

CITY OF WOLVERHAMPTON COLLEGE

Minutes of the meeting of the Audit Committee of the Board of Governors held on Monday 14 July 2021 at 5pm via Microsoft Teams

PRESENT

Mr John Bradford (Chair) Mr Trevor Dutton
Mrs Amanda Tomlinson Ms Alison Shannon
Mr Mike Hastings

IN ATTENDANCE

Mrs Elizabeth Ball (Head of Governance)
Mr Peter Merry (Vice Principal Business Success)
Mr Paul Oxtoby (RSM – External Auditors)
Ms Clare Parkes (TIAA – Internal Auditors)
Ms Louise Fall (Vice Principal Student Engagement (Item 4 (d)))

29/21 MEETING WITH AUDITORS

Auditors confirmed that there were no items they wished to discuss in the absence of managers.

The External Auditors confirmed that they had discussed the position relating to the regularity audit with the Vice Principal Business Success. It was noted that this will be considered as part of the agenda, but the External Auditors confirmed that they would be carrying out both the financial statements audit and the regularity audit for the current year.

It was noted that this will involve additional cost and that the position will be reviewed in 12 months time.

The Internal Auditors commented that the audit process had worked well with relevant individuals providing the necessary information. It was noted that on one occasion there had been a delay but to avoid this, the Internal Auditor and the Vice Principal Business Success had set up regular meetings on a three to four week basis.

The Committee were advised that the Internal Auditor and the Vice Principal Business Success had also reviewed the recommendation that had not been accepted by Management in relation to the financial model.

The Internal Auditor confirmed that she had been able to review the necessary paperwork and that she was comfortable with the response. She advised that it had been agreed that the Vice Principal Business Success

would prepare a report for the meeting and this would be considered as part of item 5 on the agenda.

30/21 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

There were no apologies for absence.

There were no declarations of interest.

31/21 MINUTES OF THE PREVIOUS MEETINGS (ITEM 2)

Resolved:

That the minutes of the meeting held on 17 May 2021 be approved as a correct record.

32/21 MATTERS ARISING (ITEM 2)

18/21 Internal Audit reports – Financial Business Planning

It was noted that a report would be considered as part of the meeting.

19/21 Office for Students ILR Audit and Action Plan

It was noted that the action plan would form part of the follow-up procedures of the Internal Auditors.

25/21 Committee Training and Development and Assessment of Performance

The Chair reported that the intention was to carry out 'deep dives' to provide additional sources of validation.

He advised that he and the Head of Governance would be preparing a schedule for the next academic year.

33/21 CORRESPONDENCE (ITEM 3)

Office for Students Audit

The Committee noted the letter dated 1 July 2021 from the Office for Students advising that the audit of the ILR record for 2019/20 was now closed.

It was reported that follow-up work will be carried out by the OfS on the 2020/21 ILR when the data is available.

Article 125 Desk Based Verification by the ESFA Managing Authority

The Committee noted the outcome of the desk based verification carried out by the ESFA Managing Authority in relation to 24+ Apprenticeships and that no issues had been identified.

34/21 EXTERNAL AUDIT PLAN YEAR ENDED 31 JULY 2021 (ITEM 4)

The External Auditor advised that in addition to the audit of the financial statements a specialist funding team will be involved in reviewing the College's Individual Learner Record.

He reported that the intention was to carry out sampling over the next three months to identify whether there are any data issues that need to be followed up, with a view to completing the regularity audit before the financial audit work commences.

It was noted that if there were concerns about the ILR data, this may result in delays in finalising the financial statements audit.

The External Auditor advised that the ILR audit will look at the funding received for 16-18 students, adults and apprenticeships, with the biggest risk being in relation to apprenticeship funding as the rules are very complicated.

He reported that in carrying out this work on behalf of the ESFA errors have often been found, not necessarily as a result of incorrect recording, but as a result of the complicated funding rules.

The Chair commented that the College was aware of the risks relating to apprenticeships and it was noted that the Internal Audit review had provided a level of limited assurance.

He advised that the Board of Governors had now established an Apprenticeship Task and Finish Group and that it was important that their role is aligned to that of the Audit Committee in relation to compliance issues.

The Head of Governance advised that a copy of the Internal Audit report was being circulated to members of the Task and Finish Group. The Group will then also be able to monitor the implementation of actions providing updates to the Audit Committee.

