

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

Present	Gill Rejzl	Governor (Chair)
	Dave Clark	Governor
	Ray Harding	Governor
	Carolyn Rand	Governor
Attending	Paul Harrison	Vice Principal Corporate Services
	Rob Petto	Assistant Principal – Funding & Performance (part)
	Stephen Halls	Clerk to the Corporation

1 Committee Members' Briefing with Auditors

The Clerk reported that the auditors had not raised any confidential matters for discussion. Governors also had no matters to raise under this item.

Paul Harrison joined the meeting at 9.31 am

2 Apologies for Absence

Apologies for absence were recorded for Mike Andrews.

3 Declaration of Interests

There were no items of interest declared.

4 Minutes of the previous meeting – 24 November 2021

The minutes of the meeting held on 24 November 2021 were reviewed and agreed as being an accurate record.

5 Matters Arising

Item 6, 24/11/21 – Chair of the Audit Committee: The Clerk reported that he had recently received some interest in the post of Chair of the Audit Committee and that this would be discussed by the Search & Governance Committee at its meeting on 11 May 2022.

Item 7, 25/11/20 – Proposed Assurance Framework: The Vice Principal Corporate Services advised that progressing this Framework may need to be reconsidered depending on the outcome of the discussions to take place under item A2 regarding the appointment of internal auditors. The Chair added that there would continue to be a need for an assurance framework, regardless of how the internal audit service was managed.

Item 11, 24/11/21 – Internal Audit Report – Cash Flow Forecasting: The Audit Committee Vice Chair had raised a concern regarding the late production of the management accounts during the autumn term and which, once published, did not include cashflow forecast statements. This would be discussed in more detail under Item 6 – Risk & Internal Controls Update.

The Chair asked the Vice Principal to advise the Committee on any areas of immediate concern:

- i. Recruitment - The Vice Principal advised that following 2 recruitment campaigns the College had been unable to recruit to the post of Head of Finance. Similarly, a recent campaign to recruit to the post of Head of Apprenticeships & Work Based Learning had also been unsuccessful. The recruitment campaign for the Vice Principal Curriculum & Quality, with interviews held earlier that week had been successful with an offer being made and accepted, subject to Board approval.

The Chair asked about the risks to the College caused by the Head of Finance position remaining vacant and if cover on an interim basis should now be arranged. The Vice Principal advised that he would be discussing the offer of a temporary appointment for interim Head of Finance to the previous post holder, now retired, and who also provided temporary cover during the autumn term. Governors discussed the salary offered for the vacant position and considered this to be below what was being offered in the commercial sector. The jobs market was very buoyant, and employers were keen to retain their existing staff, offering enhanced pay awards where necessary. Governors suggested the need for the College to review its own staffing structure and possibly look to convert the Head of Finance role into an Assistant Principal role, which would command a higher salary. Governors discussed various options to assist in the recruitment process, such as an enhanced offer to include a recruitment and retention allowance and the possibility of accepting an individual who had the appropriate skills and knowledge but did not hold a full accountancy qualification, although after discussion it was agreed that only a fully qualified accountant would be acceptable. Flexibility in hours and work/home location were also discussed. The subcontracting out of some of the finance functions was briefly discussed, to reduce the work and responsibilities for the Head of Finance and the team. The Vice Principal considered that the subcontracting out of management accounts would prove to be difficult as this area of work was very detailed and specific to the College/FE sector. The Vice Principal would be in discussions with the recruitment agency to consider the next steps to be taken regarding the vacancy.

- ii. Job Evaluation – a number of appeals had been received, even though no member of staff received a pay decrease as a result of the job evaluation review. The Vice Principal had noticed that there had been some inconsistencies in how the approved model had been applied in the initial assessments and these were now being addressed. There was one appeals panel left to hold. It was expected that the process would be completed within the next 2 weeks.

The Chair considered that the evaluation exercise had not run as smoothly and as quickly as Governors and managers had initially envisaged, mainly due to the disruption caused by the Coronavirus pandemic and poor communications. Governors were mindful of the upset this had caused for support staff and the reduction in morale. The Chair asked if the initial aims of the exercise had been achieved; the Vice Principal considered that the review of all support staff positions had been thorough, allowing each to be compared with other roles across the College; further, as a result of the review management were confident that the College was not at risk from any potential equal pay claims.

