

**College of West Anglia
Minutes of the
Audit Committee
28 June 2023
9.30am
Meeting room, Principal's Suite**

Present	Ray Harding Dave Clark Kay Driver	Governor (Chair) Governor Governor
Attending	Paul Goddard Claire Sutherland Paul Harrison Rob Petto Mandy Lakey Sharon Edwards Jules Bridges	Scrutton Bland RSM UK LLP Vice Principal Corporate Services Assistant Principal Funding and Performance Employer Engagement Systems Implementation Manager Observer Head of Governance

No.	Action
<p>1 Committee Members' briefing with Auditors A confidential discussion was held prior to management attendance.</p>	
<p>2 Apologies for absence Apologies for absence were received from Mark Eastwood, Leisyen Cox of Scrutton Bland, Lauren England of RSM UK LLP, and Jenny Quaif, Head of Finance. It was noted that the meeting remains quorate.</p>	
<p>3 Declaration of interests There were no items of interest declared.</p>	
<p>4 Minutes of the meetings held on 15 March 2023 The minutes of the meeting held on 15 March 2023 were reviewed and agreed as being an accurate record.</p>	
<p>5 Matters Arising The progress against the outstanding matters from previous meetings was summarised in the report.</p> <p>A new assurance map has been produced and once finalised will be shared with the committee at its next meeting.</p> <p><i>Confidential item under Article 17(2) of the Instrument and Articles of Government</i> An item deemed confidential was discussed by the committee.</p> <p>There are some issues in HE, reducing numbers of students and an issue with the four-year Vet Nursing course that is no longer validated and some staffing issues continue in some areas of delivery. There is some positive news with applications for next year as currently there are 40 applications, compared to 28 at the same point last year. The VPC&Q has confidence that HE is an area of growth and opportunity. The completed items are to be removed from the table.</p>	<p>VPCS</p> <p>HoG</p>

6 Risk and Assurance Progress Report

The report shows the progress made concerning the internal audit work completed since the last meeting of the committee, these being Assurance Framework, Procurement, and Governance (covered under agenda item 7 below). The audit work for Tax, including VAT and IR35 will be carried out in early July and therefore the report will come to the first meeting in the new academic year (November 2023).

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Bearing in mind there will be more audit reports in the next academic year the committee will receive a progress report at each of its meetings.

Scrutton
Bland

7 Internal Audit Reports

(i) Assurance Framework

The objective of the audit was to undertake an advisory review of the college's current approach to obtaining and reporting assurances. At the time of the audit work the college was currently in the process of developing and embedding an assurance framework and assurances documented against 11 of the 19 risks on the risk register. Three low risk recommendations and one value added point have been raised.

The Audit Code of Practice (ACoP) is keen to see assurance frameworks underpinning risk management processes, so the college is responding well by developing the new board assurance map. The new map needs to illicit more assurances and there are some policy updates needed to set the scene. There are some 'business as usual' assurances identified in the risk register that align with the assurance map that need strengthening and other assurances that need to be captured, There is no intention to grow the format of the risk register but keep separate and discrete documents that are intrinsically linked. It was noted that the board assurance map and risk management strategy will be shared with the committee at its first meeting in the new academic year.

VPCS

(ii) Procurement

The objective of the audit was to ensure that value for money is obtained for the purchase of goods and services, and that only authorised goods and services are purchased, and to ensure that payments are only made in respect of valid and bona fide creditors, and for goods and services received.

Overall, the audit work concluded a level of reasonable assurance (amber) advising that the control framework in place is appropriate and documented procedures set out clear expectations. One medium, and four low risk recommendations have been raised.

The medium recommendation was around decision-making processes for higher value purchases and strengthening the evidence, justification, and audit trail in this respect. The committee questioned the reasonable assurance opinion bearing in mind the areas where processes were lacking, and auditors confirmed that 'reasonable' recognises that significant improvement is required which governors felt was appropriate. On an operational basis it was questioned if there was confidence that the college is achieving value for money. The VPCS confirmed that for 'big ticket' items (property services/estates) value for money is absolutely a consideration to maximise and secure value for money and procurement frameworks are used, as appropriate. One of the lower recommendations was around developing a preferred suppliers list, and forensically analysing the cumulative purchases in the year by supplier..

