

FURNESS COLLEGE CORPORATION
Principal and Chief Executive: Nicola Cove

MINUTES OF AUDIT & RISK COMMITTEE

Meeting Date: 18.6.25

Venue: Board Room Channelside

Present:

Phil Huck (Chair)	External
John Smith	External
Helen Bayley	External
John Lighten	External (Teams)

In Attendance:

Nicola Cove	Principal & CEO
Connor McGinley	wbg
Annalee Hurley	Beever & Struthers
Sue Hutchinson	Beever & Struthers
Joanne Crowther	Governance Professional
Justin Smith	Director of Finance

ITEM 1 - APOLOGIES FOR ABSENCE

AR/25/49 There were no apologies for absence

ITEM 2 - DECLARATION OF INTERESTS

AR/25/50 The Chair reminded Governors of the requirement to declare their interests in any agenda items. For any such declaration Governors would not be eligible to speak or to vote on the matters under discussion.

ITEM 3 - EQUALITY, DIVERSITY & INCLUSIVITY

AR/25/51 The Chair reminded Governors of the College's commitment to equality and diversity and the need to consider these matters along with health and safety in all Committee business.

ITEM 4 - MINUTES OF THE PREVIOUS MEETING

AR/25/52 **Resolved** - the minutes of the meeting held on **5th May 2025** be **approved** as a correct record.

ITEM 5 - MATTERS ARISING/ACTIONS

AR/25/53 Chair reviewed the actions from the previous meeting and confirmed all were complete.

AR/25/54 ACTION – Governance Professional to liaise with the Chair of the Board regarding an informal Chairs’ meeting

ITEM 6 – INTERNAL AUDIT REPORTS

AR/25/55 Mr McGinley presented the Internal Audit Report – College Financial Handbook and confirmed that with the ONS reclassification, colleges must now adhere to a new financial framework. He confirmed that financial controls are in place ensuring Colleges are consistent with the requirements of the funding body.

AR/25/56 He drew Members attention to P8 and confirmed an overall assurance of strong, and noted very strong financial controls in place. No recommendations were made, but there was one observation. Good practice was noted and benchmarking, detailed on p10, show that on average college in the sector would raise 2 points, but the College had none so compared well. Noted that a new member of staff for the Finance team has been recruited who will work with the Director of Finance.

AR/25/57 Members asked if there was a risk with regard to the number of staff in the Finance team as should the Director of Finance leave, it could create a risk. The Principal & CEO confirmed that although it is a small finance team, it benchmarks well against other organisations of a similar size. Also, the situation is somewhat unusual in that the Principal & CEO is an accountant so there are some additional layers of assurance. Change tends to be planned and gives the organisation the opportunity to respond.

AR/25/58 The Chair asked what was the difference between a recommendation and an observation. Mr McGinley confirmed that if something has a clear risk, it is a recommendation. An observation is where there are controls in place so it is not risk based and in this case the role of the Financial Controller is being covered at the moment so not seen as a risk so an observation rather than a recommendation. The Chair asked if observations were monitored in the same way that recommendations are. Mr McGinley confirmed that they are not, but this is something that could be revisited if required.

AR/25/59 Members asked if there was anything to be learned from the benchmarking. The Principal & CEO advised that the protocols of testing usually cross check with benchmarking or best practice matters. Mr McGinley advised that they always look at anything in particular that has been seen elsewhere. Nothing was noted in the review reflecting the strong assurance.

AR/25/60 Members noted that the framework and resources are in place, and the risk is minimal. The Chair noted the strong assurance with no recommendations which was very pleasing.

AR/25/61 Mr McGinley presented the Internal Audit Report - Summary of Internal Audit Recommendations (Follow Up) and confirmed strong assurance. At the time of the review there were 6 actions and 4 were noted as implemented. 2 lower grade actions that were not implemented from Library Services relating to late returns procedure and survey on the service. No progress had been made with this and this will be followed up.

AR/25/61 The Chair noted that the actions mentioned are not on internal monitoring report. The Director of Finance confirmed that he would go back through and understand what has happened and will report back to the next meeting. They

were previously reported as complete by the previous Director of Finance, but this needs to be checked.