Governors accepted that pay levels would require regular review in the future and that it may be necessary to pay enhancements to retain key members of staff, particularly for those in professional roles where higher salaries were achievable in the commercial sector. The Vice Principal reminded the Committee that the College's medium term financial plan only allowed for small pay awards of 1%-2% over the next 4 years, and that it would now be necessary for this to be revisited in light of cost of living and recruitment and retention pressures.

The Chair considered that there should be additional support from the Department for Education to help colleges with their pay budgets in order to recruit and retain staff. The Vice Principal noted that the AoC was acting on this issue on behalf of the sector and had recently produced a report titled "College Staffing Challenges in 2022."

The updates were noted.

6 Risk & Internal Controls Update

This item was deemed 'Confidential.'

7 Review of Risk Register

The Vice Principal Corporate Services apologised for the late circulation of this report. The Vice Principal highlighted a new risk on the register, 2022(1), regarding College Systems and Processes for Apprenticeship Funding. In addition, a further risk was now emerging across the College regarding the mental health and wellbeing of students; management were currently considering if this should be entered on the register to allow for closer monitoring and awareness.

The Committee reviewed the risk register and commented on the following areas:

- i. Risk 2018 (3) – Failure to recruit sufficient student numbers: Governors were pleased to note that study programme recruitment was 210 ahead of the previous year.
- ii. Risk 2018 (4) – Inability to recruit & retain high calibre staff: Governors noted that it had not been possible to recruit to the post of recruitment coordinator after 2 campaigns. The Chair asked what action was being taken to address this; the Vice Principal explained that the post would be readvertised at a higher pay band. In order to attract more people into teaching, the Vice Principal informed the Committee that the Cambridgeshire & Peterborough Combined Authority had provided funding for the College to run an open day on 25 May 2022 to encourage professionals and trades to shadow a teacher to gain insight into teaching and the classroom, in anticipation of them then training up to become teachers for the College.
- iii. Risk 2018 (5) – Apprenticeship opportunities: Governors asked about the increasing number of overdue apprenticeships as detailed in the comments section of this risk. The Vice Principal acknowledged that this was a concern for the College, adding that funding could not be fully drawn down until completion, resulting in some income slipping into the next academic year. The Vice Principal assured governors that staff were working hard to catch up and ensure that as many apprentices as possible completed their courses in the current year.
- iv. Risk 2018 (7) – Inadequate maintenance of the estate: Governors noted that there remained vacancies within Property Services, covered by agency staff and contractors and asked if these were causing any issues for the upkeep and maintenance of the estate. The Vice Principal explained that outstanding works were being RAG rated with those relating to health and safety issues being prioritised;

external contractors were being engaged when necessary. Recruitment to the vacancies was in-hand; the Vice Principal noted that an electrician had just been recruited by the College and was now working on site.

- v. Risk 2018 (9a) – Health & Safety: The Chair asked if Property Services had been taken out of Support to Improve intervention as the comment reporting this previously had been deleted. The Vice Principal explained that Property Services remained in Support to Improve, but the reason for the deleted comment reflected the consideration that the risk to Health & Safety by Property Services was now much reduced due to the recruitment of new staff, particularly at the Wisbech Campus and the position of Project Manager within the department now being covered on an interim basis.
- vi. Risk 2018 (9b) – Safeguarding: Governors were interested to know the perception of students and if they felt safe and supported by the College. The Vice Principal advised that students were questioned on this in one of the student surveys. The Vice Principal would check how regularly this was surveyed and when the last one took place. **ACTION-VPCS**
- vii. Risk 2018 (13) – Subcontracted Provision: The Chair asked if the ESFA had now confirmed if the expected reduction to 25% of subcontracted activity in any income stream related to income earned or to the numbers of students. The Vice Principal reported that the College was still awaiting a response to its query. The Vice Principal considered that even once confirmation had been received, there remained a risk for the College in making the required reduction.
- viii. Risk 2019 (1) – HE Provision: The Chair was surprised that this risk remained at 'Green' following the recent terminal accreditation noticed received from the RCVS in respect of the vet nursing course.
- ix. Risk 2020 (2) – Covid19: Governors noted that infection rates were increasing again in the West Norfolk area. The Vice Principal reported that the College's Covid Chairs' group continued to meet on a weekly basis to review any latest information and guidance. Although mask wearing was now optional, but encouraged, many staff members continued to wear face masks when moving around the campuses. There had been a number of Covid-related absences noted within the vet nursing course at the Cambridge campus, affecting both students and staff.

