

CITY OF WOLVERHAMPTON COLLEGE

**Minutes of the meeting of the Audit Committee of the Board of Governors held on
Wednesday 8 July 2020 at 6pm via Microsoft Teams**

PRESENT

Ms Alison Shannon (Chair) Mr Colin Horwath (Via teleconferencing)
Mr Mike Hastings Mr Trevor Dutton

IN ATTENDANCE

Mrs Elizabeth Ball (Clerk to the Board of Governors)
Mr Peter Merry (Vice Principal Business Success)
Mr Paul Oxtoby (RSM Tenon – External Auditors)
Mr Mark Lunn (Mazars – Internal Auditors)

01/20 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

There were no apologies.

There were no declarations of interest

02/20 MINUTES AND NOTES OF THE PREVIOUS MEETINGS (ITEM 2)

Resolved:

That the minutes of the previous meeting held on 16 December 2019 be approved as a correct record.

The Committee received the notes of the meeting held on 4 December 2019.

03/20 MATTERS ARISING (ITEM 3)

The Committee noted the report on outstanding actions and that only one action was incomplete and that this would be dealt with by a report to the Committee at its meeting in September 2020.

04/20 CORRESPONDENCE (ITEM 4)

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

05/20 EXTERNAL AUDIT PLAN – 2019/20 (ITEM 5)

The External Auditors presented the Audit plan for the year ended 31 July 2020 and advised that overall the audit approach remained the same as for the previous year except that it was now a requirement that an opinion be included in relation to the use of funds from the Office for Students.

The Committee was also advised that the scope of the audit has been extended to include the College's subsidiary company.

In relation to regularity, the External Auditor advised that further guidance from the ESFA has yet to be published and that there has been consultation about whether the requirements will be extended.

The Committee noted the indicative timetable for the audit which was set out in the plan and that whilst the aim would be to report as usual to the meeting of the Audit Committee in December, the agency has been discussing with a number of audit firms whether the December deadline is achievable or should be extended.

It was reported that the expectation is that the audit will be carried out remotely and to support this, the intention is to carry out some of the work as soon as possible.

The External Auditor confirmed that whilst the key risks had not changed, there were two in particular which would be a particular focus: income recognition and going concern.

In relation to income recognition it was noted that whilst the funding agency had relaxed some of the requirements related to the Adult Education Budget it was possible that the agency will check not only that income has been received, but that the College has complied with the caveat relating to online learning.

It was also reported that the process relating to going concern would be more intense and this will be subject to a second partner review particularly as many economic factors are now outside the College's control.

The Committee noted that the fee for the audit had not increased from last year, but did now include the fee in relation to the subsidiary company.

The External Auditors confirmed that they did not foresee that the going concern review would incur additional cost but if additional work was required, the College would be informed before this was carried out.

The Vice Principal Business Success reported that whilst going concern will be a focus, the position will have changed by the time the audit takes place and there will be a continued dialogue with Governors about the types of relief that can be applied for from the funding agency and central Government.

The Committee noted the report provided by the External Auditors on emerging issue and recommended that this be shared with other members of the Board of Governors.

Recommendation:

- **That the Board of Governors be recommended to approve the External Audit Plan 2019/20.**

06/20 INTERNAL AUDIT REPORTS (ITEM 6)

The Committee considered two internal audit reports and received an update on the follow up of outstanding actions and completion of the audit plan for 2019/20.

Curriculum Planning

The review of the adequacy and effectiveness of key controls in respect of curriculum planning at the College resulted in a finding of 'substantial assurance'.

The view of the Internal Auditors is that overall the design of the 'curriculum planning is working effectively and that the College's curriculum planning process is clearly outlined. By involving all of the key stakeholders from across the College's SLT and Governors in the validation process, there is strong oversight of the College's strategic priorities in establishing the curriculum.'

No recommendations were made in the report.