AR/25/62 ACTION – Director of Finance to review the actions to see if the library actions have been implemented and report back to the next meeting

AR/25/63 RESOLVED – the Internal Audit Reports were NOTED

ITEM 7 – AUDIT RECOMMENDATIONS MONITORING REPORT

AR/25/64 The Director of Finance presented the report and confirmed that there were 3 outstanding items at the last report and these have been completed with the exception of one which will be complete by the end of the year. The item still in progress are from the HR review and due to be finished by the end of July working with the new HR. The Principal & CEO advised Members that this issue is due to a timing issue and will be discharged during review week which starts on the 30th June. In relation to the other item around risk management training, we talked about this at the last meeting and the internal and external auditors indicated they could provide some training if needed so there is a mechanism to conclude this linking it to a wider raft of Governor training.

AR/25/65 RESOLVED – the report was Noted

ITEM 8 – INTERNAL AUDIT PLAN FOR THE COMING YEAR

AR/25/66 Mr McGinley presented the audit plan for the coming year and confirmed that P5 outlines the proposed scope. Payroll, Procurement, Funding review – apprenticeships, Estates Health & Safety, Safeguarding, follow up.

AR/25/67 Members asked about whether or not these were the right choices given the position with Ofsted. Would it be more appropriate to look at curriculum planning. The Principal & CEO confirmed that Safeguarding was swapped from the 24/25 plan to bring forward risk management because of Ofsted. However, Safeguarding has been reviewed externally with the local authority and are about to go through this again with re-inspection next academic year. As such, we may not get the best benefit from Safeguarding also being audited again. The Chair echoed the points made. The Principal & CEO noted that the timing of the review would need to be considered as they may be due when we are to have our full re-inspection so would be sensible to plan to avoid a clash.

AR/25/68 Members asked if the College uses procurement cards. The Principal & CEO confirmed that it does not.

AR/25/69 The Chair noted that it would be possible to swap Safeguarding for Curriculum Planning to support a wider discussion about how the audits reflect the improvement journey. The Principal & CEO noted that a key driver for the audit schedules will come from the risk register so this would bring some real live issues to bear. She noted that the work of the internal auditor is only one source of assurance and the scrutiny that we are under with DfE and FEC are also now providing assurances in this area too. We can agree a plan now, but we will have the opportunity to revisit the plan over the year as we receive new information about changing risks.

AR25/70 ACTION – the proposed Safeguarding audit to be replace by Curriculum Planning by wbg.

AR/25/71 The Principal & CEO noted that this will change the number of days in the audit cycle and would not want to curtail any of the other audits. The Chair confirmed that he was happy to approve an increase from 30 to 31 days. Mr McGinley confirmed that he would send over the provisional scope.

AR/25/72 RESOLVED – the Internal Audit Plan for 2025/2026 was APPROVED subject to the change suggested and increase the number of days to 31.

ITEM 9 – FINANCIAL STATEMENTS REVIEW AND REGULATORY REVIEW PLAN

AR/25/73 Ms Hutchinson of Beever & Struthers advised that Annalee Hurley was new to the College team and that she would talk through the review and plan.

AR/25/74 Ms Hurley confirmed that there have been changes in the way that risks have been labelled, but that she would take the document as read and focus on the back pages where it was felt the risks were. She advised Members of the fraud risk around revenue. The document outlines the income streams and how these are audited. Risks around fraud and income are standard and although a large number of streams have requirements attached to ensure eligibility of funding – no risk identified so downgraded to elevated risk. This is the most significant change from last year.

AR/25/75 The Chair asked if this activity is linked to internal audit. Ms Hurley confirmed that it was not. She advised that they look at internal audit reports to see if there are any areas that we need to look at that we were not aware of.

AR/25/76 Going Concern – looked at as a result of the Ofsted journey and the NTI issued in 2024. This is a live issue but at this point in time there is a risk around Going Concern and will look at learner intake for 2025/26 and where this would put the College. Quite a moving target so left as a significant risk.

AR/25/77 Elevated risks – loan covenants financial and non-financial. If the Covenants were to breach, there could be a risk to Going Concern. However, there is no concern that there is an immediate risk.