(iii) Governance

The objective of the audit was to evaluate the level to which the college complies with principle ten of the Code of Good Governance for English Colleges.

Overall, the audit work concluded a level of significant assurance (green) advising that the college is complying well with the requirements of principle ten. The primary areas for improvement relate to the approval of draft policies, tightening of governor induction processes, and recording of governor training. One medium rated recommendation has been raised for the Head of Governance to devise a plan to complete the advisory improvement areas.

This audit comes with the context that the college will be commissioning an external governance review in Spring 2024, and it was noted that the Code of Good Governance is due to expire with the new code expected to land next week. Governors will be updated on these topics at the Corporation meeting to be held on 5 July 2023.

8 Progress on Implementing Agreed Audit Actions

The report included an update against each recommendation arising from both internal and external audits.

It was noted that item 1 relating to the risk register confirms that there is not an appetite to deploy operational risk registers, and this will naturally disappear from the progress report in the fullness of time.

Against item 6 it was reported that the advert and job description are written for a Finance member of staff. The job evaluation process is holding up the release and recruitment of an urgently needed resource. The committee was keen to see the evaluation process changed to expedite the process. The VPCS confirmed that the process has been changed so that Union representatives are still invited to attend the evaluation process, but it will now go ahead even if the representative does not attend.

Under item 7 governors commented that the report shows that the quality of payroll and HR data remains unresolved and reporting capabilities still not enhanced. The implementation of the payroll system is still in early deployment so reporting capabilities are limited. In hindsight the VPCS mentioned that it has been recognised that the HR element of the package would have been useful to implement from the outset and involve the input and experience of the payroll officer of the college in the procurement process. The committee raised its concern about future software implementation, procurement, and project management of integral IT systems.

Acknowledging that governors have not had sight of regular monthly management accounts (item 9) there was recognition that reporting has improved in this regard so it was questioned why this remained red when progress could be potentially downgraded to medium (amber) or low (green). This will be taken back to the HoF. It was noted that the most recent management accounts shared with governors is May 2023.

VPCS

Regarding item 12, stock in CWA Enterprises it was noted that an in-year stock count has been undertaken and investment in a new till is being investigated. The external auditors will be attending the stock take at the year end.

The identification of a new financial software system remains in progress. The committee was insistent that a project management approach is taken noting that replacing an accounting package for the college is a significant undertaking and must be appropriately resourced.

After due consideration the committee was content to remove items 2, 5, 8, 14, and 17 from the register, accepting that these are complete.

9 Internal Audit Plan 2023/24

Members of the committee attended a scoping session on 31 May 2023 to consider the internal audit activities for the 2023/24 academic year, and beyond.

The report provided clarity of the responsibilities of the audit committee and the audit opinions they are asked to provide in the annual report that summarises the committee's activities relating to the financial year. There are eight audit opinions, some of which the internal audit firm would contribute toward, these being, assurance, risk, governance, internal control, subcontracting, and value for money. The other two opinions, Safeguarding of Assets, and Solvency are much more for external audit to cover.

Linked to the risk register entries, the internal audit coverage for the 2023/24 academic year is proposed to include a review of staff recruitment and selection, apprenticeship recruitment and employer engagement, estates management, single central record, payroll, and new finance system. Governors questioned if an audit of the Green Skills Centre Capital Project and the new finance system would be too early to undertake in the 2023/24 academic year. The dates for these audits it was agreed may be subject to change dependent on progress made, if any, in the year. The committee considered alternative audit areas and it was agreed that Marketing could be an audit area of focus.

Subject to this amendment the committee will recommend the plan to the Corporation at the meeting to be held on 5 July 2023.

