

**College of West Anglia
Minutes of the
Audit Committee
23 November 2022
9.30 am
Remote Meeting – Microsoft Teams**

Present	Dave Clark	Governor (Chair)
	Kay Driver	Governor
	Mark Eastwood	Governor
	Ray Harding	Governor
	Carolyn Rand	Governor (part)
Attending	Paul Harrison	Vice Principal Corporate Services
	Rob Petto	Assistant Principal – Funding & Performance (part)
	Jenny Quaif	Head of Finance
	Mandy Lakey	Employer Engagement - System Implementation Manager (part)
	Paul Goddard	Scrutton Bland
	Emma Larcombe	KPMG
	Nathan Ackroyd	KPMG
	Connor Grant	KPMG
	Stephen Halls	Clerk to the Corporation

The Clerk explained that although Ray Harding, Audit Committee Chair, was attending the meeting, it had been agreed that Dave Clark, Vice Chair, would chair the meeting due to potential technical difficulties being experienced by Mr. Harding, to avoid any disruption to the meeting.

The Chair welcomed Mark Eastwood and Kay Driver, governors, to their first meeting of the Audit Committee. The Chair welcomed the auditors from Scrutton Bland and KPMG.

1 Committee Members' Briefing with Auditors

This item was deemed 'Confidential – Restricted.'

Paul Harrison and Jenny Quaif joined the meeting at 9.43 am

2 Apologies for Absence

Apologies for absence were received from Mike Andrews.

3 Declaration of Interests

There were no items of interest declared.

4 Minutes of the previous meeting – 29 June 2022

The minutes of the meeting held on 29 June 2022 were reviewed and agreed as being an accurate record.

5 Matters Arising

The Chair asked for an update on the re-accreditation of the vet nursing course at the Cambridge Campus; the Vice Principal Corporate Services advised that re-accreditation for the course was not expected until September 2024 but in the meantime an alternative course was being investigated for the Cambridge Campus.

Emma Larcombe, KPMG, noted that the auditor's fee income breakdown had not been provided within the Matters Arising summary but that it had been included within the report at Item 6, Appendix 2.

6 External Audit

The Vice Principal Corporate Services apologised that an updated set of accounts had been circulated after the agenda and papers had been published. There were further adjustments and amendments still to make to the accounts, particularly with regard to the pension disclosures.

Nathan Ackroyd, KPMG, gave the presentation on the audit report which remained in draft form whilst the audit continued, again, noting that pensions was one of the areas still to be finalised. The latest report on the LGPS pension scheme had just been received with some adjustments to the accounts now being required, but no issues were expected.

Headcount numbers would be finalised once the supporting samples requested had been received. The Chair asked if the new HR system had been used for this information; the Vice Principal explained that issues had been identified with the new system and so therefore the Payroll department had manually produced the necessary information.

The statement regarding 'Going Concern' would remain outstanding until the accounts were signed, although testing had been completed without issue.

Impairment of the tower block was not required. This was queried by governors; Nathan Ackroyd explained that an assessment had been undertaken following which it had been considered that impairment of the roof in the accounts was not necessary.

The financial statements regarding the subsidiaries remained outstanding with the finance team and would be audited once they had been received.

With the valuation of the LGPS pension liability, one control finding had been raised; further, it had been identified that inflation had not been accounted for in the valuation and which, once adjusted, would add a further £3.8m to the value of the liability. Other testing of the pension valuations had been carried out and overall the pension scheme had improved on the previous year, this being in line with other similar schemes, generally, at the present time. The Chair asked if the change in the pension position would affect the college's cash position; the Vice Principal explained that the changes were reflected in the balance sheet but that in future years' the college's employer's contribution rates could be increased by the scheme administrators, thereby affecting cash payments at that time.

The review of the management override of controls had raised no issues to date. Similarly, apart from one minor adjustment, there were no issues with revenue recognition.

Work was continuing on Regularity and the impact of the subsidiary companies.

The checking procedure against the actuarial assumptions by KPMG's own assessment criteria were found to be 'optimistic' although within the range for being acceptable.

