

CITY OF WOLVERHAMPTON COLLEGE

Minutes of the meeting of the Audit Committee of the Board of Governors held on Wednesday 29 November 2017 at 3.30pm in Room 255, Wellington Road

PRESENT

Mr J Crockett (Chair) Mr J Whale
Mrs T Campbell

Ms S Meddings (Clerk)

IN ATTENDANCE

Ms C Boliver
Mr P Merry
Mr P Oxtoby (RSM)
Ms R Wright (Mazars)

In welcoming everyone to the meeting, the Chair extended a particular welcome to Mr Peter Merry, the new Vice Principal Finance and Resources and to the Principal, Ms Claire Boliver. A round of introductions ensued.

DECLARATIONS OF INTEREST

There were no declarations of interest.

20/17 COMMITTEE TERMS OF REFERENCE

The Committee reviewed the terms of reference of the Audit Committee and agreed that no amendments were needed.

21/17 MINUTES OF THE PREVIOUS MEETING – 5 JULY 2017

Resolved:

That the minutes of the previous meeting held on 5 July 2017 be approved as a correct record.

22/17 MATTERS ARISING – AUDIT COMMITTEE MEMBERSHIP

Arising on Minute No 12/17 in respect of the two current vacancies on the Audit Committee, the Chair reported that a potential external co-opted member of the Audit Committee had been identified and approached and that the Clerk would be following this up. With regard to the other vacancy, the Search & Governance Committee were seeking an Independent member of the Governing Body with the skills to serve on the Audit Committee.

23/17 MATTERS ARISING – RISK REGISTER

Arising on Minute No 13/17 where the Committee had requested that a presentational issue, the font size used for the risk register, be rectified, the Chair asked the new Vice Principal to look at this.

24/17 CORRESPONDENCE – LETTER FROM PETER LAUENER – 13 APRIL 2017

The Committee received and noted the contents of correspondence dated 13 April 2017 from Peter Lauener, Chief Executive of ESFA to FE Principals.

It was noted that the letter had been received by the Board of Governors and remitted to the Audit Committee.

The Chair drew attention to the key messages on page 2 of the letter, namely that colleges should:

- Put strong governance in place to hold the college leadership team and Principal to account
- Provide clarity of direction
- Use high quality self-assessment and appropriate independent challenge to test the college's position.

The Chair requested that a report be brought to the Audit Committee on 27 June 2018 evidencing these three points.

25/17 FINANCIAL STATEMENTS AUDITORS' DRAFT AUDIT FINDINGS REPORT – 2016/17

Mr P Oxtoby presented the financial statements auditors' audit findings report for the year ended 31 July 2017 and the summary of key findings in connection with the audit of the College's financial statements and the regularity review.

Mr Oxtoby began by reporting that the final reconciliation had been received from the ESFA despite an expected delay. This formed an important part of the audit evidence on income recognition enabling the audit to be completed.

In respect of other key areas of audit focus, Mr Oxtoby drew the Committee's attention to Pension scheme liabilities and reported that Review of the disclosure in line with the Actuarial Report and Disclosure checklist had shown no issues in line with FR102.

In respect of Management override of control the audit finding was that no issues had been noted. No significant areas of estimation or bias had been identified and there had been no material non-routine transactions to note.

Mr Oxtoby drew the Committee's attention to Appendix A of the Findings Report, the letters of representation for the audit of the financial statements and the regularity assurance which were required to be signed by the Chair of the Board and the Principal when the annual accounts were signed off.

Mr Oxtoby then turned to the issue of the College as a Going Concern and reported that what was key was the repayment profile for the BIS loan. The

College's funding profile in February/March indicated that at the moment the College's cashflow would not cover the repayments.

The Vice Principal responded that the College was very close to signing the agreement with the Transaction Unit which would provide sufficient comfort to the Board and to the auditors that the College was a Going Concern.

