

Audit Committee

Wed 09 November 2022, 17:00 - 18:30

GW B, Parson's Walk, Wigan



Attendees

Present:

Kath Causey (Chair), Susan Snape (Independent Governor), Hayley Mercer (Independent Governor), Pauline Hunter (Co-Opted Governor)

In attendance: Joanne Platt (Director of Governance), Steve Scott (Finance Director), Louise Brown (VP Corporate Services), Dave Harrison (VP Data and Funding), Jane Butterfield (TIAA), Scott Gillon (Wylie and Bisset via MS Teams)

The Director of Governance confirmed that the meeting was quorate.

Meeting minutes

1. CONSULTATION WITH AUDITORS

AC-22-11-01

In accordance with the Committee's Terms of Reference, the Committee had a private discussion with the auditors. The main area discussed was the follow up of recommendations made by the previous auditors and how this would be managed by the new Internal Auditors.

2. Apologies for absence

AC-22-11-02

There were no apologies for absence.

3. Declarations of Interests

AC-22-11-03

There were no declarations of interests.

4. Minutes of the previous meeting and matters arising

AC-22-11-04

The minutes of the meeting held on 8 June 2022 were agreed as a correct record.

Resolved: The Committee approved the minutes of the meeting held on 8 June 2022.

5. Internal Audit Reports



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The Committee considered the Internal Audit Plan for 2022-23, noting that this had been developed by the College's new Internal Auditors following discussions with the Finance Director, the Director of Governance and the Executive Team and taking into account risks and the schedule of reports completed over the course of the previous three years. It was noted that the plan is flexible and can be changed if circumstances change.

In response from a question from a Governor, it was confirmed that the Accounting Officer referred to in the plan is the Finance Director and the Responsible Officer referred to is the relevant manager of the area to be audited.

Governors queried the timing for the Estates Management audit and it was confirmed that as the Governing Board receives updates on capital projects at each of its meetings, the timing for the Estates Management audit was deemed to be appropriate. Governors also queried the timing of the Safeguarding audit and it was confirmed that this had recently been done and the timing in the new plan was therefore deemed to be appropriate.

The Committee noted that the Sub-Contracting Certificate is now only required to be reviewed once every three-years, although the College will continue to review this on an annual basis.

In view of the change of Internal Auditors, the Committee asked for the follow up review of recommendations be done earlier and it was agreed that an additional follow up review will be added to the plan before being submitted to the Governing Board for approval in December.

Hayley Mercer joined the meeting at 5.14pm

Resolved: Subject to the addition of a further follow up review, the Committee agreed to recommend the 2022-23 Internal Audit Plan to the Governing Board for approval.

5.2. Internal Audit Annual Report 2021-22

The Committee considered the Annual Report of the College's Internal Auditors, which outlined the internal audit work carried out for the year ending 31 July 2022. The report provides an opinion on the overall adequacy and effectiveness of the College's framework of governance, risk management and systems of internal control, achieved through a risk-based plan of work, agreed with management and approved by the Audit Committee.

The Committee noted that the Auditor was satisfied that sufficient internal audit work has been undertaken to allow an opinion to be given as to the adequacy and effectiveness of the College's governance and risk management arrangements, and systems of internal control. Based on the work undertaken during the year, and the implementation by management of previous internal audit recommendations, the Auditors have provided the Committee and Corporation with 'reasonable assurance' that the College's governance and risk management arrangements, and systems of internal control, were operating adequately and effectively and that there were no instances where any breakdown of control resulted in a material discrepancy.

It was noted that in the Auditor's opinion, the College has adequate and effective governance and risk management arrangements, and systems of internal control in place to manage the achievement of its objectives and securing economy, efficiency and effectiveness and that the Audit Committee should utilise the assurances provided within the Annual Report when preparing its Annual Audit Committee Report to the Corporation in support of informing the Statement of Corporate Governance and Internal Control within the year end Annual Report and Accounts.

The Committee noted that the report provides a reasonable level of assurance, which is the highest assurance level possible, given that audit work is based on a sample only and does not cover every system in place at the College.

It was also noted that the Internal Auditor has not undertaken any additional services for the College in 2021-22 so there were no conflicts of interests to note.