The Chair commented positively on the inclusion of Appendix 4 – Target Risk Scores. The Vice Principal explained how the items had been scored and how they related to the risk appetite survey completed by governors at the Risk Workshop on 15 September 2021. The Vice Principal reported that this topic had resulted in much discussion with managers. There was further work still to be done in refining the scores. The Chair considered that there was often a misunderstanding between 'Risk Appetite' and 'Risk Tolerance.' The Chair suggested a future workshop with the internal auditors to develop the Board's thinking further.

The report was noted.

8 Internal Control & Risk Management Procedure – Biennial Review

Governors reviewed the current document with the few minor amendments proposed by the Vice Principal Corporate Services, showing as tracked changes.

The Chair asked for the following changes to be made:

- Corporation Responsibilities (page 2) – the Corporation to agree its risk appetite;

- Audit Committee Responsibilities (page 2) – the risk register is reviewed at every meeting;
- Definitions (page 4) – risk appetite to be included;
- Records Produced (page 8) – Control & Assurance Report to be listed.

ACTION-VPCS

The Committee approved the Internal Control & Risk Management Procedure, subject to the changes noted above.

Rob Petto joined the meeting at 10.49 am

9 Internal Audit Reports

The Assistant Principal Funding & Performance commented positively on the recent Adult Education Budget audit, commissioned by the Cambridgeshire & Peterborough Combined Authority. During the audit only 1 issued had been noted and was corrected prior to the data submission, resulting in no financial adjustment being required.

With regard to the progress made within Apprenticeships following the audit in July 2021 and reviewed by this Committee in November 2021, the Assistant Principal reported that an existing staff member had now commenced as Project Manager to review and develop the processes within apprenticeships and to lead on the implementation of a new CRM system, recently purchased.

The Chair asked for an update on the College's progress in carrying out substantive checks on existing files to clarify the possible level of exposure and to resolve any issues once found. The Assistant Principal reported that no progress had been made to date, although an individual had been engaged via an agency to undertake this work and would be commencing the following day (17 March 2022). This work would be supervised by the Project Manager and was expected to take up to 3 months. The Assistant Principal considered there was a low risk to the College as in-year audits tended to be rare, giving the College time to identify and correct any inaccuracies that may be contained within the data.

The report was noted.

10 ILR Data Integrity Guidance (ESFA report, January 2022)

The Committee noted the guidance issued by the ESFA in January 2022 aimed at both managers and governors.

The Chair asked if the College was compliant with the requirements of the guidance. The Assistant Principal considered that the College was fully compliant particularly when processing data, by using both the tools provided by the ESFA and the College's own tools and controls. The process was very automated to avoid human error. With the exception of apprenticeship funding, which was now being addressed, the College had a strong track record with funding assurance audits.

The Assistant Principal explained the change introduced in 2020/21 in that the ESFA no longer provided a statement of income as evidence of the funding earned by colleges, thus resulting in the need for external auditors to carry out their own checks against the income being declared by colleges; this created additional work for the external auditors during the last financial statements audit (2020/21).

The latest guidance suggested that internal auditors be commissioned to carry out funding audits from time to time which could also be used as assurance by the external auditors that systems and processes were working effectively and accurately.

Governors noted the need for audits to be undertaken from time to time, and that the approach taken should be proportionate and balanced, taking into account the risk to the College.

The report was noted.

Rob Petto left the meeting at 11.10 am

11 Review Progress on Implementing Past Approved Audit Actions

Governors noted the progress made against each of the outstanding actions and raised questions on the following items:

- i. Capability & Capacity of the Finance Team – the Chair asked what could be done within the Finance team to ensure staff holidays were planned to avoid key members of staff being absent at the same time or at peak periods. The Vice Principal assured the Committee that holidays would be better managed going forward to ensure there was no disruption to work duties.
- ii. Quality of Payroll & HR Data – the Chair asked about the implementation of the new system and the safeguards considered to ensure there would be no errors in the payments to staff. The Vice Principal explained that the current system was moving to a cloud-based system using the existing data set, therefore errors would be avoided. Parallel running to test the system had been requested but due to delays by the provider this had now slipped, resulting in the need for parallel running during the tax year end which would cause additional work for payroll staff. The HR system would be upgraded to iTrent software. In 12 months' time the payroll system would also move to the iTrent software, with payroll and HR using the same data set. The Vice Principal assured the Committee that the Payroll Officer was very experienced and had good experience of changing systems previously.
- iii. Management Review of Pension Schemes – Governors commented that it was accepted that the valuation of pension schemes varied each year and was dependent on the prevailing situation at that time and were concerned about the additional work that was being requested. The Vice Principal advised that the auditors comprised a new team of individuals with a different approach to those from previous years and who were scrutinising many areas of the accounts in detail to gain assurance. The Vice Principal added that the College depended on the guidance and information received from the pension actuaries and that management took time to consider the information it supplied to the actuary and also the information received.

The updates were noted.

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

The Chair asked the Vice Principal to ensure that the contracts' information was fully completed on the appendices, noting that for some items in this report some sections were incomplete. The Vice Principal would ensure the information was updated for the next report.

ACTION-VPCS

When reviewing the waivers, the Chair noted that the reason stated for the waiver of one contract was that the product met the requirements. The Chair considered that this was not an acceptable reason for a waiver to be given. The Vice Principal clarified that in fact the

product was the only one which had met the requirements of the College. The Vice Principal would ensure that reasons for waivers were more clearly explained in future reports.

ACTION-VPCS

One item relating to electrical works was reviewed that initially began as a low value project, however, due to additional items being added as the work progressed the total of the works exceeded the amount for which additional quotes would normally be required. In this instance that requirement was waived with the existing contractor continuing. The Chair suggested that in future additional scrutiny and monitoring of building/construction works should be undertaken to ensure small works did not manifest as larger works once they had commenced. The Vice Principal explained the background of this particular situation and the reason for the waiver to the Committee which was accepted. The Vice Principal assured the Committee that the Procurement Officer reviewed closely all orders and investigated all breaches and potential breaches of the financial regulations.

The report was noted.

13 CWA Publication Scheme (FOI) and Guidelines

The Vice Principal Corporate Services explained to the Committee that the Information Commissioner's Office (ICO) had produced a new model publication scheme in October 2021. This new model had been adopted by the College.

The Committee had previously considered that more information should be made available on the College's website for public review. The Vice Principal reported that the Marketing Department had advised against displaying too much information which would make the website over complicated and cumbersome to use. The Chair asked for assurance that the website contained the information that was required for colleges to display. **ACTION-VPCS**

Governors asked about requests relating to the freedom of information. The Vice Principal reported that requests were regularly received, although tended to relate to commercial requests from businesses enquiring about services received, such as IT, cleaning, catering, in the hope of then making contact with the College in the future to discuss working with those businesses.

From the listing of where information was provided, governors were surprised to note that Appendix 2 seemed to suggest that the Complaints Procedure and Appeals was not listed on the website, although a hard copy could be requested for £25.00. The Vice Principal would check this particular item for accuracy. **ACTION-VPCS**

The Committee approved the CWA Publication Scheme and Guidelines.

14 Governors/SMT Expenses – Annual Review

Governors reviewed the expenses paid to member of the senior management team, Governors and the Clerk in 2021. There were no questions or concerns raised.

The report was noted.

15 Gifts & Hospitality Register - Review

The Clerk reported that there had been no entries made to the register during the period under review (March 2021-March 2022) and considered that this reflected the continued effect of the Coronavirus pandemic with many events and occasions still suspended.

The Clerk highlighted that the Committee's suggested requests to changes in the financial regulations relating to cash and vouchers and the recording of any refused gifts had been included in the update of the financial regulations in May 2021.

The report was noted.

16 The Scope of Work of Audit Committees and Internal Auditors (ESFA report, January 2022)

The Clerk referred the Committee to the guidance notes issued by the ESFA in January 2022 and explained that the guidance supported the instructions and directives contained within the Post-16 Audit Code of Practice; this document was followed and checked by the auditors working with the College.

The Clerk, following his own review of the guidance, considered that the College and the Audit Committee was mindful of, and addressed the themes outlined within the guidance and that this could be evidenced, if required, by reviewing the activities of the Corporation and the Audit Committee, the annual Statement of Accounts, the Annual Report of the Audit Committee and the College's Governance & Financial Management Regulations.