It was anticipated that all the documents would be received by mid December and that there would be sign off at the Board meeting on 11 December or under delegated authority to the Chair. The preference would be to wait until the Transaction Unit agreement had been signed before signing off the accounts which would have to be submitted to the ESFA on a later basis.

The Chair asked if the ESFA were comfortable with a delay in signing the accounts. The Vice Principal responded that the ESFA had verbally agreed this. The Chair suggested that agreement in writing should be sought if possible.

The Vice Principal further reported that in respect of the College's cashflow, the agreement with the TU was essential. However, in talks with the ESFA it had been agreed that the College could pull forward funding to alleviate the cashflow issue in December and January.

Mr Oxtoby concurred that the sequence should be agreement with the TU first and then the accounts signed off.

In concluding the item, the Chair drew attention to the Regularity self-assessment (appended to the Findings Report) which informed the regularity assurance engagement and was to be signed by the Chair of the Board and the Principal at the December Board meeting.

26/17 ANNUAL ACCOUNTS 2016/17

The Audit Committee received the draft Annual Accounts 2016/17, prior to their presentation for approval at the Board of Governors on 11 December 2017.

The Annual Accounts were presented to the Audit Committee to inform the Committee's review of the management letter of the financial statements auditor and consideration of the statement of corporate governance (including assurance that the College has spent its funds with propriety and regularity) with the objective of recommending their approval to the Board of Governors.

In presenting the accounts the Vice Principal drew the Committee's attention to the following:

- The report of the Governing Body (page 4)
- The statement of responsibilities of the members of the Board (page 23)
- The statement of comprehensive income showing the deficit for the year in respect of pensions (page 28)

The Vice Principal reported that based on these accounts the College's financial health continued to be inadequate.

Mr Oxtoby drew the Committee's attention to the balance sheet (page 30) which showed net current liabilities of £2,89m and to the Going Concern statement (page 32).

At the conclusion of the agenda item, the Chair asked the Vice Principal, to thank College staff, on behalf of the Audit Committee, for their contribution towards finalising the accounts.

27/17 INTERNAL AUDIT ANNUAL REPORT - 2016/17

In presenting the Internal Audit annual report for the College for 2016/17, Ms R Wright confirmed that the Internal Audit Plan had been delivered as scheduled and drew the Committee's attention to the Internal Audit Service's opinion, as follows:

"In our opinion, City of Wolverhampton College has in place an appropriate framework for identifying, evaluating and managing the significant risks faced by the College.

In respect of the areas of activity that we reviewed, and subject to the weaknesses identified and reported in our internal audit reports, City of Wolverhampton College has an adequate, effective and reliable framework of internal control and effective risk management and governance processes which provides reasonable assurance regarding the effective and efficient achievement of the College's objectives. No instances of actual or suspected fraud have been encountered during our audit work."

It was noted that there was "substantial" assurance in all areas reviewed during 2016/17 apart from the "HR and payroll" audit which had received "adequate" assurance.

The Chair commented that it was pleasing that only one of the reports had received less than substantial assurance and that the concerns raised in that report had been reported to the Board by the Audit Committee, discussed and subsequently actioned.

28/17 ANNUAL REPORT OF THE AUDIT COMMITTEE TO THE BOARD OF GOVERNORS 2016/17

The Committee considered a draft of the annual report of the Audit Committee to the Board of Governors for 2016/17 which is a requirement of the Audit Code of Practice.

The Clerk reported that the draft report had been completed apart from the Audit Committee's opinion to the Board of Governors on the adequacy and effectiveness of the College's audit arrangements, its framework of governance, risk management and control and its processes for securing economy, efficiency and effectiveness.

The Committee gave detailed consideration to the draft opinion and, following discussion, agreed that the wording of the opinion to be included in the annual report should remain the same as the previous year in respect of the College's financial health but should be amended in respect of the College's risk management framework to reflect that the focus should be continued development and embedding.