PGoddard

Chair

10 External Audit Plan for the Year Ended 31 July 2023

The plan summarises the scope of works for the year ending 31 July 2023, timetable, materiality, key audit risks, and the planned approach to these, together with details on fees and independence.

The audit approach will focus on the areas of the college that are considered significant to the results for the period and the position at the balance sheet date. It was noted that the scope of approach has been extended further to the ONS reclassification last year applicable to FE colleges and its subsidiaries. In addition, as part of the audit RSM will involve independent specialists in funding body income to ensure that complex technical issues are fully addressed. This work is scheduled to take place in July 2023.

It was noted that planned materiality has been set based on 2% of total expenditure for the year, based on the forecast outturn as of January 2023 which is an indicative materiality level at £605K so before work is carried out this level is revisited based on more up to date financials, and this benchmarks against the former external audit firm's materiality level of £642K.

The timing of the audit is set out on page 6 of the plan, and it was reported that the audit work will follow a risk assessed approach (page 7) to ensure that all areas of higher assessed risks of material misstatement to the financial statements are addressed by the audit. The diagram shown on page 7 is a new requirement of auditing standards that requires risks to be mapped on a spectrum of magnitude of misstatement against likelihood of misstatement categorising these into three zones of non-significant risks (other), non-significant risks (higher), and significant risks. The risks identified on the map include review and test of income recognition (including apprenticeship, and other ESFA recurrent grant income), management override of controls, accounting estimates, completeness of other income sources, defined benefit pension, going concern, subsidiary companies, regularity (reclassification to public sector), accommodation strategy, and existence and valuation of stock. The description of this work was detailed over pages 8 to 12 of the plan.

Fees and assurance of audit independence were detailed over pages 13 and 14 of the plan, and the committee were grateful to receive the appended documents covering emerging sector issues. including ONS reclassification, governance changes, accounts direction, funding assurance reviews, ESG requirements and impact, and recruitment fraud risk.

The committee was informed that a tracker system is used to ensure that the audit work stays to plan and on target with regular touch points highlighted throughout. Acknowledging that the report contains matters for the Corporation to consider, the committee will refer the report to the Corporation for its approval at the meeting to be held on 5 July 2023.

Chair

Confidential item under Article 17(2) of the Instrument and Articles of Government

11 Risk and Internal Controls Update

This item was deemed to be confidential.

12 Review of Risk Register

The key changes to the register since the last review were detailed in the report. Risk 3 on the financial performance has been rescored from 8 (amber) to 12 (red) to reflect the emerging financial pressures. Risk 6, on apprenticeships, has had several of the control measures reassessed and as a result of the ongoing project aimed at improving apprenticeship processes, three have been amended from amber to green. The committee was content with the review undertaken.

13 Annual Value for Money Report

The report based on ESFA benchmarks, noting that the classification of the data is not necessarily comparable, demonstrates how the college assesses value for money across its activities including funding, total income, budgeting, non-pay expenditure controls, pay expenditure controls, pay costs, and non-pay costs with the intent to achieve good value for money by making optimal use of resources, spending less, spending well, and spending wisely. The VPCS highlighted the pay cost table in the report emphasising that the college pay on teaching staff against benchmark is much lower comparatively. This is consistent with the national picture on pay disparity between schools and the FE sector and the difficulties the college experiences recruiting and retaining maths and English teachers for example. The committee noted the report.

14 Review of contracts register, waivers, and debt write-offs

The college developed a contracts' register in 2020 in response to the recommendation of the internal audit report on key financial controls. The register records 202 contracts (including 82 software contracts) with an annual cost of £1.349m (of which IT accounts for £588K). This does not include energy contracts.

The report informed the committee that there were seventeen contracts (across both IT and other) that are listed beyond the end date. The top five contracts on the register, by annual value were detailed in the report. The contracts waived were appended and in the main were associated with the SDF Project and the additional funding received for the School of Nursing where funds needed to be spent by the end of March 2023. The committee was satisfied with the report.

