

CITY OF WOLVERHAMPTON COLLEGE

**Minutes of the meeting of the Audit Committee of the Board of Governors held on
Monday 17 May 2021 at 5pm via Microsoft Teams**

PRESENT

Mr John Bradford (Chair) Mr Trevor Dutton
Mrs Amanda Tomlinson Mrs Alison Shannon

IN ATTENDANCE

Mrs Elizabeth Ball (Head of Governance)
Mr Peter Merry (Vice Principal Business Success)
Mr Paul Oxtoby (RSM – External Auditors)
Ms Clare Parkes (TIAA – Internal Auditors)
Mrs Sally Hunter (TIAA - Internal Auditors)
Mr Andy Armstrong (Funding and Compliance Manager)(Item 5)

Auditors confirmed that there were no items they wished to discuss in the absence of managers.

Mrs Amanda Tomlinson was welcomed to her first meeting of the Committee.

14/21 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies were received from Mr Mike Hastings.

There were no declarations of interest.

15 /21 MINUTES OF THE PREVIOUS MEETINGS (ITEM 2)

Resolved:

That the minutes of the meeting held on 26 January 2021 be approved as a correct record.

16/21 MATTERS ARISING (ITEM 2)

It was noted that the two outstanding items relating to Fraud and Data Quality Assurance would be considered as part of the meeting.

17/21 CORRESPONDENCE (ITEM 3)

The Head of Governance reported that there was no correspondence to be considered by the Audit Committee.

18/21 INTERNAL AUDIT REPORTS (ITEM 4)

(a) Financial Business Planning

The Internal auditors presented the report and advised that overall the review had resulted in a level of reasonable assurance.

Two recommendations had been made in the report one of which was rated as important and the second as routine.

It was noted that the important recommendation related to the lack of evidence of validation of the spreadsheet model used for financial planning. The recommendation did recognise that an Independent Business Review had been carried out in 2019 and that the figures had been used as a basis for further forecasting and sensitivity analysis.

The Internal Auditors stated however, that there was no indication of, or evidence supporting, an intention to validate the structure and formulae of the model.

It was noted that management did not accept this recommendation and the Chair commented that this was unusual and as a result merited further discussion.

The member of the Internal Audit Team that had carried out the review reported that whilst the Vice Principal Business Success may have evidence that the spreadsheet model had been validated, at the time of the review this was not available and as a result the recommendation had been included in the report.

The Vice Principal Business Success confirmed that an Independent Business Review had been undertaken by BDO in the autumn of 2019 on behalf of Barclays Bank at significant cost and that the College would not obtain value from repeating this work and expense.

He advised that the spreadsheet model used for the financial planning in the longer term to assess future viability and consider different options had formed the cornerstone of the review and that whilst the significant amount of correspondence which had taken place at the time had not been provided to the Internal Auditors, a copy of the report had been.

It was noted that two members of the Committee had been Governors at the time of the review and the Committee were advised that if they were content with the work that had been carried out by BDO the recommendation would remain, but would not form part of the follow up reporting.

The Internal Auditors stated that the recommendation was very specific about having the structure validated and that having considered the available

documentation the BDO report confirms that an audit was not carried out and that it was based on the College's own projections.

They advised that if there were errors in the model they would have been identified as part of the Independent Business Review, but that the report did not provide any specific assurances.

The External Auditors reported that whatever work was carried out in the review it was likely to include a disclaimer and that the key issue is the likelihood of an error occurring and how much work is required to ensure the model is correct and able to prevent loss.

The Vice Principal Business Success confirmed that this was the reason the Independent Business Review had been carried out and that this had included discussions with stakeholders about the College's position in relation to loan covenants and debt to provide comfort to the ESFA and the bank about the future forecasts.

The Internal Auditors stated that their role is to provide additional assurance to that provided by management but that they were cognisant of the firm rebuttal made by the Vice Principal Business Success.

The Committee asked in view of the work carried out in 2019 and in terms of data integrity, when in the cycle of internal audit work would it be appropriate to do a future validation, as this could be included in the management response.

The Vice Principal Business Success reported that typically financial planning would be reviewed every three years.

