

**College of West Anglia
Minutes of the
Audit Committee
26 June 2024
9.30am
Meeting room, Principal's Suite**

Present	Ray Harding	Governor (Chair)
	Dave Clark	Governor
	Sharon Edwards	Co-opted Governor
	Seb Ivanov	Governor
	Russel Liddington	Governor
Attending	Paul Goddard	Scrutton Bland
	Claire Sutherland	RSM UK Audit LLP
	Paul Harrison	Vice Principal Corporate Services
	Rob Petto	Assistant Principal Funding and Performance
	Jenny Quaif	Head of Finance
	Mandy Lakey	Employer Engagement Systems Implementation Manager
	Jules Bridges	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 There were no apologies for absence from members of the Committee. Apologies for absence were received from Leisyen Cox of Scrutton Bland and Lauren England of RSM UK Audit LLP.</p>	
<p>3 Declaration of interests There were no items of interest declared.</p>	
<p>4 Minutes of the meetings held on 13 March 2024 The minutes of the meeting held on 13 March 2024 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><i>Confidential item under paragraph 17(2) of the Instrument and Articles of Government</i> This item was deemed to be confidential.</p> <p>The further enhancements to iTrent reporting modules has been raised with MHR to ascertain costings and additional features available. The Head of Finance reported that costs still cannot be determined despite repeated requests. Once known these will be shared with the committee, communicated by email.</p> <p>The committee was informed that CWA Developments has been made dormant following discussions with external auditors. A decision to close the company entirely will be made in due course once specialist advice has been obtained on its benefit as a VAT shelter.</p> <p>A governor asked why the CWA Enterprises debtor balance of £2.9m continues to increase and wondered if this should be treated as a dividend. It was confirmed that it cannot be treated</p>	<p>HoF</p> <p>VPCS</p>

in that way because it does not represent distributable profit in the subsidiary. It was noted that group structure accounts would typically account for this in the same way.

The completed items are to be removed from the table.

HoG

6 Risk and Assurance Progress Report

The report provided an overview of the status of the seven audit areas completed in the 2023/24 academic year. Four audits, Payroll, HR Recruitment and Selection, Estates Management, and Marketing have all received significant (green) assurance. The audit of the Single Central Record was completed and reported to the committee in November 2023. This was an advisory audit with no audit opinion, but a small number of audit recommendations proposed for management to action. The two remaining reports covering Apprenticeship Recruitment and Employer Engagement, and the Follow-up of Previous Recommendations will be reported to the committee at the meeting to be held in September 2024 further to receiving management comments and auditors completing their fieldwork. It was noted that the New Finance System audit work has been cancelled in the year as this strategy is yet to progress. This could be considered for internal audit for the 2024/25 or the 2025/26 academic year, dependent upon progress made.

HoG

7 Internal Audit Reports

1. Estates Management

The objective of the audit was to review the processes to manage planned preventative maintenance, reactive maintenance and statutory maintenance activities, contractor performance and internal expertise in place.

Overall, auditors concluded that the college's processes and control framework regarding Estates Management is appropriate and that the site management teams operate effectively. The audit opinion of significant (green) assurance was provided with two low risk recommendations made to document and record contractor meetings more efficiently and to formalise existing site inspection processes. Management have accepted these recommendations and have planned to action these.

2. Marketing

This audit replaced the Green Skills Capital Project audit scope of works as the project had not commenced in the year. The objectives of the marketing audit were to ensure that live and embedded marketing strategies and operational plans were in place to contribute towards meeting the college's recruitment targets; and to review how progress with marketing plans is monitored to ensure achievement and that the effectiveness of marketing is evaluated.

Overall, auditors concluded a significant (green) assurance opinion and raised one medium and one low risk recommendation and four added value points. The marketing team have accepted the recommendations made and will action these as part of their strategy in the 2024/25 academic year.

The medium recommendation made was around looking to improve communication, and priority of requests from departments needing support from marketing and finding a mechanism to deal with these effectively. The low recommendation made was about enhancing the reporting of the marketing objectives and KPIs to provide clear links between them, demonstrating which KPIs have been designed to achieve which objectives.