The External Auditor stated that as they were unable to present the External Audit Plan for approval at the meeting, this should be subject to discussion with the College Management and subsequently circulated to members of the Committee for recommendation to the Board of Governors.

The Committee asked when the plan would be available and were advised that it should be no later than the end of July.

It was agreed that once it had been prepared and circulated, the Committee would hold a special meeting to consider and recommend the plan to the Board of Governors.

The External Auditors confirmed that they would provide the Committee with details of the additional fee for carrying out the regularity work, and that the Committee should be aware that there was now a requirement for the External Auditor to attend the meeting of the Board of Governors at which the External Audit reports are considered.

It was resolved that External Audit Plan be completed and circulated to members of the Committee following which a Special Meeting would be held to consider and recommend the plan to the Board of Governors.

The Vice Principal Business Success joined the meeting.

34/21 INTERNAL AUDIT REPORTS (ITEM 5)

(a) Business Continuity and Disaster Recovery

The Internal Auditor presented the report and advised that overall the review had resulted in a level of reasonable assurance with five important and three routine recommendations being made.

The Internal Auditor highlighted the key strategic findings and the good practice that had been identified during the audit.

Also highlighted were the high level recommendations which included the need to pull together relevant documentation into one plan and carrying out continuity testing.

The Committee noted however that the Internal Auditors considered that the College's response to the COVID 19 pandemic had been directed effectively and that escalation and communication plans as well as crisis management are well established.

The Chair asked whether the Internal Auditors were comfortable with the implementation dates that were identified in the action plan as some implementation dates identified in the follow-up report had not been achievable.

The Internal Auditors confirmed that the dates were appropriate.

The Vice Principal Business Success reported that there had been changes in staffing with responsibility for business and continuity planning and that the processes and procedures that existed were too detailed to be practicable.

He emphasized, however, that the College had dealt appropriately with incidents that had occurred and the intention was to take a more practical approach towards a plan which would also be less onerous to update ensuring individuals fully understood their responsibilities.

(b) Key Financial Controls – Budgetary Controls

The Internal Auditor presented the report and advised that overall the review had resulted in a level of substantial assurance with four routine recommendations being made.

The Committee noted the recommendations and the good practice that had been identified and asked whether an implementation date for some of the recommendations of 1 August 2021 was realistic.

The Vice Principal Business Success confirmed that he was keen to ensure that these actions were implemented almost immediately.

(c) Cyber Security

The Internal Auditor presented the report and advised that overall the review had resulted in a level of reasonable assurance with three important recommendations and two routine recommendations being made.

The Committee noted the high priority recommendations which related to formalising the change management process, restrictions on College smartphones and use of removable media.

The Committee asked whether on certain courses there was an expectation that students would use removable media despite the restrictions that were in place.

The Vice Principal Business Success advised that whilst the College has imposed a ban on removable media, his experience was that as some students are still using USB's a solution is required which does not disadvantage them.

The Committee commented that although there were three high priority recommendations, it was positive to note the good practice that had been identified.

The Committee asked whether the Cyber Essentials also included penetration testing. The Vice Principal Business Success advised that he believed that it did but would ask for clarification and report back to the Committee.

Action: Vice Principal Business Success

(d) Performance Management

The Internal Auditor presented the report and advised that overall the review had resulted in a level of reasonable assurance with two important and one routine recommendation being made.

The Vice Principal Student Engagement joined the meeting.

It was noted that the report identified that the College has a performance framework that provides the Board with performance indicators and that sufficient detail is provided to allow for scrutiny of non-performing areas of the College.

It was also noted that Strategic KPI's are approved by the Board and are linked to the Strategic Development Implementation Plan but that in some cases, supporting documentation needed to be available to ensure that compliance can be evidenced.

The Vice Principal Business Success advised that in relation to some elements of HR reporting there was a significant amount of manual recording which took time to collate. However, as this had been identified action could be taken to rectify the position.

The Vice Principal Student Engagement reported that KPI's for HR would be re-set and clearly aligned to the Strategic plan and all appropriate documentation to evidence compliance retained.

The Vice Principal Student Engagement left the meeting.

(e) Assurance Review of Apprenticeships

The Internal Auditor presented the report and advised that overall the review had resulted in a level of limited assurance with five important, three routine and one operational recommendation being made.

The Internal Auditor advised that many of the issues were historic and related to a period before new processes were put in place or were about documenting whole processes.

They also reported that whilst their review had not resulted in any fundamental recommendations being made, there are some key issues that have been identified which had resulted in the review being given a level of limited assurance.