Resolved: The Committee agreed to report the Internal Audit Annual Report for 2021-22 to the Governing Board



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5.3. Mock Funding Review

AC-22-11-07

The Committee considered the Internal Audit report in relation to the Mock Funding Review, noting that the auditors had given a Substantial Assurance rating and confirming that the areas of the control environment tested during the audit are designed and operating effectively with no significant weaknesses.

The report contained two low priority recommendations in relation to application and compliance, which have already been actioned by Management.

Governors questioned the sample size set out in the report by the previous Internal Auditors, and it was confirmed that the sample was sufficient to adequately carry out tests on systems and processes. However, the way the report was worded was unclear and it was agreed that the new Internal Auditors will set the sample size out more clearly in their reports.

The Committee noted the report.

5.4. Post Implementation Review of the Financial System

AC-22-11-08

The Committee considered a report on the implementation of the new Financial System, noting that a Substantial Assurance rating had been given for the areas of the control environment tested during the audit, which are designed and operating effectively with no significant weaknesses. There was one advisory recommendation, consisting of five actions, four of which have already been implemented by Management and the fifth of which will be completed by the end of December 2022.

It was noted that work was underway on the procurement element of the system to manage the number of suppliers (including a focus on local suppliers), some work on joint procurement with the Council and to collate other supplier documentation such as insurance within the system.

The Committee commended the Finance Director and his team on the successful implementation of a highly complex and time consuming project and thanked them for their hard work and commitment.

The Committee noted the report.

5.5. Internal Auditors follow up report on recommendations

AC-22-11-09

The Committee considered the Internal Auditor's Report on recommendations arising from previous audits, noting that a Substantial Assurance rating had been given in relation to progress with implementing previously agreed internal audit recommendations in a timely and effective way. In total, three (100%) of the recommendations were followed-up during the review and the auditor had concluded that all of them had been found to have been fully implemented by Management.

The Committee noted the report



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The Committee reviewed the Audit Implementation Tracker, which reports on progress of previous recommendations made by the College's auditors. It was noted that five out of 11 recommendations had been completed. Actions to address the remaining six actions are in progress and should be completed by 31 March 2022.

The Committee expressed concern that some of the actions had not been completed within the timescales agreed in the original audit report. However, it was noted that the timescales originally agreed were, in hindsight not realistic. A significant amount of work had been done to update the Emergency / Business Continuity Plan and a working group had been established to do a full review of this, which goes far wider than the initial action to update the plan in terms of just ICT resilience.

Other outstanding actions are as a result of other, more effective solutions being identified to address the issues identified in the report.

The Committee recognised that there was a lot of good work going on. It was noted that the IT Team is a small team and that lots has been done to boost cyber security.

It was agreed that the timescales for all actions will be revised to 31 March 2023. However, an update on progress for all outstanding actions, will be provided to the Committee via an email from the VP Data and Funding, at the end of December 2022.

Governors asked that the covering report on the Tracker be changed for future reports, to indicate that it is very rare for actions marked complete by Management, to have to be reinstated onto the tracker.

The Committee noted the report.

7. Annual Risk Management Report 2021-22

AC-22-11-11

The Committee considered the Risk Management Report to the end of the 2021-22 academic year, noting that the risk scores for nine risks had been reduced as a result of actions taken over the year, and seven had remained the same. No risk scores had increased by the end of the year.

Resolved: The Committee agreed to recommend the Annual Risk Management Report for 2021-22 to the Governing Board for approval

8. Termly Risk Management Report 2022-23

AC-22-11-12

The Committee reviewed the termly risk management report, noting that the risk plan has been updated for 2022-23 to reflect the current year's strategic outlook. The risk plan is reviewed regularly by the Executive and an update on the position with mitigation for the risks is reported each term to the Committee.

The Committee noted that there are no new risks identified for the current year. However, the risk scores for six risks (risks three, five, six, seven, eight and 15) have been increased. The risk scores for three risks (risks 11, 12, and 14) have decreased as a result of investment and mitigating actions taken in the previous year. The risk scores for seven risks (risk one, two, four, nine, 10, 13 and 16) have remained the same.

