

## CITY OF WOLVERHAMPTON COLLEGE

### Minutes of the Special Meeting of the Audit Committee of the Board of Governors held on Wednesday 8 September 2021 at 5pm via Microsoft Teams

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#### PRESENT

Mr John Bradford (Chair)  
Mrs Amanda Tomlinson

Mr Mike Hastings  
Ms Alison Shannon

#### IN ATTENDANCE

Mrs Elizabeth Ball (Head of Governance)  
Mr Peter Merry (Vice Principal Business Success)  
Mr Paul Oxtoby (RSM – External Auditors)

#### **42/21 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST**

Apologies for absence were received from Mr Trevor Dutton and Clare Parkes.

There were no declarations of interest.

#### **43/21 EXTERNAL AUDIT PLAN YEAR ENDED 31 JULY 2021 (ITEM 2)**

The External Auditors presented the External Audit Plan for the year ended 31 July 2021.

It was highlighted that this year, in addition to providing the usual audit opinion in relation to the Financial Statements, as a result of changes introduced by the ESFA, the External Auditors would also be carrying out a Regularity Audit.

Key points were highlighted including:

- The External Auditors will review the work of the Internal Auditors and make enquiries about any instances of fraud.
- A clause relating to the use of specialists is included in the plan, and for this year will relate to the RSM data team who will carry out the regularity audit.
- Planning materiality will be set based on a percentage of total expenditure for the year.
- The date for filing the financial statements has reverted to 31 December this year and remains challenging. Work needs to be completed to enable a report to be made to the Audit Committee at their meeting on 24 November 2021 and to the Board of Governors at their meeting on 13 December 2021.
- Key risks were identified as:

Revenue recognition – ensuring income is matched to the correct period.  
This year the ESFA is not giving assurances in relation to 16-19 and apprenticeship funding, resulting in the need for the regularity work.

- Pension Scheme Liabilities – although based on information provided by the pension provider, the External Auditors will test the assumptions.
- Going concern – A review of the position as at July 2021 will take place together with a review of the inclusion of the matter of concern.
- Management Override – in essence this relates to the risk of fraud and it was noted that several tests would be carried out.

The Committee requested assurance that the External Auditors would be able to report to the next meeting of the Audit Committee on 24 November.

The Vice Principal Business Success confirmed that this meeting was taking place at the usual time of the year and as the Board meeting is taking place on 13 December 2021 it could not take place much later.

The External Auditor confirmed that most Colleges have meetings in November and December to approved the financial statements and as a result, the External Auditors must work to that deadline.

It was reported that testing for the Regularity Audit was being carried out in September and that it is hoped that the main regularity work can be completed by the end of September.

In relation to the Pension Scheme Liabilities, it was noted that the College had already received the valuation which identified an overall reduction, but that this represented a significant charge to staffing costs.

The External Auditor confirmed that whilst the College's position had improved since July 2020, there will be a need to look at 'Going Concern' as at July 2021 and whether the matter of concern will need to remain.

The Vice Principal Business Success reported that his expectation was that this would remain as whilst the College had generated additional cash at 31 July 2021 it was not sufficient to meet the Bank covenants that were in place on that date.

The External Auditor referred members of the Committee to the statement of fees which were detailed in the External Audit Plan.

He advised that for this year, in view of the approach being taken by the ESFA in not providing assurances in relation to income recognition, consideration is still being given to the level of work that will be required. As a result, the statement of fees did not include an estimate of an additional £5k - £10k to carry out the regularity work.

The Committee were advised that the range had been included as it was not clear what issues may arise from the testing that is being carried out, but that this should crystallise towards the end of September into a definite figure.

The Committee noted the reasons for the estimate being provided and were content with the approach that was being taken.

The External Auditor reported that in relation to the other fees detailed in the plan, there had been an increase which was above the rate of inflation, but that this was as a result of additional work that will be required in relation to fraud risk and going concern. He also advised that he was seeking clarification from the ESFA about how the outcome of the funding work will be reported.

**It was resolved that the External Audit Plan be recommended to the Board of Governors for approval.**

**44/21 ANY OTHER URGENT BUSINESS (ITEM 3)**

There was no other business.

**45/21 CONFIDENTIALITY (ITEM 4)**

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

**46/21 DATE AND TIME OF NEXT MEETING (ITEM 5)**

**24 November 2021 at 5pm**