

**College of West Anglia
Minutes of the
Audit Committee
29 June 2022
9.30 am
Meeting Room, Principal's Suite, King's Lynn Campus**

Present	Ray Harding	Governor (Chair)
	Mike Andrews	Governor
	Dave Clark	Governor
	Carolyn Rand	Governor
Attending	Paul Harrison	Vice Principal Corporate Services
	Rob Petto	Assistant Principal – Funding & Performance (part)
	Mandy Lakey	Employer Engagement System Implementation Manager (part)
	Nathan Ackroyd	KPMG
	Stephen Halls	Clerk to the Corporation

The Clerk explained that following the appointment of the previous committee chair, Gill Rejzl, to the post of Corporation Chair, effective 5 May 2022, Gill Rejzl was no longer able to serve on the Audit Committee. Therefore, in order to appoint a new audit committee chair, the Search & Governance Committee, at its meeting on 11 May 2022, agreed to recommend to the Board the appointment of Ray Harding as committee chair. Gill Rejzl enacted a Chair's action on 11 May 2022 authorising the appointment of Ray Harding on behalf of the Board; this Chair's action would be ratified by the Board at its next meeting on 6 July 2022.

1 Committee Members' Briefing with Auditors

This item was deemed "Confidential – Restricted."

Paul Harrison joined the meeting at 9.31 am

2 Apologies for Absence

There were no apologies for absence received.

3 Declaration of Interests

There were no declarations of interest.

4 Minutes of the previous meeting – 16 March 2022

The minutes of the meeting held on 16 March 2022 were reviewed. Governors referred to Item 5, Matters Arising, within the minutes, regarding the search for a new Head of Finance. The minutes recorded that the committee had discussed "the possibility of accepting an individual

who had appropriate skills and knowledge but did not hold a full accountancy qualification.”
Governors were keen to note that it was agreed during the discussions that only a fully qualified accountant would be acceptable. The Clerk would amend the finalised minutes to reflect this.

ACTION-CLERK

5 Matters Arising

The progress against the outstanding matters from previous meetings was summarised in the report for Item 5.

The Chair asked for further information regarding Item 13, CWA Publication Scheme, discussed on 16 March 2022. The Vice Principal Corporate Services advised that the college followed the directions of the Information Commissioner’s Office which publishes a listing of the documents that FE colleges should make available to the public. The Vice Principal was confident that all documents were available, although not necessarily from the college website. The college would look to place all documents on the website in time. Governors agreed that the website provided the ideal location for such documents to be available. The Vice Principal noted that, to date, he had never received a request from the public for any item of information which was not already provided on the website.

6 Risk & Internal Controls Update

This item was deemed ‘Confidential.’

7 Review of the Risk Register

The Vice Principal reported that target risk scores had now been included against each risk on the register; the risk relating to coronavirus had been downgraded (2020-2); the target risk for teaching and learning (2018-1a) was currently at 6 but would be reduced to 4 in the next version of the register; the target risk for IT network security (2021-1) would be increased from 4 to 6 in the next version of the register.

Governors discussed the determination of the risk scores and accepted that there would always be some items, such as safeguarding, which would be a risk for the college, irrespective of the mitigations in place. The Vice Principal noted that he would be reviewing the Risk Strategy over the summer period, and that there was perhaps a need to hold a further risk workshop for governors to discuss risk appetite and the scoring of risks.

Governors asked about the frequency of reviews of the risk register. The Vice Principal advised that the register was regularly reviewed and updated by management and governors. The risks currently appearing on the register would be similar to other colleges. Operational risk registers had been considered following a suggestion from the internal auditors although there had been no interest for this from department and faculty managers.

Governors suggested that the appearance of the register could be improved with the removal of old actions and commentary, with just current information and comments shown for the reader.

ACTION-VPCS

Governors referred to Risk 2018-4, Recruitment & Retention of Staff, and the taster day held in May 2022. The Vice Principal advised that 12 curriculum vitae had been received with one hourly-paid teacher being recruited so far from this exercise; this was expected to increase as future vacancies occurred. A similar event was planned for the autumn 2022 term.