The Vice Principal Business Success reported that an action plan had been prepared after the work that had taken place with Blueprint, but that the Internal Audit review had identified additional areas to be addressed.

The Internal Auditors confirmed that the College does have the appropriate systems in place, but staff need to ensure that they are fully cognisant of the rules and regulations. It was recognised that the College was on a journey and that processes need to be embedded.

The Vice Principal Business Success stated that he was in agreement with the points made by the Internal Auditor and that the audit had provided good value.

He emphasised that historically the apprenticeship provision had suffered from the setting of unachievable growth targets overlaid with the need to sustain high levels of timely success ensuring that the underpinning systems and control are as slick as possible.

The Vice Principal Business Success reported that a working group with appropriate sub groups had been set up to support this and to look at what is going well and what is not.

It was noted that apprentices can be enrolled for a period of three or four years and during that period there have been many changes at the College, including a restructure. As a result he advised that currently some information is not in the format that is most user friendly or conducive to being pulled together efficiently for audit but that there was little point in moving students who had been with the College for three or four years to the new system.

The External Auditor reported that it was useful to link the Internal Audit work with work which will be carried out by the External Auditors.

Whilst Internal Audit identified where systems and processes need to be improved, the position for External Audit will be whether the College has met the threshold in relation to funding.

The Vice Principal Student Engagement confirmed that monitoring of the actions arising from the Internal Audit Report has already been identified by the Apprenticeship Task and Finish Group and will be monitored as part of their action plan.

The Committee asked whether the area would be subject to a further review in view of the outcome of the Internal Audit. The Internal Auditor advised that the recommendations would form part of the ongoing follow-up review process, but that a follow-up audit would not be carried out (except as part of the usual planning cycle) unless this was requested.

It was noted that the position could be revisited following the work that will be undertaken by the External Auditors and if there are any concerns, the Internal Audit Service could be requested to carry out a further review.

The Committee commented that as the Task and Finish Group has now been established, this in conjunction with the work that will be carried out by the External Audit Service may provide the necessary level of assurance.

(f) Follow-up Report

The Internal Auditors presented their follow-up report on the implementation of recommendations identified in the Internal Audit reports which had been presented during the current academic year.

The Committee noted those actions where the implementation dates were not yet due and where implementation dates had been amended.

In particular, it was noted that some implementation dates had not been realistic due to timings of Board of Governors' meetings.

(g) Report on Financial and Business Planning

The Vice Principal Business Success presented the report which addressed the recommendation made by the Internal Auditors in their review of Financial and Business Planning, which had not been accepted by management.

The Internal Auditor confirmed that there had been an exchange of information including detail that was provided as part of the Independent Business Review process. As a result the Internal Auditors were satisfied with the position and subject to the approval of the Committee agreed that the action could be closed.

The Committee noted the report and agreed that the relevant assurances had been received for the action to be closed.

(e) Internal Audit Annual Report

The Internal Auditors presented their Annual report for 2020/21.

The report highlighted that work had been completed in accordance with the plan and recorded that TIAA is satisfied that, for the areas reviewed during the year, the City of Wolverhampton College has reasonable and effective risk management, control and governance processes in place.

The Committee noted the levels of assurance given in relation to each of the reviews and that during the year no urgent recommendations had been made.

The Vice Principal Business Success reported that this was the first year of working with TIAA and it was positive that all the reviews have been carried out by qualified auditors and that the annual report had been received at the July meeting.

The Committee agreed that they were impressed with the standard of reporting, but hoped that in 2021/22 Internal Audit reports could be spread more evenly over the meetings of the Committee.

It was resolved that:

- **The Internal Audit reviews be noted and the Board of Governors advise on the level of assurance.**
- **The report on Financial Business Planning be noted and the action that was not agreed be closed.**
- **That Internal Audit Annual Report be recommended to the Board of Governors.**

35/21 AUDIT STRATEGY AND ANNUAL INTERNAL AUDIT PLAN (ITEM 5)

The Internal Auditors presented the Audit Strategy and Internal Audit Plan for 2021/22.

The Committee were advised that the plan is based on the College's risk register and whilst there is a three year strategic plan, on an annual basis, the plan is reviewed in the light of any increased risks and emerging themes.

The Committee noted the key emerging themes outlined in the report together with the analysis of high risk and the annual plan setting out the reviews which will take place in 2021/22, the risk rationale, scope and number of audit days.

