported that the original KPI is a regimented, legacy document, which has been reviewed, revised and updated, taking into account what Governors required. This current report provides confidence in moving away from that legacy document and a focus on the key KPIs. The matter will be discussed further at the May 2024 Corporation Strategic Day. The Board is aware of the issues. The Committee took reassurance from the implementation of the new Learner Experience Committee and the detail in which the Board scrutinise the KPIs.
The Committee noted that KPI targets are not always clear and the Board are not always sure on what it should focus. **LG advised that** 2 years of actuals is a long period of time, so yearly comparisons are more useful for context and understanding. The KPI document is a reflection of the College's refinement and development journey. LG commented that it was pleasing to note that the Board is putting the same scrutiny into risk management.
Q – The Committee asked what the horizon looked like with regard to the simplified FE funding pilot.
LG advised that it is anticipated that the pilot programme would be rolled out within 18 months, looking at the colleges which had volunteered to take part.
It was reported that VH and LG would be meeting in the week beginning 25 March to discuss Risk Management. A Health Check was due in the next couple of days and a review of student records due later in the year; there was no reason to suspect they will not be fulfilled. The College has 4 to 5 internal audits per year, regarding funding and teaching which are checked against the previous year's audit outcomes.
ACTION: At the request of the Committee, the internal audit schedule will be shared with the Committee members.
- LG left the meeting at 9:55am
- 6/24 **Risk Management – Paper 6 – Risk Register 2023.24 was Received.**
The Chair reported that he had discussed with the College Principal, the risks which might arise from AI, and had received assurance that the IT team are considering the matter and assessing what additional expertise might be utilised to mitigate any risks.

Challenge: The Committee asked how the College manages risk with regard to student plagiarism and IT.

It was confirmed that this is one of the areas being considered by the IT team.

VH reported that the risk management group meet termly. There are currently 11 live risks. Each one is considered in detail at each meeting and the risk rating amended accordingly. VH went through the Register in Register order:

1. Financial health rating has been increased, due to last year's College's financial RI grading. This is considered High Risk.

Challenge: The Committee asked how the financial RI grading affects the College's brand and reputation.

It was reported that the financial grading would not necessarily be known outside of the organisation, so should not affect brand and reputation in general.

Q - The Committee asked how the financial grading and Ofsted grading affect each other.

It was reported that Ofsted do not look at financial gradings. The College sent its 3-year audit plan to the DfE and reports the financial status to the DfE. Were the financial status to dip to Inadequate, the DfE would send a team to look at what the College is doing. The risk is that financials are reliant on student numbers. **The Committee noted that** the College is very good regarding Apprenticeships, in which the College makes a 35% surplus; of a £12 million college, £3 million is in Apprenticeships. The Committee discussed the notion that the College's Ofsted Requires Improvement grading would affect student numbers, causing a drop in applications, which in turn, would have a negative financial impact. The Committee were assured that FE College location and offer can be more important to students than Ofsted grading.

2. Benchmark of staffing to income ratio – the risk has increased for 2023/2024 due to increasing staffing cost pressures and recruitment issues in some areas, particularly Digital, Media and Sport, necessitating increased agency costs and placement fees. The required timing of the budget setting process and lagged funding add to the challenges faced by colleges. The Committee are also aware that Apprenticeships require skilled expertise in teaching and those people skilled in those areas are not entering into teaching, due to uncompetitive pay in the sector.

Q – The Committee asked who determines the staff to student ratio.

It was reported that the focus is on how the College can recruit students to maximise classes. There is a maximum number of students who can fit in the physical classroom spaces.

Q – The Committee asked whether the Board needs to look ahead to deal with that issue.

It was reported that the College is financially good in that its costs are staffing 65%, operation costs 30% and 5% profit. Figures outside of that would initiate DfE scrutiny. The College's surplus is now under increased pressure.

3. Student numbers – there are no concerns. Student applications' numbers have increased and the College's allocation is up from 1008 to 1127.

Q – The Committee asked whether overall FE demand is driving the upturn.

It was reported that the College is seeing a year-on-year increase in Electrical and Construction. The Committee discussed the Construction industry and the effect the national picture has on FE

applications. Given some of the challenges, it is good that the College has a strong Construction uptake. However, the Construction building size limits numbers.

4. The wording has been changed regarding the College retaining/regaining its Good Ofsted rating. The risk rating has not changed, as there are numerous risk mitigation actions underway, such as the introduction of Centre Managers, a Learner Experience Committee, staff uplifts to Programme Leads and a new Quality cycle, to ensure the College is ready for reinspection in 18 months' time.
5. The risk that the College is removed from the register of Apprenticeships has not changed. There are no issues and the Committee noted that the College has been recognised by the DfE as providing a successful Apprenticeship model and has been asked to liaise with the DfE to introduce that model to other colleges.
6. Staff recruitment issues are not College-wide; as a whole the College has a stable workforce and are looking at creative solutions for challenging recruitment areas.

ACTION: At Committee request, VH will ascertain staff turnover and attrition figures from HR and report back to the Committee.

7. Capital projects - the risk has increased as the College now has a number of substantial capital projects which fall within a small window for completion around September/October 2024. Tight management continues and but all projects are on-track and on-budget.
8. Student mental health and wellbeing – the risk has not escalated. Much has been done to improve wellbeing support and additional initiatives within the current programme, are planned for September.

Q – Are there any concerns arising from student feedback on mental health and wellbeing. It was reported that staff are not aware of any concerns, but there is a waiting list to see the student counsellor.

9. Business continuity – no issues reported. Investments in the IT infrastructure may lead to a risk rating decrease when the new IT systems are fully incorporated.
10. Pandemic affecting the College – This risk has been merged with Risk 9.
11. Health and safety controls – no issues reported.
12. Breach of College loan covenant – risk escalated as this is linked to College finance.

The Strategic Plan helps mitigate the risks listed. **The Committee recommended that** the College consider implementing an Opportunity Register, which can be used to mitigate risk. It was recommended that this be explored in the May Strategy Day.

7/24 **Internal Audit Recommendation Tracker – Paper 7 Internal Audit Recommendation Tracker 2023-24 MASTER was Received.**

It was reported that as expected, the majority of the Recommendations from the 2022/2023 Audit are complete. The IT password system is not yet complete, but remains within the given timeframe. The 2023/2024 Audit Recommendations' cycle has begun and Performance Management, HR and Risk Management will be considered shortly and will be reported to this Committee. Validera bring in specialists for each area and College feedback about the Validera auditors is positive.

The Committee confirmed their satisfaction with the report.

8/24 **External Auditor Recommendation – Paper 8 Internal Auditor Recommendation was Received.** **VH reported that** engagement with external auditors, Wylie and Bissett has always been good; they are supportive and there have been no issues.

The Committee, noting that VH is leaving the employment of the College, are happy to retain Wylie and Bissett and recommend to the Board that the College issues an extension for the 2023/24 and 2024/25 financial year end audit.

VH confirmed that the internal audit contract with Validera is in its 2nd year, so has a year to run. The Committee noted that this is CJ's last Audit Committee meeting and thanked her for her work on the Committee. CJ is taking up the role of Corporation Board Chair.

9/24 **Date and time of the next meeting**

The next Audit Committee will take place on 18 June 2024 at 9:30am
Meeting closed at 10:45am