Governors reviewed Risk 2018-5, Apprenticeship Opportunities, and noted that despite the number of actions being taken the risk score had not improved. The Vice Principal reported that the Head of Apprenticeships had retired in March 2022 with her successor joining the college in July 2022.

Governors reviewed Risk 2019-1, Higher Education, and asked for an update on the vet nursing accreditation issue. The Vice Principal explained that the college was looking to provide alternative courses in the interim period, although it was unlikely that the vet nursing degree course would launch again until September 2024. There had been minimal student loss to date and existing students would be allowed to run through the degree programme at UcWA. The Chair asked about the working relationship between the college and ARU; the Vice Principal advised that ARU had offered marketing support.

Governors reviewed Risk 2020-3 regarding fraud and asked for the comment to be amended to read: "There have been no identified actual or suspected episodes of fraud in the period."

ACTION-VPCS

Governors asked for an update on the nursery. The Vice Principal reported that the draft budget for 2022/23 included a deficit position for the nursery of around £16k, which was an improvement on the current year. Pay costs caused by the recent job evaluation had impacted on the nursery accounts. The performance of the nursery would be closely monitored. The Vice Principal emphasised the benefits of running the nursery, including the on-site facility for staff and students to use for their children, and also for students to use as a training facility for their respective courses.

The report was noted.

8 Financial Statements Auditor – Audit Strategy & Planning Memorandum

Nathan Ackroyd, Auditor, KPMG, advised that the document remained in draft form until the planning work had been finalised and that he would advise the committee if any changes were later made to the plan.

The auditor advised that the level of materiality had been increased on the previous year; the risks associated with the going concern concept had been downgraded due to the college returning to normality following the Coronavirus pandemic and an improved understanding of the loan repayment; revenue recognition was a risk for the college although it was accepted that manipulation of the respective income streams was not a major concern; the audit would test controls and data and review the assumptions made within the accounts; management override of controls would be tested particularly with regard to journals, high risk items and post year-end journals; the pay-ratio median would be checked; regularity and associated procedures would be reviewed. The auditor concluded his review of the plan by confirming KPMG's independence as auditor for the college.

Governors asked about the level of risk for the college and the amount of checking required during the audit; the auditor responded that the level of risk had reduced and also that the amount of checking would also reduce in the audit.

The auditor highlighted the LGPS pension liability, noting that the college would be receiving a bespoke actuarial assessment of the pension fund and its own liability. The Vice Principal confirmed that this would be carried out at year end, to coincide with the closure of the accounts.

The auditor noted the revised requirements from ISA (UK) 315 which would affect the college and its audit in the following year, 2022/23. Governors asked if the changes would result in a change to the duties from the auditor, or an increase. The auditor explained that the changes would result in additional duties which would in turn increase the fees charged. Governors discussed possible mitigations that could be put in place to reduce the level of additional auditing work required, particularly with regard to IT systems and data processing.

Governors were concerned to note the increase in fees from £52k in the previous year to £70k for this current audit. The auditor explained that additional hours were now required to cover the new auditing standards. The auditor assured the committee that the college was receiving a competitive rate from KPMG. Governors asked what the full cost of an audit would be, should the college be re-tendering at the current time for audit services; the auditor considered that an increase of around £15k would be expected with a new contract.

Governors asked the auditor to provide a breakdown of the new fee, compared to the previous year, identifying the split between increased hours worked and increased rates. **ACTION-KPMG**

The draft audit plan for 2021/22 was noted.

Rob Petto and Mandy Lakey joined the meeting at 10.34 am

9 Internal Audit Report - Apprenticeship Funding Audit

This item was deemed 'Confidential.'

Rob Petto and Mandy Lakey left the meeting at 11.10 am

10 Review Progress on Implementing Past Approved Audit Actions

Governors referred to the action regarding the capability & capacity of the finance team where the report detailed that there had been a further churn of staff in the team. The Vice Principal Corporate Services explained that 2 members of the team had recently moved to other positions within the college. The Vice Principal advised that the new Head of Finance would commence in July 2022. The Vice Principal accepted that it had been a difficult year for the finance team with the staff issues encountered.