The Clerk highlighted from the guidance notes the ESFA's list of suggested areas of work for an audit committee for possible future consideration. The Chair considered that this listing would be useful in the Vice Principal's future report when looking at the assurance framework and sources of assurance.

ACTION-VPCS

The report was noted.

17 Any Other Business

Management Accounts – Dave Clark raised a further concern regarding the late production of the management accounts over recent months and the lack of a cashflow forecast statement, noting that this had already been partly discussed under Item 5. The Vice Principal explained that the target date for publication of the management accounts was 15 days following month-end, and accepted that this target had not been achieved this year. The Clerk added that once received, the management accounts were issued to members of the Finance & General Purposes Committee and posted on the governors' SharePoint portal. General Board members, unless they accessed SharePoint, would only see the latest set of accounts available at each Board meeting.

The Vice Principal assured the Committee that there were currently no concerns with the College's cash position and explained that the cashflow forecast statement was a complicated spreadsheet managed by the former Head of Finance. Once a new Head of Finance was in post, the Vice Principal would look to reintroduce the cashflow statement as part of the management accounts.

18 Chair's items for briefing to the Corporation

- The Committee reviewed current risks and factors affecting internal controls. The Committee raised its concern to management regarding the Head of Finance position which continued to be vacant, despite a second recruitment campaign. The Committee was concerned for the late reporting of the monthly management accounts and also for the cashflow forecast statement which had not been produced for some time.
- The matter of the tower block roof repairs was discussed (Confidential Minutes refer), already reviewed by the Finance & General Purposes Committee.
- The latest version of the risk register was scrutinised in detail.

- The Internal Control and Risk Management procedure received its biennial review with a few changes made.
- The Committee reviewed an audit report on AEB funding commissioned by the CPCA; there were no issues of concern.
- The Committee received an update on the actions taken on the apprenticeship report and were pleased to hear that a project manager had now been appointed to begin reviewing the entire apprenticeship operation; also, that a new CRM system had been purchased which would allow for further improvements. Plans were in place for an individual to begin work on reviewing the apprenticeship data held by the College to ensure all was accurate and compliant.
- Previous outstanding audit actions were reviewed, along with contracts and also the College's publication scheme. Expenses for senior management and governors along with the gifts and hospitality register were also reviewed.
- The Committee reviewed 2 areas of latest guidance from the ESFA, recently issued: the ILR (individualised learner record) data integrity guidance and the scope of work of audit committees and internal auditors.
- The Committee considered the auditors' performance so far this year and considered how best to manage the audit provision in the future, noting that the current contracts for both external and internal auditors were due for renewal.

19 Date and time of next meeting

Wednesday 29 June 2022 at 9.30 am

A1 Evaluation of Performance of Internal and External Auditors

This item was deemed 'Confidential - Restricted.'

A2 Auditors – Contract Review and Future Appointment

This item was deemed 'Confidential - Restricted.'

A2 Audit Plan 2022-23

The Vice Principal outlined the previously agreed plan of action with Scrutton Bland to review the core financial areas over a 3-year period. In addition, there was a new requirement from the ESFA that colleges should carry out an external review of its governance every 3 years, and that the Search & Governance Committee had proposed that plans for such a review would be undertaken in 2022/23 with a view that the review would be carried out in 2023/24. Further, the Search & Governance Committee had asked the Audit Committee to consider commissioning an internal audit review on governance within its next cycle of activities.

The Committee agreed that there was a need to continue its close scrutiny of apprenticeship funding and so it may be prudent to commission a further audit in 2022/23.

Governors noted that Journal Processing had been highlighted as an area for review in 2022/23. The Vice Principal advised that this area had been covered in detail by KPMG as part of its last external audit and suggested that this audit was no longer necessary. However, the Chair considered that in light of the issues raised by the external auditors last time it would be prudent to request a further review of journal processing to ensure there were no further issues and that all previous recommendations were now being followed.

In light of the discussions held under the previous item, A2, the Committee was unable to finalise a proposed audit plan for 2022/23 at this time. This item would be carried over to the next meeting, due to be held on 29 June 2022.

The meeting closed at 12.08 pm