

**The College of West Anglia
Minutes of the
Audit Committee
25 November 2020
9.30 am
Remote Meeting – Microsoft Teams**

Present	Gill Rejzl	Governor (Chair)
	Dave Clark	Governor
	Rebecca Hamilton	Governor
	Lucy Nethsingha	Governor
Attending	Paul Harrison	Vice Principal Corporate Services
	Neil Harries	Head of Finance
	Stephanie Beavis	KPMG (part)
	Charlotte Wilson	KPMG (part)
	Stephen Halls	Clerk to the Corporation

1 Committee Members' Briefing with Auditors

There were no matters raised by the Auditors.

Paul Harrison and Neil Harries joined the meeting at 8.32 am

The Chair noted that this would be Neil Harries' last meeting with the Audit Committee as he was retiring from the College in January 2021. The Chair thanked Neil for his support of the Committee and the College and wished him well in his retirement.

2 Apologies

Mike Andrews was unable to attend due to technical difficulties.

3 Declaration of Interests

No interests were declared.

4 Minutes of the previous meeting – 24 June 2020

The Minutes of the meeting held on 24 June 2020 were agreed as being a correct record of the meeting.

5 Matters Arising

The progress against the outstanding matters from previous meetings was summarised in the report for item 5.

Item 10, 25/3/20 – Risk Register Review – the Chair noted that with the exception of target risks for each item (agreed as a future action), all other changes to the Risk Register had now been actioned.

ACTION-VPCS

Item 7, 24/6/20 – Key Financial Controls Audit 2019/20 – The Vice Principal Corporate Services advised that although new levels of authorisation had been proposed, the Procurement Officer had since raised an operational concern. The matter would be reviewed again and so remained outstanding.

6 Election of Vice-Chair

The current Vice-Chair for the Committee was Rebecca Hamilton. Rebecca indicated that in the absence of expressions of interest from other committee members, she would be prepared to continue in the role. The previous post-holder, Lucy Nethsingha, offered her thanks to Rebecca for taking over this role in November 2019. Dave Clark indicated that he would be happy to serve as Vice-Chair for the 2020/21 year. Dave had specialist financial expertise and his offer to serve was welcomed.

It was proposed by Rebecca Hamilton and seconded by Lucy Nethsingha to elect Dave Clark as Vice-Chair, Audit Committee for 2020/21. This was agreed.

7 Proposed Assurance Framework – Discussion Document

The Vice Principal Corporate Services explained that as Scrutton Bland had been engaged by the College to carry out audits on the core financial controls only, for the 2019/20 year, it was not possible for them to provide broader assurances to the Board from the internal audit service. Therefore, the purpose of this report was to provide evidence of the controls and risk management procedures in place to provide assurance, in lieu of a full internal audit programme.

Governors noted from the listing of risks taken from the risk register that there were a number of current risks, which had not been subject to audit and asked what the expectation was for these. The Vice Principal explained that not all risks needed to be audited, but if it was considered beneficial or appropriate, then an audit would be carried out either by the internal auditor, an external consultant or by management. The Vice Principal added that Scrutton Bland had indicated that they would be more than happy to carry out additional audit work when required.

Stephanie Beavis, KPMG, said that although the need to contain costs and therefore the need to reduce the work of the internal auditor was understandable, if audits were managed correctly and with the most appropriate auditor in place, then the College should benefit from the outcomes of any audit work undertaken. Lucy Nethsingha advised that the Committee's previous decision to reduce the work of internal audit was based on the need to contain costs, particularly as there was little benefit obtained from the results of the audits carried out by the previous internal auditor; the financial pressures of the College were now easing and so this decision could be revisited. Governors noted the very recent Ofsted monitoring visit on 23 November 2020 looking at sub-contractor operations and suggested that this area may be in need of an audit. The Vice Principal advised that the visit by Ofsted was focusing on the sub-contractor concerned and that the initial report was expected imminently. The Chair commented that the risk profile may need to be revisited following Ofsted's report and then audits commissioned if required for further assurance.