AR/25/78 Valuation of Pension Scheme – elevated risk due to the complexity of the valuation. This will likely show as an asset again with a nil value recognised at year end. The specific assumptions are benchmarked against the actuarial report and other colleges who have been audited.

AR/25/79 The Chair asked if the risk around Going Concern had changed the audit approach. Ms Hurley confirmed that it did not. Going Concern is about looking forward and can we be satisfied that the College will continue to operate. Ofsted is an element of that, with the NTI and the challenges this might pose, and any reduction in student numbers would change the view if not the scope.

AR/25/80 Members asked how issues around Going Concern link to the SPA process. Ms Hutchinson confirmed that at this point they always test Going Concern where we are as we know that some contracts are changing and this gives rise to Going Concern being considered more regularly. Reflecting on last year's financial statements, there was further disclosure, so doing the same as last year, but this is the board's judgement of Going Concern. The outcome of the SPA will contribute to the overall position of the College

AR/25/81 The Principal & CEO noted that Going Concern isn't a new risk, it is always there in the same way as management override and fraud. The position post Ofsted is particularly acute as there are assumptions that could affect Going Concern like student numbers that could have a more material impact. With regard to the SPA, there is still quite a bit to be worked through but inevitably there will be enhanced disclosures in the financial statements. Once the outcome of the SPA is known things will be clearer. The Standalone option would be straightforward, but if we are working towards a merge with a new partner, there will be more to consider as we will be looking at dissolution with assets transferred to a partner, and will go through Going Concern as part of their due diligence process. This process will not be complete when financial statements are signed in November, but we will be able to reflect progress. Having gone through the process, we will be able to make detailed disclosure in the accounts for either full merge or standalone. If the decision is to merge, there is a different way of assessing Going Concern but we should be able to sign a Going Concern opinion if we are to merge.

AR/15/82 RESOLVED – the Financial Statements were APPROVED

ITEM 10 SARQ

AR/15/83 The Director of Finance presented the SARQ and confirmed that this questionnaire is designed to allow the College to prepare the statement. It was previously in the ACOP but this has now been replaced, but basically it is the same questionnaire. It has been prepared on the basis of what was done last year and the Director of Finance confirmed that he will work with the auditors to develop this. He confirmed that it is for information at this time, and the report will be brought back in the autumn.

AR/15/84 RESOLVED – the paper was NOTED.

ITEM 11 – COUNTER BRIBERY & FRAUD POLICY REVIEW

AR/15/85 The Director of Finance presented the policy and confirmed that no changes have been made. Members asked if this policy and the Gifts and Hospitality policy have been used. The Principal & CEO confirmed that the Counter Bribery & Fraud policy has not been used in her time at College, but the Gifts and Hospitality policy is used regularly as staff make declarations.

AR/15/86 Members asked if it was enough to have the policy as part of induction. The Principal & CEO agreed that it was possible that this may be why it hasn't been used, but added it is considered within annual Position of Trust training. The Director of Finance confirmed that he does get asked questions about it which is positive as this demonstrates understanding.

AR/15/87 The Principal & CEO suggested that the same approach be taken as with the Whistleblowing policy and look at reducing the review to two yearly. The Chair concurred and noted that should there be a change in legislation the review period could be amended accordingly.

AR/15/88 RESOLVED – the policy was RECOMMENDED to the Board for APPROVAL with a change in regularity of review to two years

ITEM 12 – GIFTS & HOSPITALITY POLICY REVIEW

AR/25/89 The Director of Finance presented the policy for review and advised Members that no changes have been made. He suggested that the policy be moved to a two-year review cycle with the option to change should legislation change.

AR/25/90 RESOLVED - the policy was RECOMMENDED to the Board for APPROVAL with a change in regularity of review to two years

ITEM 13 – RISK MANAGEMENT REPORT INCLUDING RISK REGISTER

AR/25/91 The Director of Finance presented the report. Chair noted that the Risk Management Group (RMG) had recommended that all risks remain the same.