Staff and Room Utilisation

The review of the adequacy and effectiveness of key controls in respect of arrangements for staff and room utilisation at the College resulted in a finding of 'Substantial Assurance'.

The view of the Internal Auditors was that the 'College's controls around staff utilisation are generally sound with regular reviews of utilisation and effective data analysis conducted. Minor areas for improvement stem from the requirement to tighten controls around the use of TOIL and overtime and hours ensuring that contracts are reflective of the College's working time expectations.'

There were three priority 3 (housekeeping) recommendations made in the report.

The Committee asked whether the College is considering new ways of working as a result of the changes that have taken place as a result of the COVID 19 outbreak and whether staff utilisation and premises utilisation will be looked at differently in the future.

They were advised that the current situation has enabled the College to make savings in relation to utility bills, but there is a need to ensure that those who are working from home are able to do so safely and that learners can get the maximum teaching support from staff.

Virtual learning may however enable larger group teaching and flexibility in relation to teaching hours.

It was noted that the College had made investment in the IT infrastructure prior to the COVID 19 outbreak, but the Committee asked whether more was needed.

They were advised that there remained some requests for computer hardware and there is a need to address the lack of wi fi for some staff. Generally however the investment that was made in the IT infrastructure has enabled the move to remote working and has proved to be resilient.

Follow up report

It was noted that there were only two outstanding actions which would be followed up in advance of the next meeting of the Committee.

Progress Report

The Internal Auditors reported that the intention was to complete the outstanding audit reviews and fulfil the Internal Audit plan for 2019/20 by the end of September 2020.

It was resolved that:

- **the Internal Audit reports be received and the Board of Governors advised of the outcome.**

07/20 RISK MANAGEMENT UPDATE (ITEM 7)

The Vice Principal Business Success presented the report which provided an update in relation to the College's risk register and risk matrix heat map.

It was noted that the Risk Appetite matrix had not been included as it was being updated to reflect the latest changes to the College's strategic responsibilities.

The Committee were advised that there are now 36 risks on the risk register and that whilst a risk relating to COVID 19 was added to the risk register in term 2, a dedicated CV19 risk register has now been prepared.

It was reported that there are now 12 high risks included on the register with an additional 9 high risks relating to COVID 19.

The Vice Principal Business Success highlighted where changes had taken place since Term 2 and in particular the higher level of risks relating to financial sustainability, recruitment, business planning and income.

The Committee commented that the report was informative and thorough and they agreed that it was appropriate to have a separate COVID 19 risk register.

It was noted that there appeared to be a number of significant risks where the score had increased from Term 2 and the Committee asked whether this was a trend.

The Vice Principal Business Success advised that whilst currently there was inherently more risk, increases in each risk did not related to failings in controls but in the circumstances relating to each one.

For example in relation to the business model, this is based around the number of students in a class with a teacher which could be affected by the need for social distancing or phasing.

The Vice Principal Business Success also reported that there was a general uncertainty about what the position would be in September 2020.

It was resolved that the report be noted and submitted to the next meeting of the Board of Governors.

08/20 ANTI-FRAUD CHECKLIST (ITEM 8)

The Clerk to the Board of Governors presented the report which had been prepared in consultation with the Vice Principal Business Success.

It was reported that the checklist formed part of the Post 16 Audit Code of Practice and the Committee noted the response to each of the points raised, the evidence in support and any action that was required.

The External Auditor commented that for all Audit Committees, one of the most important questions is whether the control environment has changed as a result of the COVID 19 outbreak and the move to remote working.

He reported that many clients are testing their IT systems by sending fake spam emails to staff and the Vice Principal Business Success reported that the College had tested the system in this way.

The Vice Principal Business Success also reported that the College is not complacent about the position and that the two factor authentication adopted by the College has been successful.

It was resolved that the report be noted and submitted to the next meeting of the Board of Governors.

09/20 REVIEW OF POLICIES (ITEM 9)

The Clerk to the Board of Governors presented the report and advised that the Anti Fraud Policy and Anti Bribery Policy had been reviewed and were presented for approval by the Committee.