The Committee recognised the uncertainty over the economy and its impact on the College and agreed that it was sensible to increase the risk score in relation to this. The Committee noted that the College's cash and reserves position is strong, which provides additional assurance that risks can be managed..

The Committee noted the report.



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The Committee considered the Financial Statements Auditor's Report for 2021-22, noting that the Auditor anticipates issuing an unmodified audit opinion subject to authorisation of the financial statements by the Governing Board and confirmation of no funding clawback in relation to the devolved AEB, although in this regard, the report noted that financial provision for clawback had been made in the accounts.

It was noted that there are no issues to report in relation to the regularity opinion and the Auditor also anticipates issuing an unqualified opinion on the accounts of the College for the year ended 31 July 2022.

The Committee noted the Auditor's opinion that the College's forecasts and financial projections indicate that the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements. It also noted that the auditor is satisfied, following review of the forecasts and financial projections, that the Board of Governor's assessment of the going concern basis of preparation is appropriate.

It was also confirmed that following an overall review of the governance arrangements and process of internal control in place at the College, the Auditor is of the opinion that the College has strong systems in place to comply with governance requirements.

The Auditor has made no recommendations in relation to the year ended 31 July 2022 and thanked the Finance Team for the quality of working papers and the responsiveness to the provision of evidence.

The Chair was pleased to see such a positive report and thanked the Auditors and the Finance Team for all the work they had done to prepare the accounts and for the audit work.

Resolved: The Committee agreed to report the Financial Statements Auditor Report for 2021-22 to the Governing Board.

10. Audit Committee Annual Report 2021-22

AC-22-11-14

The Committee considered its Annual Report to the Governing Board, which outlines its key activities in 2021-22 and provides assurance in relation to the monitoring of risk and systems of control at the College. It was noted that the Audit Committee's Annual Report is also shared with the Education & Skills Funding Agency as part of its monitoring arrangements.

The report concludes that the Governing Board has an adequate and effective assurance framework and that the Governing Board has fulfilled its statutory and regulatory responsibilities. These governance, risk management and control processes support the effective and efficient use of resources, the solvency of the College and the safeguarding of its assets. On this basis, it was noted that the Committee is able to conclude that this framework is adequate to permit the Chair of the Governing Board and Accounting Officer to sign the Statement of Corporate Governance and Internal Control, the Statement of Regularity, Propriety and Compliance and the Statement of Responsibility of the Members of the Corporation within the Financial Statements as required.

The Committee is satisfied that the College's Executive Team has provided appropriate reports to its committees and the Governing Board, including sufficient detail to enable effective governance. The Committee is also satisfied that effective arrangements are in place for the management and quality assurance of data and that the Executive Team has provided accurate and high-quality data to enable the Governing Board and its committees to effectively challenge performance. In addition, the Committee has received a summary of assurance mechanisms available to provide assurance to the Governing Board in relation to its key data controls.

The Committee is also satisfied that both the Internal Auditors (ICCA) and the Financial Statements Auditors (Wylie & Bisset) have shown to be effective in their respective roles during 2021-22 and that the Committee itself has operated in an effective manner, has the requisite skills amongst its membership and has met the requirements of its Terms of Reference and the College's Instrument and Articles of Government. The Committee has also satisfied the procedural requirements set out in the Post-16 Audit Code of Practice and the Financial Memorandum.

Resolved: The Committee recommends approved of the Audit Committee Annual Report for 2021-22 by the Governing Board.



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The Committee reviewed the Regulatory Audit Questionnaire, which is a key piece of evidence used by the Financial Statements Auditors in undertaking its audit work. It was noted that the Auditors were satisfied that the responses provide by the College were an accurate reflection of the College's position.

In response to a question from a Governor in relation to the reference in the questionnaire to the Bournville College, it was confirmed that this relates to a College with past serious governance failures, which is used as a checklist by auditors to ensure there is no evidence of similar failures in the College being audited.

Resolved: The Committee agreed to recommend the Regulatory Audit Questionnaire to the Governing Board for approval.

