

## CITY OF WOLVERHAMPTON COLLEGE

### Minutes of the Meeting of the Audit Committee of the Board of Governors held on Wednesday 30 November 2022 at 5pm via Microsoft Teams

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#### PRESENT

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

#### IN ATTENDANCE

Mrs Elizabeth Ball (Head of Governance)  
Mr Peter Merry (Deputy Chief Executive)  
Mr Andrew Woodford (Director of Finance)  
Ms Clare Parkes – TIAA (Internal Auditors)  
Mr Mark Munro - Bishop Fleming (External Auditors)  
Ms Rose Edwards – Health and Safety Manager (Item 7)

#### **47/22 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST (ITEM 3)**

There were no apologies

#### **48/22 MINUTES OF THE PREVIOUS MEETING (ITEM 2)**

Resolved:

**That the non-confidential and confidential minutes of the meeting held on 6 July 2022 be approved as a correct record.**

#### **49/22 MATTERS ARISING (ITEM 3)**

The Committee noted the report on outstanding actions.

#### **50/22 CORRESPONDENCE (ITEM 4)**

The Head of Governance reported that the outcome of the ONS review of the status of Colleges has been that they have been re-classified as Public Sector bodies.

It was noted that a report will be provided for consideration by the Board of Governors at their next meeting

#### **51/22 FINANCIAL STATEMENTS AUDITORS' AUDIT FINDINGS REPORT 2021/22**

Bishop Fleming presented their Key Issues for Discussion Document for the year ended 31 July 2022 which summarised the audit conclusions, highlighted key findings and detailed a number of points for further discussion.

The External Auditors highlighted key issues including:

- The audit work is substantially complete, with the next step being to finalise the financial statements.
- Key risks reported are those that were flagged in the audit plan with no material errors being identified.
- It is anticipated that modified audit opinions will be provided for the College and the subsidiary company in view of the material uncertainty in relation to going concern. This is as a result of the breach of covenants with Barclays Bank. This will be given further consideration, however, if there is further detail about the ONS review which changes the position.
- The Deputy Chief Executive advised that as a result of the ONS a review of the Governance section of the Annual report will be revisited if necessary.
- A reduction in the LGP scheme deficit means that net liabilities have reduced.
- It is not anticipated that the decision in Harpur Trust v Brazel will not have a significant impact across the sector or require a significant change to the financial statements.
- There were no audit adjustments that affected the income and expenditure accounts as these were reclassification of balance sheet codes.
- The management accounts presented to Governors during the academic year will be reflected in the financial statements as there have been no adjusting items.

It was noted that as part of their work the External Auditors carry out a number of tests which included a review of journals posted throughout the year on a day-to-day-basis and a Benford's Law Review. Both did not identify any additional risks.

#### Management Letter Points and Internal Control Systems

It was reported that two amber recommendations had been identified relating to the fixed asset register and capital expenditure on computer equipment in the prior year. The Committee considered the management comments and in relation to the assets, suggested that the College consider utilising asset tracking software.

The Deputy Chief Executive reported that the College's systems do have this facility and that this will be developed over the next two years in anticipation of the move from Paget Road to CLQ.

The External Auditors confirmed that the regularity opinion would be unmodified and that the opinions will be circulated as soon as possible.

**It was resolved that the External Audit Key Issues for Discussion Document be recommended to the Board of Governors.**

#### **52/22 DRAFT ANNUAL ACCOUNTS 2021/22 AND REGULARITY SELF-ASSESSMENT QUESTIONNAIRE (ITEM 5)**

The Deputy Chief Executive presented the draft annual accounts 2021/22 and advised that a key issue will be to ensure that the Board of Governors understands

and is content with the College's position as a result of the breach of the Bank covenants and going concern.

He advised that positive discussions are taking place following the FE Commissioner's visit in relation to the College's historic debt position and that it is anticipated that a resolution will be found in the near future.

The Director of Finance advised that the figures in the statutory accounts are identical to those that have been presented in the management accounts, but in a different format.