Emma Larcombe, KPMG, continued with the subsidiaries. There were no concerns with CWA Developments, although the final accounts were still to be reviewed. For CWA Enterprises, 2 issues had been identified; firstly, that of income recognition in respect of NVQ income that had not been accounted for in line with accruals accounting resulting in an adjustment of £73k being required; secondly, stock holding within the college shop had not been accounted for and for this issue a qualified audit report would be given. The value of the stock was considered to be in the region of £18k. The Head of Finance explained that the till system and processes within the shop had now been updated so that stock values could correctly and easily be calculated.

The recommendations raised from the audit were noted and briefly discussed: capacity and expertise of the finance staff; revenue recognition training (CWA Enterprises); management review; quality of payroll and HR data; related parties controls; accounting software access; journals review control and stock in CWA Enterprises. It was noted that the final item relating to stock would probably be increased to a risk score of '1' in the final report.

Governors were supportive of a review of the finance team, particularly if increased college resources helped to ease the work of auditors and thus reduce audit costs. Governors noted the need for a new finance system but were concerned that there would be insufficient resources within the department to successfully implement a new system. The Head of Finance thanked governors for their support and agreed that additional resources would be required during the period of implementing a new system; it was considered that in the long term some roles and duties within the finance team would change, making the department more proactive in its support of the college's needs, rather than reactive.

The Chair asked KPMG if any areas of possible improvement had been noticed during the audit for the finance team to consider. Connor Grant, KPMG, noted that the issue with HR and Payroll data would ease once the new payroll system had been implemented; monthly stock checking within the college shop would identify any issues early on and avoid problems at year-end; income relating to more than one period/year should be automatically moved to the correct accounting period. The Head of Finance added that an automatic link between the purchasing and the accounting system would benefit the department to avoid the need for the daily updating of both systems. Paul Goddard, Scrutton Bland, from his own review of systems highlighted the need for a consistent coding system between finance and other systems, such as curriculum planning and that record keeping for IT fixed assets could be improved, certainly since the IT service was now provided in-house.

Emma Larcombe, KPMG, confirmed that, in their professional judgement, KPMG LLP was independent within the meaning of regularity and professional requirements and that the objectivity of the Partner and audit staff was not impaired.

The auditors' fees were detailed in the report at Appendix 6; it was considered that an overrun in costs of circa £25k was likely.

The college's accounts in Appendix 1 were reviewed. Governors noted the commentary regarding the adult education offer; the Vice Principal reported that a new post of Adult Co-ordinator had been introduced with support from the CPCA with the aim of growing the adult provision, to ensure the full utilisation of that specific income stream.

The Chair asked about the gift aid value of £368k between CWA Enterprises and the college as mentioned in the accounts; Connor Grant, KPMG, explained that this amount was still to be finalised and would be updated in due course.

Governors suggested that the committee focused on the subsidiaries at a future meeting, to include a review of the subsidiary accounts. The Vice Principal explained that the Finance & General Purposes Committee had already asked for a review to be undertaken on the need for the subsidiaries; currently it was considered that there was a continued need for CWA Enterprises but not CWA Developments; the Vice Principal would be engaging expert support to help with this matter.

As there were a number of outstanding issues and late adjustments still to make to the accounts it was agreed that the reports would be noted for now, and that a further meeting of the Audit Committee would be arranged to allow a final review before making a recommendation to the Board.

ACTION-CLERK

The reports were noted.

Emma Larcombe, KPMG, left the meeting at 10.31 am

7 Election of Vice Chair

The Clerk took the chair for this item

The Clerk advised that with this being the first meeting of the academic year the committee was required to appoint its own Vice Chair for the year. Ray Harding, Chair of the Audit Committee, noted the valued support provided by Dave Clark, current Vice Chair, to the committee.

The Committee agreed the appointment of Dave Clark as Vice Chair.

Dave Clark re-took the chair as Meeting Chair

8 Risk & Internal Controls Update

This item was deemed 'Confidential.'