The Internal Auditor reported that an additional day had been included in the plan to enable a follow up of the Higher Education Audit by the OfS.

The Committee were advised that next year the audit work will be spread more evenly over the year which will avoid a significant number of reports coming to the final meeting.

The Committee commented that fraud does not feature as a specific audit in the plan and asked whether this features in the reviews that take place.

The Internal Auditor reported that fraud risk is particularly relevant to some areas e.g. payments, but that there is an element of risk in every area of activity and as a result risk is considered as part of each Internal Audit Review.

The Vice Principal Business Success reported that he had been asked how fraud risk is considered as part of the risk management process. He advised that the risk of fraud is mitigated by the internal controls that are in place and that there have been no instances of actual or attempted fraud this year.

The Vice Principal Business Success commented that the Committee may wish to reflect on topical issues for the sector and it will be important to ensure that risks are controlled in relation to the funding audit.

It was noted that the Internal Audit plan includes four audit days for student numbers and that any issues arising from that audit should be fed into the External Audit review.

It was resolved that the External Audit Plan be recommended to the Board of Governors for approval.

36/21 RISK MANAGEMENT UPDATE (ITEM 6)

The Vice Principal Business Success presented the report which included the usual College risk register and the risk register specific to COVID 19.

He advised that whilst at the last meeting there was a view that changes in relation to the Pandemic may be positive, there remains considerable uncertainty and in the short term there may be a higher level of risk, including higher levels of staff absence.

It was noted that there are now 36 risks on the main register, an increase of one which reflects the risk relating to the decant from Metro One.

The Committee noted where the risk score has changed since the last update and in particular the risk relating to the monitoring of the effectiveness of Health and Safety.

The Vice Principal Business Success reported that the lead for Health and Safety had recently retired, and that the College had advertised twice for a replacement, but had been unsuccessful. He advised that in the interim staff had been awarded honourarium to cover the role.

In relation to the recruitment of students, whilst the risk remained high, the Vice Principal Business Success reported that applications have increased and there is a risk of certain areas having more students than can be accommodated. Whilst data trends support the increase in student numbers, there is a possibility that students are applying to more than one institution, although the College is working to ensure that these applications are converted to enrolments.

The Committee also noted the financial risks relating to the College's apprenticeship provision and the outcome of the Internal Audit review.

The Vice Principal Business Success reported that whilst the Internal Audit Review of Apprenticeship Provision primarily related to how documentation was retained there remains a risk if the necessary improvements are not made.

In relation to the COVID risk register the Vice Principal Business Success reported that there were three changes that had been made to slightly reduce three risk scores.

It was resolved that the Committee recommend the report to the Board of Governors.

37/21 COUNTER FRAUD STRATEGY (ITEM 8)

The Head of Governance presented the report and advised that the Counter Fraud Strategy had been developed in accordance with the provisions of the Post 16 Code of Practice and is supported by the various policies relating to Fraud, Bribery and Whistleblowing.

The Committee noted that review dates for the Associated policies and procedures which were included in the Strategy and requested that the month of review be included in addition to the year.

The Head of Governance advised that the Anti Fraud Checklist was appended to the report and that this would be updated to include the consideration of fraud within the risk management process.

The External Auditors asked whether reports on actual and potential fraud including 'near misses' were reported back to the Committee.

The Vice Principal Business Success advised that, there were few instances of fraud, actual or prevented and where there has been an instance this has been reported to the Committee.

The College did however receive numerous generic phishing type of emails.

The Head of Governance reported that the Committee also receives an annual report which will include any actual or attempted fraud.

It was resolved that the Board of Governors be recommended to approve the Counter Fraud Strategy.

38/21 AUDIT COMMITTEE EVALUATION 2020/21 (ITEM 9)

The Head of Governance reported that the intention was for members of the Committee to complete the Audit Committee Evaluation as part of the Board of Governors self-evaluation process for 2020/21.

Members of the Committee asked for the date by which the document should be returned and the Head of Governance requested that it be returned by the end of August 2021.

It was resolved that members of the Committee complete the Audit Committee Evaluation 2020/21 and return it to the Head of Governance by the end of August 2021.

39/21 ANY OTHER BUSINESS (ITEM 10)

There was no other business.

40/21 CONFIDENTIALITY (ITEM 11)

There were no items that should not be made available for public inspection.

41/21 DATE AND TIME OF NEXT MEETING (ITEM 12)

24 November 2021 at 5pm