8 Progress on Implementing Agreed Audit Actions

The report included an update against each recommendation arising from internal audit work. The actions arising from the RSM external audit of the financial statements are to be monitored and progress reported separately as external audit points are refreshed each year and actioned and/or raised again if not cleared.

Due to the increasing unmanageable size of the report, at the request of the committee, the Head of Finance confirmed that the register had been overhauled and old external (KPMG) audit actions had been cleared off due to no longer being relevant or duplicated by new audit actions raised by RSM.

To help with the ongoing management and tracking of finance and/or payroll related actions it was noted that bi-weekly meetings will be held in the department to track, monitor and record the progress that is being made to ensure that these items are resolved and cleared.

Governors agreed that actions 28 and 33 could be removed from the tracker once the HoF had assurance that owners had actioned the recommendation. Notably therefore the recommendation on subcontracting contracts (34) could also be removed once assurance that contracts have been updated was confirmed.

HoF

It was noted that points raised in the external audit report will be tested in the audit work for the financial statements this academic year and therefore will be cleared and closed and not necessarily needed to be tracked. If the same finding appears again in the next financial statements audit work this would be detailed and reported. For completeness the committee asked to receive a short action tracker showing the progress/completion of the external audit findings from the financial statements of the year ended 31 July 2023.

HoF

In addition, governors asked external auditors to check if the duplicate posting of BACS payments found to been posted twice in the finance systems last year (page 19 of the audit findings report) was possible as management had said that there was no chance of a duplication within this dataset.

RSM

The committee agreed that actions (30, 35, 37 and 38) considered complete could be removed from the register.

9 Internal Audit Plan 2024/25

The draft internal audit plan for the 2024/25 was received by the committee and ahead of the meeting a planning discussion with management was held to discuss the proposed scope of works. Subject to the approval of the committee, and the Corporation the plan now proposed to cover the following areas of audit fieldwork

- Additional Learner Support/High Needs Learners
- Learner Recruitment – Classroom based (including mystery shopping)
- Higher Education Recruitment and Retention
- Cash Flow Forecasting
- Income and Debtors
- New Finance System (carried forward from 2023/24)
- Health and Safety
- Examinations
- Human Resources – Sickness absence management
- Student attendance, retention

It was confirmed that management had discounted audits in the 2024/25 academic year covering

- Anti-fraud framework
- Business Continuity
- Cyber Security
- Curriculum Planning
- Safeguarding

The committee discussed the proposed changes and questioned if a priority audit area should be included around utilisation. The Vice Principal Corporate Services commented that some of these issues have been covered in the recent CEFSS report received from the FE Commissioner Team so it was agreed that this could be an audit focus in later years. It was also questioned if it was necessary to audit Cash Flow Forecasting given that this was only last audited in 2020/21. It was agreed that this is a key financial control particularly as the college has increased its appetite to place larger sums on deposit, which will impact the college's cash flow position. It was agreed that the committee will revisit the plan in September 2024 to see if

HoG

other audit areas are in a position to include such as the Green Skills/Capital Projects which may have gained pace.

The committee resolved to agree the revised coverage of the audit plan and will recommend to the Corporation for approval at the meeting to be held on 3 July 2024.

Chair

10 External Audit Plan for the Year Ended 31 July 2024

The plan summarises the scope of works for the year ending 31 July 2024, 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. As part of the audit, specialists in funding body income will be involved, to ensure that complex technical issues are fully addressed. Regularity is in scope again this year and will be more stringent given the ONS reclassification into the public sector two years ago.

An estimate of group materiality was provided for in the report and an indicative timeline from June to November 2024 to conclude the presentation of the year-end financial statements.

The key audit risks and work to be performed were summarised as follows

Management Override – Significant risk

Auditors will test the appropriateness of journal entries in the general ledger and other adjustments made. Significant and non-routine or contentious transactions will be tested if found using data analytics to test higher risk transactions.