In respect of the recommendation that the Annual Accounts for 2016/17 be approved by the Board on 11 December 2017, it was agreed that this should be amended to read subject to the signing of the agreement with the Transaction Unit.

It was further agreed that additional recommendations on the sign off of the regularity self-assessment and the letters of representation for the audit of the financial statements and the regularity audit be added to the annual report.

Resolved:

That the annual report of the Audit Committee for 2016/17 be amended as agreed and submitted to the Board of Governors on 11 December 2017.

29/17 INTERNAL AUDIT REPORTS 2017/18

Ms R Wright presented 3 internal audit reports to the Committee, commencing with a summary progress report on work completed on the Internal Audit Plan. It was noted that progress against the Plan was on track.

The following internal audit reports were presented for consideration by the Committee:

- Higher Education
- Governance
- Follow Up

The HE audit received substantial assurance with no recommendations. Ms Wright commented that this was a very positive report.

The Governance audit received substantial assurance with 1 significant recommendation and 3 housekeeping recommendations.

The significant recommendation was around Governance oversight of the City Learning Quarter (CLQ) with the suggestion that a project Board should be established made up of Governors, experts and external stakeholders.

The Vice Principal commented that the CLQ was a unique project in that the College would be commissioning part of the CLQ rather than managing the whole project, which did reduce the risk. However, the CLQ was so significant to the College's future that some oversight was required to ensure that the project delivered what the College needed.

The Chair agreed that the College was a stakeholder in financial terms and that therefore oversight of the project was important. Furthermore, when the CLQ was operational and the College took up tenancy, oversight would be needed then. It was agreed that terms of reference and a process were required.

It was noted that the three housekeeping recommendations related to revisions needed to the College's Freedom of Information Policy, Governor

self-assessment and appraisal and Board training on Safeguarding and Prevent.

The Follow up review on the implementation of Internal Audit recommendations reported that all recommendations that were due for implementation had been fully implemented.

30/17 ANNUAL ASSESSMENT OF RISK MANAGEMENT

The Committee received a report assessing the College's Risk Management Framework in the context of the Audit Committee's responsibility to assess whether the risk management framework provides assurance that risks are managed and controlled appropriately and to advise the Board of Governors accordingly.

The Vice Principal drew the Committee's attention to the Risk Management Policy and reported that the policy had been reviewed and was fit for purpose for a further year.

The Vice Principal then presented the full Risk Register to the Committee and reported that there were 31 risks included on the register from the previous 33 following consolidation of risks in respect of business planning and going concern (where there was duplication).

The Committee were taken through the risk register focusing on risks where the RAG rating had changed and the risk had either increased or decreased.

Of note was risk 15 – financial objectives and the College's financial health - which correlated to risk 19 - Apprenticeship funding reforms reducing or delaying payment of Apprenticeship funding. Risk 19 had increased from amber to red because Apprenticeships were such a key area of focus for the College.

Also of note was risk 29 – the quality of the College's HE delivery. The Vice Principal reported that following the outcome of the QAA review and the substantial assurance from Internal Audit, this risk would be further moderated down.

In response to a question from Mr Oxtoby about the risks around the City Learning Quarter Project, the Vice Principal reported that there was a separate risk register for the CLQ project which would cross reference to one risk on the College risk register.

Ms Wright suggested the addition of GDPR (General Data Protection Regulation) as a potential risk for the College.

Mr Oxtoby referred to guidance on the introduction of GDPR provided by RSM which could be shared with the Board of Governors.

31/17 EXTERNAL AND INTERNAL AUDIT

The Chair reported that the contract with RSM, the external auditors, was overdue and that the College should be going out to tender.

Furthermore, 2017/18 was the fifth year of the five year contract with Mazars, the Internal Audit Service.

The Chair requested the Vice Principal to bring a plan to the April 2018 Audit Committee on the proposed tender processes and the sequencing of the processes.