AR/25/92 Solvency and Financial stability. The Chair noted that this conversation has progressed and a joint statement released. The risk has not lowered, and as the SPA process is continuing, this is reflected in the risk. National Insurance – the College is now bearing the cost. It will receive a one-off grant so some of this will be accounted for this year and some of it next year. This didn't elevate the risk but it didn't reduce it. The Principal & CEO confirmed that at the last meeting, we talked through a number of the factors. We are now in an interesting position as we can see some aspects starting to crystallise, but not sufficiently for us to determine the impact. Much of the conversation at RMG was the consideration that we could bring the risk down, but felt that we have not yet gone far enough to recommend a change in the risk. BAE is a good example. In March we were looking at total loss of contract but this evolved and now have a contract for 2025/26.

AR/25/93 Members noted that it would be helpful to have the outcome of the SPA process before considering the level of risk.

AR/25/94 Recruitment of Students. The Director of Finance noted that the PIAP has received positive feedback from the DfE and a lot of work has been undertaken. The position will be clearer when returning students are added in and the recruitment of adults going forward will be key. However, it was not felt that we are at a point where we feel this can be reduced. The Chair asked if apprentice recruitment was down. The Principal & CEO confirmed that this was 25% down which represents around 50 starts across both age groups. This is consistent with what was reported to REMCO and will come to the July Board. She confirmed that as outlined in the Corporate Objectives paper, the changes to National Insurance Contributions mean that not as many employers are taking on employees. Also, some people raised concerns about the future of the College which for longer apprenticeships like engineering at four years is an issue, however, we have not seen this as an issue in shorter programmes. There is a significant recruitment drive by a large local employer, and SMEs report that a number of apprentices became time complete and moved onto financially advantageous contracts with that large local employer. Some SMEs decided not to invest in apprentices because of this and decided to upskill existing staff.

AR/25/95 Members noted that recruitment and retention are taken together and asked if they should be separate. The Principal & CEO advised that they are kept together because of the significant link with the IAG process as there might be a bigger issue. It would not be wise to divorce recruitment from retention and the need to recruit with integrity.

- AR/25/96 Poor Quality Provision – the key driver for this is the PIAP. A lot of work has been done and some good signs of positive changes are being seen, but some of the outputs are intangible or difficult to measure and too early to say if there has been any impact. Ofsted visit saw reasonable progress, but this remains high risk.
- AR/25/97 Members noted that there was still the potential for reputational damage so wise to retain the score.
- AR/25/98 Members noted that with regard to EDI do we, as a Board, speak for the demographic of students in the College given the challenges that some learners face. The Principal & CEO confirmed that there was still work to do in this area and there is an opportunity to bring in Members with more diverse backgrounds as we move into another round of recruitment. The Chair noted that it was important that the Board reflect the community.
- AR/25/99 Recruitment and retention of skilled staff is maintained at the same level as the issues reported previously are still there. A new H&S manager, and a HR manager have been recruited, but feel it would not be wise to lower the risk.

AR/25/100 RESOLVED – the Risk Register Report was NOTED

ITEM 14 – UPDATE TO THE AUDIT CODE OF PRACTICE

- AR/25/101 The Governance Professional advised Members that at this point, the ACOP has been replaced, and any changes will be noted in the Terms of Reference for the Committee. However, on discussion with the Chair it was agreed that it would be wise to wait until the outcome of SG5 is known, and the outcome of the External Board Review. The Terms of Reference for the Committee can then be revised over the summer and brought to the first meeting of the year for approval.
- AR/25/102 Members noted that the November meeting has a heavy schedule as it is joint with Finance & Risk. The Governance Professional confirmed that she would work with the Chair to ensure that time could be given to it.
- AR/25/103 The Principal & CEO confirmed that looking at the updates she would not anticipate any concerns. By pausing the review, we would not be in a position of non-compliance.
- AR/25/104 The Chair asked if it is a requirement of the I&A that the ToR for the Committee are approved annually. The Governance Professional confirmed that she would double check and report back to Governors.
- AR/25/105 ACTION – Governance Professional to check the I&A to see if there is any requirement to review the ToR for the Committee annually.**
- AR/25/106 RESOLVED – the approval of the Terms of Reference for the Committee be deferred to the November meeting once the Governance Professional confirms there is no requirement to approve annually.**

ITEM 15 – CALENDAR OF MEETINGS FOR THE COMING YEAR

AR/25/107 The Governance Professional presented the proposed calendar of meetings, but advised Members that this may change once the outcome of SG5 and the External Review of Governance has been completed. Members confirmed they were happy with the dates as they stood.