To support the Audit Committee in gaining further assurance, the Vice Principal Business Success advised that he would prepare a report for the next meeting which outlined the context around the Independent Business Review and the work that was carried out.

It was resolved that the Vice Principal Business Success provide a report for the next meeting of the Committee in relation to the Independent Business Review and assurances in relation to the work that was carried out.

(b) Assurance Review of Sub-Contractor Controls

The Internal auditors presented the report and advised that the overall the review had resulted in a level of reasonable assurance.

Three recommendations were made in the report, two rated as important and one as routine.

The important recommendations related to reporting of the management fee for one training provider and the contract value for another provider which had been incorrectly stated in the Board of Governors report.

It was emphasised however that this was solely a reporting issue as the correct payments had been made and received.

The Internal Auditors advised that the College has all the necessary contracts in place, undertakes regular risk management profiles for each provider and carries out annual due diligence checks. There are also arrangements in place for monitoring the subcontracted provision.

It was resolved that the Board of Governors be advised of the outcome of the Internal Audit Reviews.

19/21 OFFICE FOR STUDENTS ILR AUDIT AND ACTION PLAN (ITEM 5)

The Funding and Compliance Officer joined the meeting.

The Vice Principal Business Success introduced the report and advised the Committee that whilst HE learners at the College represent a small percentage of students, there are extremely specific criteria imposed by the Office for Students which are particularly detailed and complex.

It was reported that the outcome of the audit of the data for the 2019/20 year was one of limited assurance and that 12 recommendations had been made, including three rated as high and four rated as medium.

The Funding and Compliance Officer reported that all the action points had been accepted and will be addressed. He advised that many of the recommendations related to coding issues and definitions and that these would be revisited to ensure that staff have a clear understanding of the requirements.

The Committee considered the action plan that had been prepared and submitted to the Office for Students and the Vice Principal Business Success reported that the actions would be followed up by the Internal Auditors as part of their follow up procedures.

The Committee was also advised that the recommendations did not involve any risk of loss of funding, although the Vice Principal Business Success reported that Colleges must register with the Office for Students and there may be a risk of de-registration if the issues are not addressed.

The Committee asked whether the outcome of the report posed any risk of reputational damage for the College?

The Funding and Compliance Manager reported there was unlikely to be any reputational damage and that he had been advised that the College had been asked to review and submit the data as it could affect the historical trend data used by the Office for Students to predict future student numbers.

It was resolved that the Audit Committee note the report and that the action plan form part of the follow-up procedures of the Internal Auditors.

20/21 RISK MANAGEMENT UPDATE (ITEM 6)

The Vice Principal Business Success presented the report which included the usual College risk register and the risk register specific to COVID 19.

It was noted that there are 35 risks included on the main register and 26 on the COVID 19 risk register and that there had been little change since the last report with only three risk scores decreasing and one increasing.

The Vice Principal Business Success reported that the small number of changes is not typical of the risk register in the second term, but that there is a sense that as the situation continues to improve, many of the pandemic related issues will potentially be resolved.

The Vice Principal Business Success highlighted the significant risks and that these were typically reported within reports to the Board of Governors.

It was resolved that the Committee note the report and advise the Board of Governors.

21/21 DATA QUALITY AND AUDIT (ITEM 7)

It was agreed that this item would be considered as part of the report on the Post 16 Audit Code of Practice.

22/21 REVIEW OF FRAUD PROCESSES (ITEM 8)

The Head of Governance presented the report and the updated Anti-Fraud Plan, Anti Bribery Plan and Fraud Response Plan.

The Committee noted that main change to the Anti-Fraud Plan and the Fraud Response plan were to identify the Vice Principal Business Success and not the Head of Governance to the Board of Governors as the individual to whom instances of suspected fraud are notified and the way in which decisions are made as to whether a special investigation should be carried out.

It was reported that the Anti Bribery Policy had also been updated to extend the definition of bribery and to refer to the Anti-Fraud Policy and the Fraud Response Plan.

The Committee asked whether there were any lessons learnt in relation to the COVID pandemic and the different ways of working and whether this had highlighted any potential weaknesses or resulted in changes to policies to ensure there are no opportunities for fraud.