12. Annual Report and Accounts 2021-22

The Committee considered the draft Annual Report and Financial Statements for the year ending 31 July 2022, noting that the report of the external auditors considered under Item 9 above concluded that the audit opinions, for both financial statements and regularity, are anticipated to be unqualified. The report of the auditors also includes drafts of the letters of representation for external audit and regularity that the Board is required to sign alongside the financial statements.

The Committee noted the reconciliation between the July 2022 Management Accounts (as presented to the Governing Board in October 2022), and the Financial Statements for 2021-22, which showed movement in FRS102 pension charges which are split between pay (current service costs) and non-pay (interest) lines. It was noted that the FRS102 pension adjustment is a non-cash entry and is not taken into account as part of the ESFA's Financial Health assessment or as part of the calculation of the College's banking covenants. Other movements relate to the amortisation of the revaluation reserve.

The Committee noted that the net impact of these changes has resulted in no differences in the forecast surplus reported to the Board in October 2022. There is no impact on cash balances and these results are not subject to any additional audit adjustments. The total operating deficit for the year was £570k. The College's Financial Health will continue as 'Outstanding' based on these results for 2021-22 and the College remains compliant with its banking covenants.

The Committee noted that the financial statements require approval by the Governing Board at the meeting on 6 December 2022 prior to submission to the ESFA by 31 December 2022 and publication on the College's website by 31 January 2023.

In response to a question from a Governor, it was confirmed by the Financial Statements Auditor that there is currently no guidance in relation to noting pension surpluses as assets, but best practice is not to do so as the College has no control over this. It was agreed that Wylie & Bisset will work with the Finance Director to add a narrative to Note 20 of the Financial Statements to make this explicit.

The Chair commended and expressed her thanks to the team on doing an excellent job during very difficult times

Resolved: The Committee agreed to recommend the Annual Report and Financial Statements for 2021-22 to the Governing Board for approval.

Resolved: that the Financial Statements Auditor's Letters of Representation be recommended to the Governing Board for approval at its meeting on 6 December 2022.

Resolved: that subject to Governing Body approval, signed documents and management letter be submitted to ESFA by 31 December 2022.

Resolved: that subject to Governing Body approval, signed Financial Statements for 2021-22 to be published on the College website by 31 January 2023.



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13. Review of the Skills of the Audit Committee

AC-22-11-17

The Committee considered a report in relation to the skills of Members of the Audit Committee in accordance with the Committee's terms of reference. Data used included the 2021-22 Board Skills Audit, which concludes that the Committee has an appropriate range of skills and recent and relevant experience. However, it is noted that the Committee's Co-opted member has recently tendered her resignation and accordingly, a new Co-opted Governor with relevant skills and experience in either or all of finance, audit, risk management and governance will need to be appointed before the next meeting of the Committee in March.

It was agreed that the Director of Governance would take appropriate steps to identify a new Co-Opted Governor with the requisite skills to serve on the Committee from March 2023.

The Committee noted the report.

14. Items for inclusion in the Committee Chair's Report to the Governing Board

AC-22-11-18

The Committee agreed the items to be included in the Committee Chair's report to the Governing Board.

15. Any other business

AC-22-11-19

There were no items of other business.

16. Date of next meeting: 15 February 2022 at 5pm

AC-22-11-20

The Chair thanked everyone for their attendance and contributions and for the reports considered at the meeting.

On behalf of the Committee, she thanked Pauline Hunter for her valuable contributions to the Committee during her term of office as a Co-Opted Governor and wished her well in her retirement.

The meeting ended at 6.48pm



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17. Actions

AC-22-11-05

Action: Add an additional in-year follow up audit to the Internal Audit Plan for 2022-23.

Action by: TIAA

AC-22-11-10

Action: Provide an update to the Committee via email on outstanding actions in relation to the ICT Audit, by 31 December 2022.

Action by: VP Data and Funding

Action: Update cover report to indicate that it was very rare for actions marked complete by Management, to have to be reinstated onto the tracker.

Action by: Director of Governance

AC-22-11-16

Action: Wylie & Bisset to work with the Finance Director to add a narrative to Note 20 of the Financial Statements to make this explicit.

Action by: Wylie & Bisset and Finance Director

AC-22-11-17

Action: Take steps to identify suitable candidates for the role of Co-Opted Governor to the Audit Committee.

Action by: Director of Governance



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