Acknowledging the level of detail provided the committee was asked if would like to set a limit on the disclosure of contracts appended to the report (currently set at >£5K) and if it would like to continue to receive the list of new contracts entered in the period from the previous meeting. The committee agreed to set the limit at >£10K and agreed to continue to receive the list of new contracts entered.

HoF

R Petto and M Lakey joined the meeting at 11.50am

15 Funding Assurance Report

Since late 2021, the committee has been receiving regular reports detailing progress with apprenticeship enrolment file audits and a review of systems and processes associate with improving funding security. The report summarised the compliance areas of concern, the number of apprentice records that presented a query, and the progress made to resolve these issues. The area of highest concern related to a high number of outstanding Off The Job (OTJ) plans although it was noted that a significant number of apprentices learning ended in 2021/22 reducing the risk of an apprentice with no OTJ plan (now 17) being included in an audit sample.

The new CRM to support electronic apprenticeship enrolment processes went live this week enabling electronic signatures and auto reminders to achieve compliance. Smart Assessor is the e-portfolio system used by the college for apprenticeship provision, greater use of different roles in Smart Assessor has enhanced MI reporting and oversight from different perspectives, assessor, apprentice, and standard.

The apprenticeship risk register shows 39 short term controls, of which 36 are completed and 3 are overdue. 17 medium term controls of which 9 are completed, 6 deadlines revised, and 2 are overdue. There are 13 long term controls, 4 of which are on track to complete, and 2 control deadlines revised. It was noted (and detailed below) that the format of the risk register will change further to the funding audit due to be carried soon.

Proposals have been obtained to conduct a full funding audit this summer and external auditors have set out their approach to testing income associated with the college accounts. This work will be carried out w/c 3 July 2023 and will happen regardless of any further auditing proposed. A full funding audit over the summer therefore will not be commissioned, pending the outcome of the work undertaken by external auditors.

The committee considered the need to continue with this agenda item for future meetings and concluded that the preference is to await the outcome of the funding audit and embedding of the CRM system and agreed that the report should continue to include assurance against 2022/23 data.

APFP

16 Review of Committee’s Performance, Terms of Reference and Annual Business Agenda

The committee considered the prepared review and concluded that it provides a fair and accurate summary of the committee’s performance during the year.

The amendments to the Terms of Reference were considered and it was concluded that these remain fit for purpose. A recommendation will be taken to the Corporation at the meeting to be held on 5 July 2023.

Similarly, the annual business cycle was considered, and it was agreed that the business items covered in the year would enable the committee to fulfil its responsibilities.

17 Any other business

A new handbook is expected around the responsibilities of Managing Public Money. The return to the ESFA submitted back in March will be shared with the committee for information. The Head of Governance proposed to develop a schedule of matters reserved that will detail the requirements under Managing Public Money and Senior Pay Controls for the committee to consider at its first meeting in the new academic year.

VPCS

HoG

It was agreed that the next meeting of the committee should be in person, not remote, given the breadth of agenda items for consideration.

HoG

18 Chair's items for briefing to the corporation

- The advisory internal audit of assurance framework has been completed with advisory recommendations made to develop the framework further.
- The procurement internal audit work concluded a level of reasonable assurance (amber).
- The governance internal audit work concluded a level of significant assurance (green).
- The internal audit plan for 2023/24 will be recommended for approval by the Corporation at the meeting to be held on 5 July 2023, noting that the audits of the Green Skills Centre Capital Project and the implementation of a new finance system may be deferred to 2024/25 and replaced with an internal audit of Marketing.
- The external audit plan for the year ended 31 July 2023 will be recommended for approval by the Corporation at the meeting to be held on 5 July 2023.
- The committee's terms of reference will be recommended for approval by the Corporation at the meeting to be held on 5 July 2023.
- The HoG is developing a schedule of matters reserved to detail the Corporation's requirements under Managing Public Money and Senior Pay Controls.

19 Date and time of next meeting

Wednesday, 22 November 2023 at 9.30am

Meeting ended at 12.10pm