The Vice Principal Business Success reported that the move to working remotely has been significant and in some cases led to changes e.g. in using electronic signatures. However clear segregation of duties had been maintained and the Vice Principal Business Success confirmed that he was not aware of any increased risk of fraud during the lockdown period.

The Head of Governance drew the attention of the Committee to the Anti Fraud Checklist which was appended to the report and the actions that had been identified.

One of the actions related to training for Governors and the Chair asked whether members of the Audit Committee would welcome appropriate training and development being identified.

Members of the Committee commented that whilst they undertake training as part of their employment, it was always helpful to have training and development which fits the context of the College.

It was agreed the Head of Governance and the Chair should liaise to identify opportunities for appropriate training and development.

The Committee asked whether the Governing body as a whole would also be undertaking training. The Head of Governance advised that a schedule of development sessions is being established and these will commence in the new academic year.

The Internal Auditors commented that at some Colleges the Committee takes 'deep dives' into particular risks by having presentations at the start of meetings and it was agreed that this would also be given consideration.

It was resolved that the updated Anti-Fraud Policy, the updated Fraud Response Plan and the Anti Bribery Policy be recommended to the Board of Governors for approval.

23/21 POST 16 AUDIT CODE OF PRACTICE (ITEM 9)

The Head of Governance introduced the report and highlighted the changes that had been made to the Post 16 Audit Code of Practice which was published on 1 March 2021.

The External Auditors reported a significant change was the removal of the provision of assurances by the ESFA to external auditors in respect of whether income recognised in the accounts from funding generated through the ILR (individual Learner Record) is fairly stated.

As a result, External Auditors will need to undertake additional work to provide this assurance. This will be an additional cost to Colleges but there is also a concern that audit providers will have to find additional capacity to carry out the necessary work.

The Vice Principal Business Success reported that funding audits are very detailed and take a significant amount of time. He advised that there is concern about this across the sector and that a change at this time of the year means that there is no opportunity to amend the Internal Audit plan or find other sources of assurance.

The Committee were informed that the Vice Principal Business Success had discussed the position with the External Audit Service about how the necessary work could be carried out.

The External Auditors commented that as the change had been only recently introduced there will be different approaches taken in relation to the 2020/21 financial year. Whilst some audit providers may not carry out additional work, RSM was one of the providers who had carried out these audits on behalf of the ESFA and as a result appreciate the risks of not obtaining an appropriate level of assurance.

The Vice Principal Business Success advised that having discussed the position with the External Auditors it was clear that they would find it difficult to provide the additional capacity currently to carry out the necessary work. As a result, it was proposed that the Vice Principal Business Success should contact other audit providers on the framework to find out their approach and what capacity they would have to carry out a funding audit.

It was agreed that in the first instance the Vice Principal Business Success would approach the audit firms named on the framework and feedback to the Chair of the Audit Committee.

24/21 REVIEW OF TERMS OF REFERENCE (ITEM 10)

The Head of Governors reported that the Terms of Reference for the Committee had been updated to reflect the changes in the Post 16 Audit Code of Practice.

It was noted however that two further amendments should be made to reflect the requirement to refer to the consideration of the independent report on subcontracting in the Audit Committee Annual report and to note that the Committee may have reference to the 'board assurance framework'.

It was resolved that the updated Terms of Reference for the Audit Committee including the additional amendments should be recommendation to the Board of Governors for approval.

25/21 COMMITTEE TRAINING AND DEVELOPMENT AND ASSESSMENT OF PERFORMANCE (ITEM 11)

It was noted that the Committee had agreed that the Chair and the Head of Governanceors would source appropriate training and development for members of the Committee.

The Committee also agreed that an appropriate self-evaluation of its performance should be carried out as part of the Governors annual self-evaluation process.

26/21 ANY OTHER BUSINESS (ITEM 12)

It was noted that due to a number of factors, it had not been possible to complete all of the Internal Audit assignments which had been planned for the second term of the academic year.

It was agreed that in planning for the academic year 2021/22 efforts would be made to ensure that reviews were timed to spread the reports as evenly as possible between the Committee meetings.

27/21 CONFIDENTIALITY (ITEM 13)

There were no items that should not be made available for public inspection.

28/21 DATE AND TIME OF NEXT MEETING (ITEM 14)
7 July 2021 at 5pm