Carolyn Rand left the meeting at 10.35 am due to technical difficulties

9 Annual Report on Risk Management and Review of the Risk Register

Governors noted the new presentation format for the Risk Register and agreed that it had made the document easier to read. Governors asked for either a heat map at the beginning of the document or a RAG rating indicator against the listing of all risks so that readers could easily identify at a glance, from one sheet, those risks which were a concern. Governors noted that the arrow indicator reflecting the movement between versions would also be useful on the listing of all risks.

ACTION-VPCS

Governors asked about inflation and if this should be included as a separate item on the Risk Register. The Vice Principal advised that this was included under Risk 3 – Financial Pressures. The Vice Principal added that as part of the recent external audit, auditors had tested financial resilience rigorously as part of their 'going concern' checks, with no issues raised.

Paul Goddard, Scrutton Bland, queried the score of 12 for Risk 15 – Inadequate oversight of subcontracted provision, and considered that this was perhaps too high, noting the recent audit on subcontracting provision that had resulted in 'Significant' assurance being given. The Vice Principal advised that the college was very concerned with the many, frequent changes that were being imposed on this provision, particularly the new requirement to reduce subcontracted activities to 25% of each income stream.

Governors reviewed Risk 16 – Higher Education and the risk score of 4. Governors were aware of the recent issue regarding the loss of the accreditation for the vet nursing course and asked about other issues regarding higher education; the Vice Principal noted the general decline in student numbers and the action taken by the college and ARU in reviewing the overall offer. The Vice Principal would review this particular score again.

ACTION-VPCS

The report was noted.

*The Chair called for a short break in the meeting at 10.49 am
The meeting re-commenced at 10.56 am*

Rob Petto and Mandy Lakey joined the meeting at 10.56 am

10 Apprenticeship Funding Audit – Update on Progress

This item was deemed ‘Confidential.’

Rob Petto and Mandy Lakey left the meeting at 11.08 am

11 Internal Audit Reports

Paul Goddard, Scrutton Bland, presented the Budgetary Control & Fixed Asset report, which provided ‘Significant’ assurance in respect of budgetary control and ‘Reasonable’ assurance in respect of fixed assets. Regarding the latter, the auditor referred to the recommendations which proposed a central register and tracking document for IT equipment; it was considered that this was a common theme amongst many colleges; the auditor noted a slight concern that the completion date suggested by management had been proposed as ‘on-going.’ The Vice Principal Corporate Services explained that an inventory was in the process of being compiled using data from RM, the external company that managed the IT contract on behalf of the college before it was brought in-house in August 2022. The Vice Principal accepted that during the time of the Coronavirus pandemic operations were somewhat chaotic with regard to the need to urgently issue equipment to students and staff, and that perhaps record keeping may not have been as accurate as it should have been. With regard to the main asset register, the Vice Principal confirmed that finance staff would be carrying out physical verification checks throughout the year. Paul Goddard suggested a 20% check on assets per year, or perhaps as low as 10%, depending on the type of asset held, and that staff needed to be made aware of or reminded that annual checks would be carried out.

Governors were displeased with the ‘on-going’ response regarding the control of IT equipment, particularly as the audit had been carried out in March 2022 and that the issue still remained incomplete; the Vice Principal advised that he would liaise with the responsible manager and ensure that a reasonable date was set to complete this recommendation.

ACTION-VPCS

With regard to Budgetary Control, Paul Goddard noted that this area linked well with the curriculum plan, although from the recommendations it was suggested that a consistent coding system be developed to align cost centre codes used in the finance system with the coding structure used in the curriculum planning software. The agreement of a due-date for this recommendation was also needed for this item. Paul Goddard noted that increased value could be added to the management accounts with an increased use of visuals and graphical information. The report suggested that governors were only receiving the management accounts when meetings were scheduled. The Vice Principal advised that once the management accounts had been published these were emailed to all members of the Finance & General Purposes Committee for immediate review by the Clerk, and also placed on the governors’ SharePoint portal for all governors to access. The Vice Principal noted that Andrew Tyley, Deputy FE Commissioner, had recently provided a finance training

session for all governors and had similarly suggested the use of visuals and graphical information in the management accounts; this would be reviewed in due course.