He reported that there will be a review of the report from the Governing body following the outcome of the ONS review and that whilst the External Auditors will be reporting on going concern, the College continues to be profitable, is generating cash and the College's underlying financial position was strong last year. It was noted that discussions relating to re-financing are continuing and that the College is able to continue to meet its debts as they become due.

It was highlighted that as a result of the reduction in the pension deficit there has been a reduction in the net liability position.

The Deputy Chief Executive reported that the financial statements had been based on the interpretation of the final funding claims from ESFA and WMCA. However, the College had over-delivered on the WMCA contract in addition to maximising growth and post year end this over-delivery had been funded. He advised that he will be discussing with the External Auditors whether the financial statements need to be updated to reflect this.

The Committee noted the report and the review of the Financial Statements for 2021/22.

They also reviewed the Regularity Audit Self-Assessment Questionnaire and noted that this would be signed by the Principal and the Chair of the Board of Governors.

**It was resolved that the Annual Report and accounts for 2021/22 be recommended to the Board of Governors for approval.**

### **53/22 INTERNAL AUDIT ANNUAL REPORT (ITEM 6)**

The Internal Auditor introduced the report and highlighted the Head of Internal Audit's annual opinion which was based on the reviews that had been carried out during the year.

The report identified the reviews that had been completed in 2021/22 together with the levels of assurance, and the Committee particularly noted the reduction in important recommendations that had been made.

**It was resolved that the Internal Audit Annual report be recommended to the Board of Governors for adoption.**

## **54/22 INTERNAL AUDIT REPORTS (ITEM 7)**

### **1. Compliance Review of Sub-Contractor Controls**

The Internal Auditors presented the report and advised that the review had resulted in an overall assessment of substantial assurance.

It was noted that only one priority three (low) recommendation had been made, which related to ensuring that the correct fee paid to subcontractors is reflected in the report to the Board of Governors. It was emphasised that the correct fee had actually been paid.

The Committee noted the Certificate that had been provided to the ESFA providing external assurance over subcontracting controls.

### **2. Assurance Review of Health and Safety**

*The Health and Safety Manager joined the meeting.*

The Internal Auditors presented the report and advised that the review had resulted in an overall assessment of reasonable assurance with four important and two routine recommendations being made. There was also one operational recommendation.

The Internal Auditor confirmed that she did visit the campuses as part of the review which had identified several practical issues. However, the College does have relevant and robust policies and procedures in place and it was noted that a new Health and Safety Manager is now in post.

The Committee commented that due to the size of the campus it was not overly surprising that there were some issues identified, and that this evidenced a positive and open approach.

It was reported the Internal Auditors were content that management were following up the recommendation and the Committee noted that there is a detailed programme of audits which are being carried out by the Health and Safety Manager.

The Health and Safety Manager advised that since the review, more progress has been made in relation to the actions including the repairs to the Study Hub doors and installation of a storage space for the Bakery.

She also reported that risk assessments are being populated into the central location.

The Committee asked whether the College has any other independent assurance providers or third-party reviewers of the College's Health and Safety arrangements.

The Deputy Chief Executive advised that the College's internal system has been developed, particularly as a new Health and Safety Manager had been appointed, but that to date, no external reviews have taken place apart from that carried out by the Internal Auditors.

He stated, however, that this was something that would be considered further and this was welcomed by the Committee.

The Committee emphasised that as the College is expanding there is increased risk and it was important to ensure that the Board of Governors has the assurance that everything possible has been done to protect the Health and Safety of users of the College.

The Committee asked how the Deputy Chief Executive would move the position forward and he advised that he would consult with the Health and Safety Manager and the Head of Facilities and Procurement to ensure that appropriate independent assurance is provided.

The Head of Governance reminded the Committee that a report on Health and Safety incidents would be provided at their meeting in March 2023 and that this would be an opportunity to report back.

*The Health and Safety Manager left the meeting.*

### 3. Follow Up Review

The Internal Auditors presented the report which reviewed the management action that had been taken in relation to recommendations from the Internal Audit Reviews that were presented to the Committee between 14 July 2021 and 23 March 2022.

