

**The College of West Anglia  
Minutes of the  
Audit Committee  
14 June 2019  
8.36 am  
Meeting Room, Principal's Suite, King's Lynn Campus**

<b>Present</b>	Lucy Nethsingha Michael Andrews Jyoti Saita	Governor (Chair) (Vice Chair, Audit Committee) Co-opted Non-Governor Governor
<b>Attending</b>	Paul Harrison Neil Harries Nick Fanning Sam Quinn Stephen Halls	Vice Principal Corporate Services Head of Finance RSM KPMG Clerk to the Corporation

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*The Committee met with the auditors prior to the meeting. See "Confidential Minutes – Restricted"*

**1 Committee Members' Briefing with Auditors**

*See "Confidential Minutes – Restricted"*

*Paul Harrison and Neil Harries joined the meeting at 8.40 am*

**2 Apologies**

There were no apologies for absence.

**3 Declaration of Interests**

No interests were declared.

**4 Minutes of the previous meeting – 7 May 2019**

The minutes of the meeting held on 7 May 2019 were reviewed. These were agreed as a correct record of the meeting and duly signed by the Chair.

**5 Matters Arising**

Item 12, 7/5/19 – Whistleblowing Policy – the Chair suggested that this policy is circulated at the start of the new academic year so as to capture the attention of new staff members and to remind existing staff as they return from the summer break. **ACTION – CLERK**

Item 14, 7/5/19 – Review of Committee Performance – The Chair advised that due to her recent election to the European Parliament, she would be taking a special leave of absence from the Corporation until 31 October 2019. The Clerk advised that there had been some interest in the recent recruitment campaign for governors. It was anticipated that this would result in some new appointments to the Board, and to the Audit Committee.

Item A.2, 7/5/19 – Re-tendering of Audit Services – The Chair asked for an update on the tender for the core financials aspect of internal audit. The Head of Finance explained that other priorities, including the preparation of the budget, had meant that work had not progressed on the tender. However, with the budget process now complete, the focus would now move to progressing the tender. It was agreed that there would be an interview panel to appoint the auditors for this work, whose decision would then need the approval of the committee before going to the Corporation for final approval.

The Clerk reported that at the Corporation meeting held on 22 May 2019 when the Risk Register was reviewed, the Corporation had requested that the committee looked in detail at risk 2018 (13) DEE regarding the increased regulatory focus on sub-contracting, when the risk register is next reviewed. At the Corporation meeting there was some discussion as to whether or not this item needed to remain on the register. It was decided to leave this particular item on the register for the time being, to be reviewed again at a later time, both by the Board and by the Audit Committee as part of its usual business. **ACTION-CLERK**

The Clerk reported that at the Finance & General Purposes Committee meeting on 8 May 2019 the committee suggested that the Audit Committee considered undertaking a review of contribution analysis. This would be covered under item 9 – Audit Needs Assessment and Audit Plan.

## **6 Review of Progress on Implementing Past Approved Audit Actions**

The Chair noted that the number of outstanding actions had increased from 12 in the previous report to the committee to 17 actions currently. In order to provide more detail, the Head of Finance said that in future reports he would analyse separately the new and previous outstanding actions. **ACTION-HoF**

Governors asked for an update on the CRM System. The Vice Principal Corporate Services reported that this action was now complete, although there would be some disruption over the summer months due to the college's planned restructure of staff, causing changes within some departments.

**The report was noted.**

*Sam Quinn, KPMG, joined the meeting at 8.55 am*

## **7 Internal Audit Service Progress Report 2018/19**

Nick Fanning of RSM reported that three reports had been completed and had been circulated for review.

- 1) Safeguarding – this audit provided reasonable assurance. This report was positive, with mainly low priority action points agreed. It was noted that DBS checking information was being kept in accordance with GDPR requirements. The committee was assured by the findings of this report, the nature of which could have drastic implications for the college should there be any major issues of concern. The Vice Principal Corporate Services

advised that safeguarding is taken very seriously during the recruitment process and is also followed up during staff induction sessions.

It was agreed that this report would be directed to the Employment Policy Committee for information. **ACTION-CLERK**

- 2) Apprenticeship Income – this was a positive report checking the accuracy of data entered onto an individualised learner record. There were 2 action points to note.

It was agreed that this report would be directed to the Finance & General Purposes Committee for information. **ACTION-CLERK**

- 3) Follow Up Report – there were 6 points to follow up, of which, 5 were making good progress. The one action point still outstanding related to the substantiating of live data used in KPI reporting.

The Chair asked for the committee's thanks to be passed to all staff involved in the audits.

**ACTION - VPCS**

Nick Fanning gave his thanks to the committee, noting that RSM enjoyed working with the college, and, subject to the internal audit tender exercise, looked forward to continuing to work with the college in the future.

**The report was noted.**

## **8 Financial Statements Auditor – Audit Strategy & Planning Memorandum**

Sam Quinn of KPMG outlined the major points of interest in the audit planning memorandum to the committee. The level of materiality would be set at 2% of revenue with any misstatements at or above this level being reported. In order to satisfy the going concern concept the audit will include a review of the planned deficits, checks against forecasts and actuals against plan.