Governors considered that a broader internal audit programme would provide more assurance to the Board, if budget was available to cover this. Governors were concerned that the College may be exposed to risks such as IT systems and financial areas, noting that there appeared to be concerns raised at the recent department self-assessment review meetings. The Vice Principal commented that the particular concern related to the HR

system not linking in with other College systems, which although archaic, did not expose the College to any risk due to the tight controls in place. The Head of Finance added that some concerns had been noted by KPMG during its recent audit, although these related to remote working procedures rather than the IT systems themselves.

The Chair referred to the review of 'Red' risks in Appendix 1 and commented that the design of the template provided a helpful way of presenting the information. The report enabled the reader to easily identify high risk areas and would be useful if a broader internal audit programme was commissioned in the future.

A key on the report was requested for future versions, to explain the differences in the various levels of assurance.

ACTION-VPCS

The report was noted.

8 Annual Report on Risk Management & Review of Risk Register

The Chair thanked the Vice Principal Corporate Services for making the requested changes to the Risk Register. The Vice Principal advised that the outstanding change requested, target risk scores, was more difficult to deliver but discussion with managers and further consideration would be given concerning the methodology for agreeing target risk. Risk appetite and tolerance for risk would be discussed at a future date, potentially when the strategic plan was next reviewed in the spring of 2021. This would enable strategic risk to be identified, risk appetite established, and target risks agreed.

ACTION-CLERK/VPCS

The Vice Principal highlighted the main changes to the risk register since the last meeting. Governors found the document useful in assessing the direction of travel of each risk. Governors accepted that the scale of risk could change quickly, such as finance, whereas for others, such as safeguarding, the risk was ongoing. The Chair considered whether the register related to strategic or operational risk and queried whether progress and risk score movement indicated that some risks might be being monitored, rather than managed.

Updates had been made to item 2018 (9a) Health & Safety relating to musculo-skeletal issues and the impact on buildings caused by closures, but without explanatory comments given. These would be added for the next update.

ACTION-VPCS

Risk 2018 (12) AEB Devolution – Governors noted that the risk score had been reduced to 2 and asked if it was necessary for it to remain on the register. The Vice Principal advised that there was a reluctance to remove risks, even those where the score was low, in case the risk increased again in the future, noting that it was beneficial to always have them in sight. Governors commented that although a good relationship was currently enjoyed with the Cambridgeshire & Peterborough Combined Authority, (CPCA), this could change overnight with a change in leadership of the CPCA, to the detriment of the College. The Chair suggested that perhaps management might consider archiving risks once the target risk had been achieved, rather than removing them altogether.

ACTION-VPCS

The report was noted

9 Risk & Internal Controls Update

The Vice Principal commented on the very recent Ofsted monitoring visit, noting that feedback from the initial investigation would be communicated imminently.

With regard to the evacuation of the College on 9 November 2020, the Chair noted that communications had been an issue during the incident and suggested a desk top exercise

be undertaken with key partners to test systems and procedures. The Vice Principal advised that the Disaster Recovery Group would be meeting the following day (26 November 2020) and would be carrying out a 'wash-up' review of the incident and that, as suggested by the Chair, a desk top exercise would be carried out in due course. The outcomes of the review and exercise would be reported back to the Committee.

ACTION-VPCS

Immediately after the incident, formal procedures were agreed between the College and Borough Council to use the Lynnsport facility in the event of a future incident.

The report was noted.

10 Internal Audit Reports

The Vice Principal explained that the subcontracting audit was a mandated audit required by the ESFA to look at the management of contracts and financial issues but did not review safeguarding matters, as this was out of scope. All recommendations had been accepted and actioned with the exception of recommendation number 2 which asked for the regular review of management accounts from each sub-contractor partner. Governors highlighted a concern from the auditor that the College might not be compliant with ESFA funding rules. The Vice Principal responded that due to the many and ever-changing contracts and clauses from the ESFA, it might not be possible to capture all of the latest requirements. However, due to the low risk of this happening, and the low risk of any negative impact, the recommendation had been graded as "low."

