CITY OF WOLVERHAMPTON COLLEGE

Minutes of the meeting of the Audit Committee of the Board of Governors held on Wednesday 6 March 2019 at 5pm in the Principal's Office, Paget Road

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PRESENT

Mr J Crockett (Chair) Mr C Horwath
Mr M Hastings

IN ATTENDANCE

Mrs E Ball (Clerk to the Board of Governors)
Mr P Merry (Vice Principal Business Success)

01/19 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies were received from Alison Shannon.

02/19 COMMITTEE TERMS OF REFERENCE

The Committee reviewed the Terms of Reference and considered that no amendments were required.

The Clerk advised that a new Audit Code of Practice had recently been issued and that she would review the terms of reference against the requirements of the Code in advance of the next meeting.

Action: Clerk to the Board of Governors

03/19 MINUTES OF THE PREVIOUS MEETING – 3 DECEMBER 2018

Resolved:

That the minutes of the previous meeting held on 3 December 2018 be approved as a correct record.

04/19 MATTERS ARISING

30/18 Financial Statements Auditor's report
It was noted that when the Financial Statements Auditor's report had been recommended to the Board of Governors, the position relating to the potential clawback of adult funding had not yet been resolved.

The Vice Principal Business Success reported that subsequently, the ESFA had confirmed that the College had achieved 96% of the target and as a result, the full funding had been retained and the financial statements had been signed.

It was reported that there had not been any changes to the figures in the financial statements since they were submitted to the Board of Governors at their meeting on 17 December 2018 but there had been some minor amendments to the narrative.

The Vice Principal Business Success also reported that the necessary returns including the Financial Statements had now been made to the ESFA and that the Financial Statements were available on the College website.

05/19 CORRESPONDENCE

The Clerk reported that there was no correspondence to be considered by the Audit Committee.

06/19 FINAL AUDIT FINDINGS MEMORANDUM

The Vice Principal Business Success presented the final report from the External Auditors. Amendments to the report considered by the Committee at their meeting in December 2018 were highlighted.

The Committee noted that in relation to the fixed asset register, management had responded that the new finance system included a fixed asset module which is to be utilised in 2018/19.

The Committee asked whether this was in the process of being implemented and were advised that whilst this has been delayed due to staffing issues, implementation should be complete by the end of the current academic year.

The Vice Principal Business Success was requested to provide an update to the Committee at their next meeting, and it was agreed that a monitoring report on recommendations made by the External Auditors should be maintained and reported to the Committee.

Action: Vice Principal Business Success

The Committee noted the report and approved the amendments to the Audit Findings Memorandum.

07/19 APPOINTMENT OF EXTERNAL AUDITORS

The Chair reported that the previous week, a panel, including members of the Audit Committee, had met with two audit firms who were tendering for the External Audit Service.

It was noted that whilst three tenders had been submitted these had been evaluated against a scoring matrix with RSM and Grant Thornton being invited to make presentations to the panel.

The third tender had been received from Wylie and Bisset who do not have a strong presence in the sector and as a result, they had not been invited to the next stage.

The Chair confirmed that the panel had explored several issues with the audit firms including independence, audit approach, resources, and added value.

It was noted that the panel had challenged whether there should be a change in audit providers or if, in view of the College's circumstances, it would be advantageous to retain the existing audit service.

Whilst both Audit firms were considered to be appointable, the panel had concluded that it was in the best interests of the College to retain the current providers. It was also noted that Grant Thornton were the External Auditors for the City Council and whilst there had been assurances that this could be managed, there was a concern in relation to conflicts of interest.

The recommendation from the panel was that RSM be re-appointed as the College's External Auditors subject to confirmation that this was at a fixed fee of £23,000 for the first three years. They would also be asked to be more proactive in providing support during the audit process and in providing continuity of staff and training for governors.

The Vice Principal Business Success reported that these assurances had been received and that the audit fee had been fixed.

It was resolved that the Committee recommend to the Board of Governors that RSM be re-appointed as the College's External Audit providers.