The Committee noted the basis upon which the Anti-Bribery Policy had been prepared and that following approval by the Board of Governors the updated policies would be circulated together with a briefing for all staff.

(Action: Clerk)

It was also noted that the Fraud Response plan would be updated and presented for consideration by the Committee at its next meeting.

Recommendation:

- **That the Board of Governors approve the Anti-Fraud Policy and Anti-Bribery Policy.**

10/20 DATA QUALITY ASSURANCE

The Committee noted that in accordance with the Code of Good Governance for English Colleges there is a requirement that the Board of Governors ensure that effective arrangements are in place for the management and quality assurance of data and that this assurance should include a statement on data quality from the Audit Committee.

This reflects a similar provision in the Audit Code of Practice for HEI's but it was reported that in the HE Code, the requirement related to the management and quality assurance of data submitted to relevant agencies.

The Committee discussed the position relating to the provision of this type of assurance and whilst it was accepted in principle, there was a concern about how this would be quantified and how the assurance would be given.

It was also noted that there was a link with the Internal Audit process and levels of Board assurance.

The Committee agreed that it was important to ensure that they were obtaining appropriate levels of assurance in the most effective way and that the matter should be given further consideration before a statement could be included in the Audit Committee Annual Report.

(Action: Vice Principal Business Success/Clerk)

Resolved:

- **That the provision of an opinion in relation to data quality be given further consideration as part of the development of the Board Assurance Framework.**

11/20 PROCUREMENT OF INTERNAL AUDIT SERVICES (ITEM 11) CONFIDENTIAL REPORT

The Committee considered the report from the Vice Principal Business Success which detailed the process that had taken place to procure the Internal Audit service.

The Committee noted that the process complied with the UK Procurement Regulations and also noted procurement timeline and the evaluation of tenders that had taken place.

It was reported that three audit firms had been invited to attend supplier presentations to a College panel which included two members of the Audit Committee and the Clerk following which a recommendation on appointment was being made to appoint TIAA Ltd.

Having considered the presentations and the evaluation of tenders, the panel considered that TIAA Ltd had shown the best understanding of the College's intended approach to gain flexibility and use work carried out by third parties to d into the audit.

This had also been tested by taking a reference from a College where TIAA Ltd already acted as the Internal Auditors.

The recommendation is that TIAA Ltd be appointed for a period of three years with an option to extend for a further two-year period with no increase in fees during the first three years.

It was noted that the contract would be for a core number of audit days with the College having the flexibility to appoint third parties to carry out other reviews e.g by an expert in the field or by peer review.

The Committee asked how the Internal Auditors would form their audit opinion if work was carried out by third parties as they were unlikely to place reliance on these opinions.

The Vice Principal Business Success reported that this had been specifically discussed to ensure that there was a balance of reporting and to ensure that an overall audit opinion would be provided. It was noted that it would be beneficial for the Internal Auditors to be involved in developing the Board Assurance framework to support this process.

The External Auditors commented that they supported the approach that was being taken, but commented that this would place the onus on the Committee and Senior Managers to identify risk and the level of assurances that were needed.

It was resolved that:

- The Committee noted the procurement procedures followed including the tender timeline.
- The Committee note the tender submissions received in respect of internal audit services and the College's evaluation of those submissions.
- That the Committee recommends to the Board of Governors the appointment of TIAA Ltd on a 3+4 year basis.

12 /20 CONFIDENTIALITY

It was agreed that the confidential minutes of the meeting held on 16 December 2019, the confidential notes of the meeting held on 4 December 2019 and the report relating to the procurement of the Internal Audit Service remain confidential in view of their commercial sensitivity.

13/20 ANY OTHER BUSINESS

There was no other business raised at the meeting.

14/20 DATE AND TIME OF NEXT MEETING

To be arranged in September 2020 at 5pm