The investigation audit following a whistleblowing incident had been treated appropriately. Governors were pleased to note that there was no impropriety found. The Chair asked hypothetically if an individual gained from fraud, did the College have procedures in place to recover any lost funds or assets. The Vice Principal responded that College policies did not allow for recovery in an incident of fraud, although he would investigate further to ascertain what action could be taken by way of redress.

ACTION-VPCS

Both reports were considered to be well presented and easy to follow. The Chair considered that the internal auditor could have been more challenging in some areas of the reports, and where they had not, then the Committee should always be prepared to question further and seek appropriate assurance.

11 External Audit

The Chair reported that the Finance & General Purposes had reviewed the draft statutory accounts at its meeting held the previous week, 18 November 2020, and would be recommending them for approval.

Charlotte Wilson, KPMG, reported on a number of areas reviewed during the audit. Regarding the pension liability, the actuarial valuations had been scrutinised by Hymans-Robertson; the assumptions were found to be balanced and consistent with previous years. Testing had been carried out in the review of revenue recognition. No issues were found, and again, this was consistent year-on-year. No issues were found during the review of management override of controls. The review of 'going concern' had proven problematic for all audits and for all organisations at the current time, due to the coronavirus pandemic and the financial difficulties this had caused within the economy. Although there were no issues of concern for the College regarding 'going concern', KPMG had not yet concluded its review work and would be issuing a separate addendum to their report prior to the accounts being signed.

ACTION-KPMG

The auditor commented on their observations regarding controls. The College staff had adapted quickly to remote working during the first lockdown period and management was

satisfied with the controls put in place; however, KPMG had suggested some improvements to the processes adopted, particular with regard to the authorisation of transactions.

Stephanie Beavis, KPMG, noted the discussions around control points and that these would be taken forward.

The auditors thanked Neil Harries, Head of Finance and the finance team for their assistance with the audit, adding that KPMG enjoyed a good working relationship with the College.

The Chair added the Committee's thanks to Neil Harries, the finance department and to KPMG, notably for being able to complete the audit effectively under the current, remote working conditions. The Chair was pleased to note that there would be no concerns raised regarding the 'going concern' review.

From the statutory accounts, Governors queried the contribution rate detailed on Page 6 of the accounts, where the out-turn was reported at 33% against a target of 55%. The Head of Finance explained that the target of 55%, when set, had been considered to be 'bullish', and that this had been reduced for the 2020/21 budget to around 45%.

Governors asked about the trade union facility time detailed on Page 7 of the accounts. The Head of Finance explained that there were 3 unions associated with the College and that the College paid a proportion of the costs.

Governors observed that there were no outstanding matters listed under the related heading within the conclusion paragraph on Page 23 of the accounts. KPMG confirmed that there would be no matters to raise under this section and so the heading would be removed in the final drafting.

Regarding the Teachers' Pension Scheme, Page 48, Governors asked if the employer contribution grant covering additional costs during 2019/20 had been assumed to continue in the budget for 2020/21. The Vice Principal advised that this had not been included in the current budget, although an announcement from the Government was expected imminently to confirm if future support would be granted.

Governors noted the reduction in the expected long-term rate of return from 2.4% in July 2019, down to 1.6% in July 2020, as detailed on Page 49. Stephanie Beavis, KPMG, commented on the reduction that the triennial review did indeed impact on the rate of return, but assured the Committee that this valuation did not affect the College's financial health score calculation, monitored by the ESFA.