It was noticed that the audit plan incorrectly referred to the college's medium term financial plan returning to surplus in 2023/24. The Head of Finance advised that the college was now only planning for two years of deficits before returning to surplus. KPMG would amend their report accordingly. **ACTION-KPMG**

It was noticed that some of the boxed in sections of the audit report had not printed out correctly. The Clerk was asked to circulate the report electronically which displayed correctly when reviewed on-screen. **ACTION-CLERK**

The audit would include a review of the college's pension liabilities by a specialist within KPMG. The Head of Finance explained that in previous years the review by KPMG tended to differ from the opinions offered in the Hymans Robertson review. The final report would show a comparison in values between the opinions in the KPMG analysis and those in the Hymans Robertson analysis. The Chair asked for the college's interest in the local government pension scheme. The Head of Finance explained that most is contained within the Norfolk fund, with a small amount in the Cambridgeshire fund.

Revenue recognition would be reviewed and would include a review of systems and some sampling of tuition/education income.

The management override of controls would be reviewed in detail, checking the assumptions made and values for any accrual or pre-payment adjustments.

The valuation of the estate would be considered, particularly in regard to any impairment of assets.

The college's subsidiaries, CWA Developments and CWA Enterprises, will also be subject to audit.

The audit would consider the effects of BREXIT on the college. The Chair asked for an outline of any possible effects of leaving Europe. The Vice Principal Corporate Services noted that the student body included a number of individuals from eastern Europe and which could suffer a reduction in numbers; however, generally, it was considered that BREXIT would have little effect on FE colleges.

Sam Quinn offered his thanks and those on behalf of Stephanie Beavis, Director, for reappointing KPMG as the college's external auditor for three years.

Governors asked about the work undertaken regarding revenue recognition and asked if KPMG would look to make recommendations for the improvement of correct fee charging and chasing outstanding debt. Sam Quinn explained that the audit requirement was to check that the correct systems were in place and were being following accordingly. When appropriate, any recommendations for improving systems may be offered.

Governors reviewed the graph illustration of risk for the college (page 6 of the report) and noted that the positioning of the various risks on the graph did not correlate correctly with the table of risks which followed. KPMG would review this. **ACTION- KPMG**

The Head of Finance asked if the audit would require an income/cashbook reconciliation. Sam Quinn confirmed that this would be required.

The Clerk asked if KPMG was aware of the AoC's Senior Post Holder Remuneration Code which had been recently introduced and if KPMG would be advising the college of how to report on the various requirements of the code within the statutory accounts. Sam Quinn advised that KPMG was aware of the code and would be issuing guidance in due course. **ACTION-KPMG**

**The report was noted.**

## **9 Audit Needs Assessment & Audit Plan 2019/20**

The Vice Principal Corporate Services reminded the committee of the approach to engage a company to review the core financial systems. Three areas would be reviewed in 2019/20: Income and Receivables; Treasury Management and Procurement. In addition, as noted in Matters Arising earlier, Contribution Analysis, as suggested by the Finance & General Purposes Committee would also be included.

Governors discussed revenue recognition and future income growth. The Vice Principal Corporate Services explained that there was a need to diversify and look for other income sources as core funding had been reducing year-on-year. There was a target of £1.5m of other new income allowed for in next year's budget. The Chair emphasised the importance of student recruitment and retainment, then leading onto the promotion of further studies at a higher level. The Vice Principal Corporate Services advised that there would be a rigorous challenge to curriculum areas at the start of the next academic year to fully recruit to courses. This would be reported at the next meeting with a possible audit to be requested if considered necessary.

**ACTION-VPCS**

**It was proposed by the Chair and seconded by Mike Andrews to recommend the 4 suggested areas for future audits in 2019/20 to the Board for approval. This was agreed.**

**10 Risk and Internal Controls Update**

*This item was deemed “confidential”*

**11 Annual Value for Money Report**

*This item was deemed “confidential”*

**12 Any Other Business**

The Clerk noted the Board Assurance Workshop training session being offered by RSM at Bury St. Edmunds on 4 July 2019, to which all governors had been invited to attend.

**13 Chair’s items for briefing to Corporation**

- The committee reviewed the progress on the implementation of recommendations from previous audits, and then reviewed 2 recent audits which had been carried out. For further review and information, the audit for Safeguarding would be passed to the Employment Policy Committee and the audit for Apprenticeship Income would be passed to the Finance & General Purposes Committee.
- The committee reviewed the planning memorandum from the external auditor, KPMG, who was re-appointed following the Board’s decision at the last Corporation meeting. This covered the work of the audit on the financial accounts and which had now commenced.
- The committee considered its requirements for the core financials audit. Management was still in the process of engaging an internal audit company to carry out this work.

**14 Date and time of next meeting**

Wednesday 27 November 2019 at 9.30 am

*After item 14 on the agenda, the Chair asked for a private session with Governors and Auditors only, for the benefit of KPMG who was not present when the meeting commenced, therefore Paul Harrison and Neil Harries left the meeting at 10.06 am. See “Confidential Minutes – Restricted”*

**The meeting closed at 10.08 am**