The review identified 18 recommendations that were outstanding, however it was noted that six related to ICT Business Continuity and Disaster Recovery recommendations which had not been implemented yet due to staff vacancies in the IT Infrastructure Team. In addition, six of the outstanding recommendations were not yet due. Where actions had not been implemented it was noted that they were in progress, but the original target date had not been met.

The Committee asked the Internal Auditors if they were comfortable with the revised implementation dates. They responded that there have been different causes for the delays, but that the revised dates appear to be reasonable.

The Deputy Chief Executive reported that whilst there had been problems with IT staffing, all but one post had now been filled.

The Committee highlighted the increased risk of cyber-attack and that relevant recommendations need to be addressed as soon as possible, particularly any need for investment to prevent such attacks.

The Deputy Chief Executive accepted the importance of this and would provide an update at the next meeting on actions which were due to be completed in December 2022.

**It was resolved that:**

- **The Deputy Chief Executive provide a report at the next meeting on proposals for independent reviews of the College's Health and Safety arrangements.**
- **The Deputy Chief Executive provide an update at the next meeting on Follow-up actions that were due to be completed in December 2022.**
- **The Board of Governors be advised on the outcome of the Internal Audit Reviews.**

**55/22 ANNUAL REPORT ON RISK MANAGEMENT AND ASSESSMENT OF THE ADEQUACY OF THE RISK MANAGEMENT FRAMEWORK (ITEM 8)**

The Deputy Chief Executive presented the annual report on risk management, including a review of the Risk Management Policy.

Risk Management

The Committee considered the practices and processes which provided assurance that risk is being managed, including internal and external audit, regularity reviews and other external oversight.

The Committee noted the narrative in relation to the management of risk and the correlation between the risks, their priority and the matters being discussed by the Board. It was noted that an Internal Audit review of Risk Management took place in March 2022 when four priority three (routine) recommendations were made.

It was noted that the review resulted in an overall assessment of substantial assurance.

Training

There are high levels of experience in all areas on the Audit Committee, but where appropriate, additional external training is provided.

In 2021/22, the Committee received a 'deep dive' presentation into cyber security and an update on sector developments from the Internal Auditors.

In addition, the Board of Governors has also established a regular programme of development sessions for all Governors.

### Risk Policy

The Deputy Chief Executive reported that the policy remains fit for purpose and as a result, this year, only minor changes have been made to address typographical errors and naming conventions.

The Committee noted the role of the Board of Governors as outlined in the policy and in particular its role in overseeing the College's risk appetite framework and the monitoring of the management of significant risks.

### Risk Appetite

The Deputy Chief Executive reported that the Risk Appetite matrix had been updated and identified areas of risk by category ranging from avoid/averse to mature.

The Committee considered that the matrix was clear and understandable but agreed that Health and Safety be categorised as risk averse.

The Deputy Chief Executive confirmed that the risk appetite matrix would be updated to reflect this.

### Conclusion

It was concluded that risk management in the City of Wolverhampton College is effective.

### Risk Register

The Deputy Chief Executive reported that the risk register had been fully refreshed and now included 37 risks as the risk relating to Brexit has been closed.

The Committee considered the full risk register and noted that there had been an assessment of what the unmitigated risk was, and that whilst in some areas there had been a big impact, this did not necessarily mean that mitigating controls are better in some areas than others.

The Deputy Chief Executive commented that the Committee should be able to align the risks to information they receive at Board level which evidences that the information is appropriate.

It was highlighted that the highest risk for the College continues to be in relation to 'going concern' and the Deputy Chief Executive drew the Committee's attention to the table of changes since the Term 2 report.

The Committee noted that the risk relating to key data systems had been reduced and asked whether this was appropriate in relation to the earlier discussion about cyber security.

The Deputy Chief Executive reported that there is a separate risk relating to Cyber Security which was amended at the last meeting. He advised that the College has been re-certificated for 'Cyber Essentials' but that the increased risk was recognised.