Governors commented that other educational organisations were being forced to look at how best to manage future pension scheme commitments and reduce costs, perhaps moving away from the traditional Teachers' Pension Scheme for academics and Local Government Pension Scheme for support staff and offering schemes with less cost for the employer, but with fewer benefits for the employee. The Chair asked if KPMG would be able to provide any guidance on this, such as intelligence and benchmarking data from their other clients. KPMG would review this.

ACTION-KPMG

From the Audit Report, Governors queried the adjusted audit difference of £715,348 that had been made between trade receivables and trade payables (Page 22). KPMG advised that this was a miscoding of apprenticeship income which had no impact to the accounts, as it had just been posted to the wrong account without affecting the bottom line. However, due to the size of the error, and its correction, it had been reported.

The Chair asked the Committee to advise the Clerk of any typographical errors identified within the statutory accounts so that these could be amended before the final version was signed.

ACTION-GOVERNORS

It was proposed by Dave Clark and seconded by Lucy Nethsingha that the accounts for 2019/20 be recommended to the full Board for approval at its next meeting. This was agreed.

It was proposed by Lucy Nethsingha and seconded by Dave Clark that the letter of representation be recommended to the full Board for approval at its next meeting. This was agreed.

12 Self-Assessment of Compliance with Regulatory and Propriety Requirements 2019/20

The Vice Principal Corporate Services explained that the usual proforma had been expanded for 2019/20 to take into account specific questions relating to coronavirus. The completed self-assessment supported the statements made in the statutory accounts. Some weaknesses were noted from the responses given but these did not affect the overall financial performance reported.

Governors were confused on Page 17 where the question asked about the existence of a fraud log; the responses alongside suggested both 'Yes' and 'No'. The Vice Principal apologised for the mis-alignment of responses in this section; this would be corrected on the version to be presented to the Board.

The Chair asked on which period the self-assessment was based – the financial year or the position, up to signing off the accounts. The Vice Principal responded that it covered the financial year under review.

On Page 7, when asked about approval limits, the Chair asked that the response should make mention of the recent review undertaken, noting that this were still to be finalised. The Vice Principal would amend the response accordingly. **ACTION-VPCS**

On Page 11, mention of the Clerk being newly appointed was incorrect and had been inadvertently carried over from the previous year's form. This would be corrected. **ACTION-VPCS**

The questions on Page 13 asked about Gifts & Hospitality. The Chair commented that Gifts and Hospitality received by College staff and Governors, although recorded by the Clerk, were not formally reviewed. The Clerk would bring this to the Audit Committee on an annual basis for review. **ACTION-CLERK**

It was noted on Page 21 and 22 that there were no additional details for Evidence and References supplied. The Vice Principal would review these sections again and include supporting information where relevant. **ACTION-VPCS**

Although the statutory accounts had been approved for recommendation to the Board under the previous item, it was considered that this item ought to have been reviewed beforehand. The Clerk would amend the order of these 2 items on the agenda when the 2020/21 accounts were next due to be reviewed. **ACTION-CLERK**

It was proposed by Rebecca Hamilton and seconded by Dave Clark that the self-assessment return be recommended to the full Board for approval at its next meeting, subject to the changes requested being actioned. This was agreed.

Stephanie Beavis and Charlotte Wilson, KPMG, left the meeting at 10.49 am

13 Annual Report of the Audit Committee 2019/20

The Clerk advised that the annual report was a necessary requirement of the Post 16 Audit Code of Practice, noting that the report advised the Board of the Committee's activities during the year, summarising the audits undertaken, and the various reports considered at its meetings. The report also summarised the findings of both the external and internal auditor.

One or two minor presentational changes had been discussed earlier by the Chair and Clerk and these would be included in the final report being presented to the Board.

It was proposed by Lucy Nethsingha and seconded by Rebecca Hamilton that the Annual Report of the Audit Committee be submitted to the full Board at its next meeting. This was agreed.