The Chair asked how missing items of IT equipment would be removed from the asset register; the Vice Principal advised that many low value items of equipment would not have been capitalised and so any impact to the value of assets held on the balance sheet would be minimal.

Paul Goddard moved to the Sub-contracting audit report and explained that from 2022/23 a standard auditing procedure had been introduced nationally thereby ensuring all sub-contracting audits were carried out in a similar fashion across all colleges, making it easier for the ESFA to review and manage; for this reason the reporting format to the Audit Committee would therefore change from next year. Paul Goddard noted that this particular area was one of the risks across the FE sector, and for which the ESFA had a particular focus. For CWA, the audit report gave 'Significant' assurance; of note was the due-diligence undertaken when appointing a new partner and reviewing existing partners on an annual basis. The audit provided 3 recommendations, all of which were low risk. It was confirmed that the required audit certificate was signed and submitted by the auditors and management by the specified deadline of 31 July 2022.

The Chair commented on the tight controls imposed by the college on the sub-contracting partners, and the reducing numbers of partners now used by the college, many of which were now local. The Vice Principal noted that only one partner was out-of-area. The Vice Principal noted his own view that sub-contracting was an activity which received a high level of scrutiny from the ESFA.

The report was noted.

12 Review Progress on Implementing Past Approved Audit Actions

The Head of Finance noted that a number of the past recommendations had been mentioned at various points throughout the meeting so far, particularly with regard to the more recent audits undertaken; progress was being made, such as with the recommendations made from the Payroll audit and the more recent Fixed Asset audit.

The Chair asked about Item 1, Risk Management; the Vice Principal Corporate Services reported that the college did not manage risk registers within each department and that this particular item would be closed once the Committee had reviewed and agreed the risk strategy, due to be considered in the spring term, 2023.

Governors asked for an easy-to-read indicator (perhaps RAG rated) to highlight when items were due, overdue, or completed. **ACTION-HoF**

The Chair referred to Item 9, Review of Pensions, and considered that management were probably not as experienced as a pension fund actuary to provide sufficient reviews from time to time; Nathan Ackroyd, KPMG, noted that it was advisory for timely reviews to take place, hence the matter had been raised, but appreciated that this work was of a specialised nature. The Vice Principal added that management provided the actuary with up-dated information from time to time, such as details regarding the current workforce demographics, new staff intake, job evaluation exercises and so on, and also challenged the actuary with the assumptions made.

The report was noted.

13 Assurance Framework

The Vice Principal Corporate Services explained that, in the absence of a full internal audit service, which would provide an overall opinion, this report was intended to give assurance to the Committee and the Board that the college had an adequate and effective framework for governance, risk management and control, and had fulfilled its statutory duty as required. The Vice Principal referred to the new format on the Risk Register (reviewed earlier in the meeting) and the section whereby risk owners were able to consider how each risk was being managed. Paul Goddard referred to the Sources of Assurance table within the report and suggested, for clarity, that the column titled Internal Audit Coverage should be re-labelled as 'Independent Review Data' as not all sources of assurance would necessarily be gained via an internal audit. **ACTION-VPSC**

From the table on Sources of Assurance, item 15, Subcontracting, had been RAG rated as 'Red' whereas this should now be a 'Green' score following the recent internal audit. The Vice Principal noted that cyber-security had been omitted from the table and that great assurance had been gained for this item from 3 tests that had been carried out on college systems. The table would be updated accordingly with the necessary changes. **ACTION-VPSC**

Governors noted that the review exercise and subsequent report encouraged managers to consider in detail how assurance was obtained from the various risks facing the college, and that the report could be developed further to incorporate a 3-year plan in which to review areas for independent assurance.

The report was noted.

14 Self-Assessment of Compliance with Regularity and Propriety Requirements (Post-16 ACOP) 2021-22

The Committee reviewed the Regularity Self-Assessment Questionnaire. The Vice Principal Corporate Services noted that this exercise also informed the assurance framework. For this year, additional questions had been included regarding governance and the introduction of external reviews.