Tendering of Internal Audit Services

The Committee noted that the Internal Audit service would be tendered in 2020 with a view to an appointment commencing in August 2020.

It was reported that as part of the presentations in relation to the External Audit service there had been some discussion about the possibility of taking a different approach to internal audit which could involve drawing on expertise from other sources in order to carry out reviews.

Whilst it was possible that the larger audit firms may have a wider range of expertise available to them, the Committee suggested that, at the next meeting, further consideration should be given as to how the programme of internal audit is delivered.

It was resolved that:

- **The Board of Governors be recommended to re-appoint RSM as the College's External Audit providers.**
- **At the next meeting, consideration be given as to how the programme of internal audit is delivered.**

08/19 INTERNAL AUDIT REPORTS

The Vice Principal Business Success reported that no reports were being presented for consideration by the Committee at this meeting.

He explained that in order to obtain best value from the work of the Internal Auditors a decision had been taken to defer the reviews that were to have taken place in February 2019.

It was noted that the outstanding reviews would be completed during April and May 2019 and reported to the meeting of the Audit Committee in July 2019.

The Committee asked whether the Internal Auditors had the capacity to complete the reviews within the necessary timescales. The Vice Principal Business Success confirmed that this should be possible as different staff were involved in each review.

The Committee commented that it would be useful to have the outputs from these reviews together with a view on value added when they were considering how the programme of internal audit is to be delivered in the future.

It was resolved that:

- **The Vice Principal Business Success agree the timing of the remaining Internal Audit reviews and that they be reported to the meeting of the Audit Committee in July 2019.**

09/19 RISK MANAGEMENT UPDATE

The Vice Principal Business Success presented the report which provided an update in relation to the risk register and a proposed risk appetite methodology for consideration and recommendation to the Board of Governors.

Assessment of Risk Management and Risk Management Policy

The Vice Principal Business Success reported that it was proposed that the Board of Governors determines an overall statement in relation to risk which would be supplemented by a detailed matrix linking risk appetite to the four elements of the Strategic Plan.

The Committee reviewed the risk appetite matrix which identified four subcategories below each of the strategic elements, which in turn identified four areas of risk. A level of risk appetite was then indicated for each risk ranging from avoid/averse to mature.

It was emphasised that there were areas where no level of risk would be acceptable e.g. in relation to safeguarding, However, in other areas, higher levels of risk would be tolerated with the highest relating to the City Learning Quarter and Wellington Road developments.

The Committee highlighted that it was fundamental that the Board of Governors were fully cognisant of risk when making decisions and that this was particularly so in relation to the City Learning Quarter..

The Vice Principal Business Success reported that having mapped levels of risk appetite, a review could now take place of the controls and mitigation that were in place and how assurances were obtained.

The Committee were very supportive of the approach taken by the Vice Principal Business Success and of the risk appetite matrix and the statement on risk being adopted by the Board of Governors.

It was agreed that it was important that the Board of Governors should have the opportunity to fully discuss levels of risk appetite and that this could form part of the Governors Strategy Forum on 10 April 2019.

It was resolved that the Board of Governors be recommended to:

- **adopt the statement in relation to risk**
- **adopt the risk appetite framework**
- **give further consideration to risk appetite at the Governors Strategy Forum on 10 April 2019.**

Risk Register

The Vice Principal Business Success reported that there are 33 risks included on the register and it was noted that 9 risks are currently identified as 'high'.

The Committee noted the update in relation to each of the significant risks and in particular the increased level of risk relating to apprenticeship provision.

It was also noted that the risk relating to the increase in pension costs may be mitigated if the Government fund the increase in relation to the Teachers Pension Fund.

The Vice Principal Business Success indicated that at the next meeting of the Board of Governors he would be providing a report on the potential for the

College to establish a subsidiary company which would provide an element of flexibility in relation to conditions of service and pension arrangements.

It was resolved that the update on the Risk Register be noted.

10/19 ANY OTHER BUSINESS

There was no other business raised at the meeting.

11/19 DATE AND TIME OF NEXT MEETING

3 July 2019

3 July 2019.