Income recognition – Apprenticeships and AEB – Significant risk

Specialists in funding body income will test for overclaims of funding in the ILR that the college is not entitled to, and it was noted, as reported below (agenda item 15) that the full ESFA funding audit from the year ending 31 July 2023 is not yet formally concluded which may result in a clawback of funds dependent on audit findings.

Completeness of other income streams – Significant risk

The approach will look to ensure that all income has been appropriately allocated and treated in accordance with the SORP (Statement of Recommended Practice).

Defined Benefit Pension Schemes – Higher risk

Auditors will evaluate the assumptions made of whether the asset should be recognised in accordance with the scheme rules and whether it is appropriately measured.

Going Concern – Lower risk

Governors are responsible for assessing whether adopting the going concern basis of accounting for the financial statements remains appropriate. This is reviewed over the period of a least one year from the expected date of approval of the accounts. Work will include a review of assumptions and underlying cash flow position from a group perspective (including the subsidiary companies). Auditors advised that a letter of support between the two entities and the college is likely to be required.

Regularity Reclassification to public sector – Lower risk

This work will test compliance with tenders, authorisation of expenditure, severance payments and disclosures in the financial statements.

Accommodation Strategy – Lower risk

Auditors will assess the status of any capital works planned in the year and review the costs incurred, checking the accounting treatment between capital and revenue including retentions. It was noted that some costs have been incurred with the Green Skills project with not all funding secured in the year and risk continues to exist in regard of the repairs to the Tower Block roof.

Existence and valuation of stock

Auditors anticipate that this will be the final year that a qualification will be required in regard to the CWA Enterprises Stock valuation.

The appendices to the plan included auditors' fees, confirmed personal and auditor independence and detailed the additional Teachers' Pension End of Year Certificate (EOYC) service available to the college. It was noted that the emerging issues briefing provided by RSM has been circulated to governors in the pack of papers for the Corporation meeting to be held on 3 July 2024.

11 Risk and Internal Controls Update

In addition to the content of the report the Vice Principal Corporate Services confirmed that approval has been received (retrospectively) for the severance payment made to the ex-employee. It was noted that the Financial Regulations will be updated to add the threshold levels in this regard to ensure compliance of any future severance payment proposed.

12 Review of Risk Register

The corporate risk register has been updated to reflect the feedback received from the Audit committee and the Corporation at the meetings held in March 2024. The wording of the risks has been refreshed, and all risk owners have updated effects, control measures, actions required, and scores (both residual and tolerated).

The committee received an overview of risk movement since the last report received in March 2024. The number of critical risks (red) has decreased from 4 to 3 between the month of March and June 2024. There is also a decrease in the number of major risks (amber) which has moved from 11 to 5 as these have moved into the moderate zone (dark green) from 4 up to 10.

It was noted that, as agreed, risk R017 has been removed from the register and the committee agreed with the suggestion to remove risk R006 from the register given the rationale detailed in the report.

HoG

The committee questioned if a risk around capital projects, ability to secure income and complete works on time should be added as an emerging risk. The committee would like to see this reflected in the next iteration/review of the risk register and suggested rewording risk R023 which identifies the Tower Block Roof works which touches on the pressure on the capital budget and ability to complete the works.

HoG

Regarding the Tower Block Roof, it was reported that StoneKing LLP have been appointed to pursue the latent defect claim concerning the Tower Block Roof. A copy of the contract with RG Carter from 2014 for the repair work to the roof needs to be located for StoneKing LLP to proceed.

The Head of Governance confirmed that any risks removed from the register are archived and therefore an audit trail of the risk profile is available and can be used to analyse if older risks are something that tend to re-emerge or not.

13 Annual Value for Money Report

The report received was 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 that some of the benchmarking tools are not necessarily comparable indicators. The ESFA tool for example provides benchmarks of other colleges but the data comes directly from returns that are based on colleges accounts and how colleges classify costs can be quite different and skew benchmarking results so the report should be considered with caution. The FE commissioners' team have access to different benchmarking processes and the recent CEFSS review report for CWA shows some areas of the college where staffing

costs might be high, and the college is keen to drive these costs down. It was noted that the college intends to conduct a tribal benchmarking study in the 2024/25 academic year of income and costs as this is a more stringent and accurate process which is more reflective of the sector than other benchmarking tools. The committee asked to see the outcome of the tribal study once conducted.