AR/25/108 RESOLVED – the Calendar of Meetings was NOTED

ITEM 16 – TIMETABLE OF BUSINESS FOR THE COMING YEAR

AR/25/109 The Governance Professional presented the proposed schedule of meetings, but advised Members that this may change once the outcome of SG5 and the External Review of Governance has been completed. Members confirmed they were happy with the dates as they stood.

AR/25/110 RESOLVED – the Schedule of Business was NOTED

ITEM 17 – REVIEW OF PROGRESS MADE TOWARDS GOVERNANCE TARGETS ON THE PIAP AND NEXT STEPS

AR/25/111 The Governance Professional confirmed that at Governance & Search, Chairs had been asked to consider the progress made towards the targets on the PIAP for Governance, and the impact seen, so that recommendations for next steps could be brought to the Board. However, Chairs felt that further conversation was needed with Members before this was done. She confirmed that key actions from the PIAP were as follows:

- Re-design of the format for Board papers so they were more data rich
- Training for Governors in what it is to be a Governor – delivered by Rob Lawson NLG and Rebecca Durber AoC on the current landscape
- Ensuring more opportunities for Governors to come into College are taken up to enable them to triangulate evidence presented in meetings
- The Chair implementing 1:1 meetings with Governors
- Additional termly LE meeting to scrutinise progress towards the PIAP
- Appointment of new Governors

Next steps to consider:

- Consider bring all meetings back to being face to face
- Look at the timing of meetings to support more interaction from Governors with College activities
- Introduce another face-to-face Governor Development Day rather than rely on individual sessions
- Introduce a broader Link Governor system whereby each Governor has a Link Role

In terms of impact, the recent Ofsted Monitoring Visit confirmed reasonable progress.

AR/25/112 Members agreed that face to face meetings were preferable. The Chair noted that has worked is to encourage Governors to come into College more as this helps with the triangulation of evidence when receiving papers. He confirmed that this brings the paper to life. It is also good to meet staff and students.

AR/25/113 Members asked if training could be delivered on what Good looks like, and what a Good Governor is. Also training on what to look for during walk throughs would be welcome.

AR/25/114 ACTION – Governance Professional to request training on what Good looks like, what a Good Governor is

AR/25/115 The Principal & CEO suggested that a session with the SLT looking at Board reports and what Governors want to see in them to establish a broad standard that can be tailored to the committee.

AR/25/116 ACTION – Governance Professional to explore a training session with SLT to agree the content of Board Reports

AR/25/116 RESOLVED – the discussion was NOTED

ITEM 18 – ANY OTHER BUSINESS

AR/25/117 There was no other business to consider

ITEM 19 – ITEMS FOR THE NEXT AGENDA

AR/25/118 There were no items for the next agenda

ITEM 20 – CONFIDENTIALITY

AR/25/119 No items were deemed confidential

ITEM 21 – SESSION EVALUATION

AR/25/120 Members felt that they had sufficient time for discussion, and had discussed outcomes for learners. Also, they had made changes to the internal audit plan to focus on learners. Also felt that they were asking questions about the impact on learners.

Strengths:

- Strong assurance from the Internal Audits

Concerns

- No new concerns

ACTIONS LIST FROM FURNESS COLLEGE
AUDIT & RISK COMMITTEE
WEDNESDAY 18TH JUNE

ACTION	Ref MINUTE	WHO	BY WHEN
Governance Professional to liaise with the Chair of the Board regarding an informal Chairs' meeting	AR/25/54	Governance Professional	Next academic year
Director of Finance to review the actions to see if the library actions have been implemented and report back to the next meeting	AR25/62	Director of Finance	Next meeting
The proposed Safeguarding audit to be replace by Curriculum Planning by wbg.	AR25/70	wbg	Next meeting
Governance Professional to check the I&A to see if there is any requirement to review the ToR for the Committee annually.	AR/25/105	Governance Professional	Asap
Governance Professional to request training on what Good looks like, what a Good Governor is	LE/25/114	Governance Professional	For Governor Development Day
Governance Professional to explore a training session with SLT to agree the content of Board Reports	LE/25/116	Governance Professional	Next academic year