The updates were noted.

11 Audit Needs Assessment & Audit Plan 2022/23

From the report, the Vice Principal Corporate Services suggested the following areas for possible audit review in 2022/23:

- Procurement
- Assurance Framework
- Governance Review (ahead of the external governance review due in 2023/24)
- IR35 – anti-avoidance tax legislation, originally intended for 2021/22, but delayed

Governors noted that although Scrutton Bland had been used for the main core financial audits, other consultants or professionals had not been engaged for other internal audit work. The Vice Principal noted that JISC had provided an IT network security testing audit and SRF had carried out the apprenticeship funding audit.

The Vice Principal considered that without a full internal audit service the college was not currently receiving a check and sign-off on assurances at year-end and was lacking independent review. This would be considered further when the committee next looked to retender the internal audit contract.

ACTION-VPCS

The committee agreed to recommend to the Board the 4 areas noted above for audit review in 2022/23.

12 Annual Value for Money Report

The Vice Principal Corporate Services referred governors to the college income graph at paragraph 7, explaining how the changes in demographics over the years had affected the income received, forcing the college into a period of financial decline, from which it had since recovered. Average pay levels were detailed against benchmarked figures at the end of paragraph 12 of the report, showing the college to be below the benchmarks. The Vice Principal referred to a college wide pay review undertaken in 2019 which also highlighted the college to be below average in most areas.

The Vice Principal explained that a value for money review was beneficial to the organisation but only when there was accurate and good quality comparable data available on which to make comparisons. The college engaged Tribal to undertake such a review using data from 2018/19 but which was now considerably out of date. There were difficulties and challenges in trying to encourage other colleges to share data informally for the purposes of benchmarking.

Governors noted that CWA had a greater proportion of non-teaching staff to teaching staff, when compared with the benchmark. The Vice Principal explained that this was probably due to the classification of some staff, such as learning support officers, where they were included within non-teaching staff at CWA, but other colleges may classify them as part of the teaching function.

Governors asked about the recent curriculum planning exercise in which non-pay course costs were reviewed. The Vice Principal advised that a number of areas would be subject to further review, such as material costs in Hair & Beauty which were more expensive at the Wisbech Campus than King's Lynn.

The Chair noted the ESFA funded sub-contractor costs which were slightly more than double at CWA to the benchmark. The Vice Principal recognised that the college managed a large sub-contracted provision compared to other colleges, but due to the recent restrictions imposed by the ESFA this would be reducing significantly in the next year.

The report was noted.

13 Review of Contracts' Register, Waivers & Debt Write-Offs

Governors noted the need to review this register and to look for any existing contracts that could be growing in either value or activity without the correct approvals in place. The Vice Principal noted that, subject to the approval of the audit plan by the Board, procurement would be reviewed by the internal auditor and who would look at contracts as part of that audit.

There were no questions or concerns raised on the report.

The report was noted.

14 Committee Performance, Terms of Reference & Future Business Agenda Plan

The committee reviewed the proforma as prepared by the Clerk and concluded that it provided a fair and accurate summary of the committee's performance during the past year.

The committee reviewed the current terms of reference, with no changes requested.

No changes to the proposed future business agenda plan were required.

The report was noted.

15 Any Other Business

There were no items of other business.

16 Chair's items for briefing to the Corporation

- The committee received an update on the current issues of risk and concern for the college and reviewed the risk register, now including target risks;
- A progress report on the apprenticeship funding audit was received. Progress was being made, although there was much work still to do;
- KPMG presented the planning schedule for the financial statements audit. The work required had changed and the fee had increased. The committee had asked KPMG for a breakdown to explain the fee increase;
- The committee considered the internal audit plan for 2022/23 and the re-appointment of the auditors.

17 Date and time of next meeting

Wednesday 23 November 2022 at 9.30 am

Nathan Ackroyd, KPMG, left the meeting at 11.41 am

A1 Auditors – Contract Review and Future Appointment

This item was deemed "Confidential - Restricted."

The meeting closed at 11.55 am