Governors asked about the questions relating to the Board reviewing its profile of activities to ensure they were within its powers. The Clerk advised that every year each committee reviewed its own work against its respective terms of reference to ensure compliance; further, the Governance & Financial Management Regulations were also reviewed each year by the Finance & General Purposes Committee prior to being approved by the Board. The Clerk added that the Instrument and Articles of Association were updated when necessary, with the most recent change being made in October 2022 regarding the approval of Minutes.

The Committee agreed to recommend the approval of this document by the Board.

15 Student Union Accounts 2021-22

The accounts of the Student Union for 2021-22 were noted. The Head of Finance explained that there had been little activity within the accounts as the majority of students considered there to be no benefit in joining the Union, and obtained student discounts and other benefits from other sources. The Chair asked how the funds had been used in previous years; the Vice Principal Corporate Services advised that most recently funds had been used to purchase picnic tables for the campuses. The Vice Principal noted that Student Services was currently considering the continuation of the Student Union at the college.

The Committee agreed to recommend the approval of the accounts by the Board.

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

The Head of Finance explained that the listing of contracts within the report contained all renewals as appropriate; the report was a live document and reflected the latest position and was very granular in the detail provided; many of the current contracts related to IT and Property Services.

Governors asked if the report was used by management or compiled for the benefit of the Audit Committee; the Head of Finance explained that this was a specific report requested by Audit Committee, although information regarding high-value contracts was also reported to the Finance & General Committee at each meeting. The Head of Finance considered that in the future it might be possible to store such information regarding contracts on a new finance system to ease reporting. Governors discussed the need to only review large value contracts and asked management to propose a threshold for consideration at the next meeting. **ACTION-VPCS/HoF**

Governors asked about the supply of turbines to the college, noticed within the listing of waived contracts; the Vice Principal advised that the turbines were for a new green energy initiative for teaching purposes.

The report was noted.

17 Annual Report of the Audit Committee 2021-22

The Clerk advised that the report had been compiled based on the activities of the Committee during the past year and included information on the audits carried out and reviewed during the year, up to the date that the accounts would be signed on 7 December 2022.

The Clerk noted that, following publication of the final report from KPMG, external auditors, it was likely that 2 updates would be required to the Annual Report, both relating to the stock issue in CWA Enterprises, where the priority score for this item on page 6 of the Annual Report would be changed from 2 to 1, with the subsequent auditor's commentary on page 7 then also being updated to include mention of the stock issue.

The Clerk advised that he would report the necessary changes to the Board and would amend the final version of the Annual Report accordingly, before it was signed by the Chair of the Audit Committee and submitted to the ESFA by 31 December 2022. **ACTION-CLERK**

The Annual Report of the Audit Committee was approved, subject to the anticipated amendments noted above.

18 Audit Committee Masterclass

Ray Harding reported that the course he attended on 27 September 2022 had been beneficial and had provided a number of hints and tips for future consideration when reviewing reports and the activity of the committee. Copies of the slides used for the training had been provided for all members at Appendix 1. The Chair noted that it was positive that the college had provided the funding for Mr. Harding to attend the course.

The report was noted.

19 Any Other Business

There were no items of other business.

20 Chair's items for briefing to the Corporation

- CWA Accounts to 31.7.22 and the External Auditor's Report - there were a number of outstanding issues and late adjustments still to make to the accounts and so it was agreed that a further meeting of the Audit Committee would be held, once the accounts had been updated, to allow a final review before making a recommendation to the Board;
- An update on the review within the apprenticeships area and the implementation of new software was received; it was noted that good progress was being made;
- Internal audit reports were reviewed on Budgetary Control which received 'Significant' assurance and Fixed Assets which received 'Reasonable' assurance. An audit on sub-contractor provision had also been carried out which received 'Significant' assurance;
- Management was progressing with the tender exercise to appoint both internal and external auditors, with this expected to be completed in the spring term 2023.

21 Date and time of next meeting

Wednesday 15 March 2023 at 9.30 am

The auditors from Scrutton Bland and KPMG left the meeting at 11.53 am

A1 Appointment of Auditors – Tender Process Update

This item was deemed 'Confidential - Restricted.'

The meeting closed at 12.01 pm