VCPS

Governors noted that some areas of staffing costs exceeded benchmarks, teaching and other support staff for example and questioned who was included in this and what was the college doing to address this. It was confirmed that CWAs classification of this category included LSOs and TSOs for example, but this may not necessarily be classified in the same way by the ESFA and other college as they may classify these roles into admin or operational, so this is not to be relied upon. The tribal benchmark study will provide more trusted comparable benchmarks.

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

The committee was content that the report has been changed from previous reports and now only discloses new contracts greater than £10k within the period rather than all contracts. The Head of Finance will provide the total sum of the new contracts below the £10k threshold by email to committee members for information.

HoF

Improvements had been made to the register by the procurement team who are now including leases and examination fees and it was noted that procurement rules are set to change significantly in October 2024 and the team are preparing and changing processes to ensure early compliance.

The committee noted that there were four contracts that had been waived from procurement processes in the reporting period. Three were waived as the equipment/supply was bespoke and therefore narrowed/limited the field of suppliers and quotes. The remaining was waived as only two quotes were received, one of which was from the manufacturer who was more expensive.

The committee noted that all bad debt provisions are reviewed at the year end and as at 30 May 2024 there were no provisions for bad debts to report.

R Petto and M Lakey joined the meeting at 11.30am

15 **Funding Assurance Report**

Confidential item under paragraph 17(2) of the Instrument and Articles of Government
This item was deemed to be confidential

It was noted that RSM have scheduled to conduct the internal income testing for the year-end financial statements during week commencing 29 July 2024.

Apprenticeship funding rules for the 2024/25 academic year have been released and the committee was informed that there are minimal changes that effect funding audit requirements.

R Petto and M Lakey left the meeting at 12.00pm

16 **Cases of Whistleblowing Policy and Procedure Review**

A refresh of the whistleblowing policy has been undertaken. The committee received a copy for consideration with tracked changes. The policy has been reformatted and language changed to reflect sector practice and names and/or roles updated. The committee agreed to **approve** the policy as presented.

17 **Draft Anti-Fraud Policy**

Changes from the previous 2023 version had been tracked in the document. The changes were minor in nature and there have been no changes in the approach. It was noted that the Finance and General Purposes committee had asked that the areas of gift and hospitality are strengthened in the document, but it was proposed that these are set out in a dedicated Anti-Bribery Policy. The committee agreed with this approach and **approved** the Anti-Fraud policy as presented. The proposed new Anti-Bribery policy will come back to the committee for consideration.

VCPS

18 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. It was agreed that membership will be reduced to five members (from six) and the committee will be renamed as the Audit and Risk Committee. A recommendation will be taken to the Corporation at the meeting to be held on 3 July 2024.

Chair

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.

19 Any other business

There were no other items of business.

20 Chair’s items for briefing to the corporation

- Four internal audits have been completed in the year, all receiving significant assurance (green).
- The 2024/25 internal audit plan will be recommended to the corporation for approval at the meeting to be held on 3 July 2024 but maybe subject to change if other audit areas, such as capital projects, have progressed in the year and could replace less essential fieldwork
- The committee will recommend that the corporation approves the external audit plan for the year ended 31 July 2024 at the meeting to be held on 3 July 2024.
- Approval has been received for the retrospective severance payment made.
- An emerging risk around capital projects will be added to the corporate risk register. Risk R006 has been agreed can be removed.
- The committee has approved the revised and updated Whistleblowing policy
- The committee has approved the Anti-Fraud Policy and agreed that gifts and hospitality arrangements are to be detailed in a college Anti-Bribery Policy.
- The committee has agreed to reduce its membership to five members and rename itself as the Audit and Risk Committee. The corporation is asked to approve these changes to the committee terms of reference at the meeting to be held on 3 July 2024.

21 Date and time of next meeting

Wednesday, 25 September 2024 at 9.30am

Meeting ended at 12.15pm