14 Review Progress on Implementing Past Approved Audit Actions

The Head of Finance advised that actions from the most recent audit would be added to the monitoring report in due course. Details regarding the Apprenticeship Levy: Strategy & Business Development 2016/17 audit, which had been incorrectly removed from the monitoring report had been circulated to committee members the previous day. These had now been added back into the report. The Chair asked that completed actions were not removed from the report until they had been reviewed by the Committee and that the Committee was assured that the action was complete.

ACTION-HoF

The Chair was interested in the pace of completing actions when compared with other organisations and would enquire of this when Scrutton Bland attended their next meeting.

ACTION-CHAIR

The report was noted.

15 Fraud: FE Sector Issues & CWA Issues/Concerns

The draft document originally reviewed by the Committee on 25 March 2020 was presented again by the Vice Principal for further review. The Chair thanked the Vice Principal for making the changes requested previously. It was noted that the document remained in draft form and was still awaiting further review and possible changes from staff and managers. The finalised document would be brought again to the Committee when in final draft form.

ACTION-VPCS

The report was noted.

16 Review of Contracts' Register, Waivers and Debt Write-Offs

This was a new report by the Head of Finance presented at the request of the Committee. The Chair commented that the report was helpful and provided assurance across the various areas. The report was welcomed by the Committee. Waivers had been incorrectly interpreted as fee waivers, when the intention was for a listing of contracts awarded that had been exempted from standing order processes to be presented; this would be amended for the next report.

ACTION-HoF

The Chair asked for IT contracts to be included on future listings.

ACTION-HoF

It was noted that attention should be focused on rolling contracts, particularly in the event that they became subject to re-tendering, once related procurement thresholds had been reached.

Governors asked about the staff advertising contract. The Head of Finance explained that this related to the online recruitment software programme used by the HR department for all vacancies.

Governors asked for line numbers to be added against each contract line to aid review and discussions when referencing particular contracts. **ACTION-HoF**

Debt write-offs were of low value. The Committee noted from the report that two write-offs had been actioned without the appropriate level of approval. The Chair asked for future reports to exclude the names of the debtors. **ACTION-HoF**

The Chair asked that for staff who left employment with an outstanding amount owed to the College, whether this was recovered from their final salary payment. The Head of Finance explained that this was the case in most instances, although on the odd occasion there had been instances of the final salary payment having been made before the Salaries Department had been informed of any amounts due, such as for un-returned equipment, laptops etc.

The report was noted.

17 Funding Audit Proposal (targeted)

The Vice Principal explained that there was a possibility of the ESFA requesting an audit on funding in the near future and suggested that the College refrained from carrying out its own funding audit for the time being. Three companies had been identified who could carry out an audit for the College if, and when, required.

It was agreed that if the ESFA did not request an audit, then the College would carry out a procurement exercise for the work in the new year. **ACTION-VPCS**

18 Any Other Business

There were no items of other business.

19 Chair's items for briefing to Corporation

- Audit Committee Annual Report 2019/20
- CWA Annual Report, Accounts, External Audit Findings & Letter of Representation
- The appointment of Dave Clark as Audit Vice-Chair and thanks to Rebecca Hamilton for serving in this post in the previous year.
- New reporting and assurance regarding contracts register, losses and waivers.
- Developments in Assurance Framework and Risk reporting – with thanks to the executive for addressing the issues raised by the Committee and the resulting much improved reporting and level of assurance provided.
- Support for the forthcoming work on Risk Appetite and its alignment with strategy development and the identification of strategic risk.
- Review of 2 internal audit reports, one of which had arisen from a whistleblowing report from a member of staff relating to procurement procedures. Due to its nature, it was considered appropriate for the auditors to investigate the concerns raised. The College welcomed concerns raised by staff. It was pleasing to note that nothing untoward was found. The outcome of the investigation had been reported back to the individual who raised the concern.

20 Date and time of next meeting

Wednesday 24 March 2021 at 9.30 am

The meeting closed at 11.08 am