The Committee commented that the majority of cyber attacks are due to the vulnerability of the operating systems and lack of patching, but that the mitigating factors in relation to cyber attacks refer to security software and training. They asked whether the systems are monitored to ensure that all devices connected to the system have been updated.

The Deputy Chief Executive reported that he believed that the system was monitored in this way, but would confirm with the IT Manager and report back. He also agreed to report on the parameters of the Cyber Essentials certification.

The Deputy Chief Executive highlighted the four new risks that had been added to the risk register relating to high levels of inflation, implementation of T levels, risks relating to the condition issues at Paget Road and the outcome of the ONS review.

He advised that the potential for strike action by staff, particularly as a result of high levels of inflation, is a sector wide issue, but that the College may be in a better position as a result of the relationship with the Unions and last year's pay award.

The Committee noted that they had received a development session in relation to T levels recently which were high profile and could have a negative impact on the College if delivery unsuccessful.

The Committee also noted the repair issues relating to the Paget Road site and the associated risk to health and safety and the potential costs involved.

It was reported that some risks had also been included in the table of charges even though the overall score remained the same as there had been changes to the scores relating to likelihood or outcome.

The Deputy Chief Executive highlighted that the biggest change is in relation to utility inflation. He reported that this has now been quantified and included in the budget.

**It was resolved that:**

- **The Risk Management Policy be approved.**
- **The Annual Assessment of Risk Management be reported to the Board of Governors.**
- **The Deputy Chief Executive report back to the next meeting on the monitoring of the College system and the parameters of the Cyber Essentials certification.**



#### **56/22 AUDIT COMMITTEE ANNUAL REPORT (ITEM 9)**

The Head of Governance presented the report and emphasised its importance as part of the assurances provided by the Committee in relation to the College's audit arrangements, its framework for governance, risk management and control processes.

The Committee was able to review the reports on the skills and expertise of members of the Committee, the Audit Committee Terms of Reference, compliance with the Audit Code of Practice and the Committee's Terms of Reference and noted that the report would be updated to include the External audit opinions when these were received.

Members of the Committee were requested to complete and return the self-assessment document in relation to the Audit Committee as soon as possible.

It transpired that unfortunately one of the appendices had been omitted from the report and **it was agreed that this should be circulated to members of the Committee for approval.**

***Note to the minutes: the full Annual report was circulated to members of the committee and approved by way of written resolution.***

#### **57/22 ANNUAL REPORT ON FRAUD AND WHISTLEBLOWING**

The Head of Governance presented the report and highlighted that there had been no instances of fraud, bribery or corruption or whistleblowing during the 2021/22 academic year.

It was noted however that the Whistleblowing Policy needed to be amended as a Whistleblowing Line is not provided by the current Assistance Provider.

**It was resolved that the updated Whistleblowing Procedure be recommended to the Board of Governors for approval.**

#### **58/22 POST 16 AUDIT CODE OF PRACTICE UPDATE AND REVIEW OF TERMS OF REFERENCE**

The Committee noted the update in relation to the Post 16 Audit Code of Practice which was published in September 2022.

The Head of Governance reported that the Committee's Terms of Reference were in compliance with the code, but that there was one minor amendment to reflect updated wording.

**It was resolved that the updated Terms of Reference for the Audit Committee be recommended to the Board of Governors for approval.**

**59/22 AUDIT COMMITTEE REPORTING FRAMEWORK 2022/23**

The Committee noted the reporting framework and the items that would be considered at each meeting in 2022/23.

**60/22 DEVELOPMENT SESSION**

The Internal Auditors provided an update for the Committee on relevant sector issues including the input from Internal Audit, sector issues, staffing and inflation and energy costs.

**61/22 ANY OTHER BUSINESS**

There was no other business.

**62/22 CONFIDENTIALITY**

There were no items to be withheld from public access.

**63/22 DATE AND TIME OF NEXT MEETING**

29 March 2023