

**College of West Anglia
Minutes of the
Audit Committee
24 November 2021
9.30 am
Meeting Room, Principal's Suite, King's Lynn Campus**

Present	Gill Rejzl	Governor (Chair)
	Mike Andrews	Governor
	Dave Clark	Governor
	Ray Harding	Governor
	Carolyn Rand	Governor (attending remotely via Microsoft Teams)
Attending	Paul Harrison	Vice Principal Corporate Services
	Ruth Harrison	Vice Principal Curriculum & Quality (part)
	Rob Petto	Assistant Principal – Funding & Performance (part)
	Paul Goddard	Scrutton Bland
	Emma Larcombe	KPMG
	Stephen Halls	Clerk to the Corporation

1 Committee Members' Briefing with Auditors

This item was deemed "Confidential – Restricted."

Ray Harding joined the meeting at 9.36 am

Paul Harrison joined the meeting at 9.51 am

The Chair welcomed everyone to the meeting, particularly to Ray Harding who had recently joined the Audit Committee and was attending his first meeting today. Thanks were noted for Rebecca Hamilton who had recently left the Committee, moving to Employment Policy. The Chair advised that Carolyn Rand was attending remotely, via Microsoft Teams; this was the first hybrid meeting of its kind for the Committee and the Board and feedback as to its effectiveness was requested from members.

2 Apologies for Absence

The Clerk noted that Vicky Mann was absent and instead Ruth Harrison, Vice Principal Curriculum & Quality would be attending for Item 10 – Apprenticeship Funding Audit.

3 Declaration of Interests

An interest in Item 6 – Election of Vice Chair, was noted for Dave Clark.

4 Minutes of the previous meeting – 23 June 2021

The minutes of the meeting held on 23 June 2021 were reviewed and agreed as being an accurate record.

5 Matters Arising

Item 7, 25/11/20 - Proposed Assurance Framework: The Vice Principal Corporate Services apologised that he had not included the key to explain the difference in the various levels of assurance in his report at Item 13 – Assurance Framework. This would remain on the Matters Arising listing until actioned. **ACTION-VPSC**

Item 5, 23/6/21 - Matters Arising: Risk Workshop: The Chair offered the Committee's thanks to Paul Goddard, Scrutton Bland, for running the Risk Workshop on 15 September 2021. The Vice Principal Corporate Services added that members of the College Leadership Team had since attended a similar session led by Paul Goddard.

Item 14, 25/11/20 – Review Progress on Implementing Past Actions – the Chair asked Paul Goddard if he was satisfied with the pace taken by CWA to resolve audit actions and how this compared to other colleges. Paul Goddard responded that each implementation date needed to be reasonable and agreed with College staff. The performance of CWA was similar to that of other colleges where usually there would remain one or two outstanding actions at any given time. The Chair commented that it was important for managers to ensure that audit actions were followed up between meetings so that progress was made, and audits closed within a reasonable time.

Governors asked for an update on the plans to replace the payroll system by March 2022. The Vice Principal Corporate Services explained that the College would be moving its current system to a cloud-based system which was fully supported by the provider for one year. The College would continue to identify a combined HR/Payroll system to launch in 18-months' time. Governors asked if there were resources available to manage the introduction of a new system; the Vice Principal advised that a project manager would be identified to manage the new system. The Chair commented that there were capacity issues in various areas and asked the Vice Principal to consider including this on the Risk Register. **ACTION-VPSC**

Governors asked the Vice Principal if it was wise for the College to consider changing the software for two major areas at the same time, these being HR/Payroll and Finance. The Vice Principal considered that it was perhaps not ideal but explained that this had been forced by the payroll provider by them no longer supporting the current system. The use of project managers would help mitigate any issues encountered during the changeover periods for the respective systems. The Chair reminded the Committee that the College was also looking to make changes to the management of its IT network in the summer of 2022 which could also cause additional issues and concerns for management.

6 Election of Vice Chair

Dave Clark left the meeting at 10.07 am

The Chair commented on the financial expertise that Dave Clark gave to the Committee, particularly with the annual accounts and other similar financial reports.

The Committee agreed to re-appoint Dave Clark as Vice-Chair, Audit Committee for 2021/22.

Dave Clark re-joined the meeting at 10.08 am

The Clerk advised the Committee that Gill Rejzl, currently Chair-Elect, would move from the Audit Committee when she accedes to the position of Corporation Chair in May 2022, leaving the position of Audit Committee Chair vacant. Dave Clark had indicated his wish to remain as Vice Chair and therefore other committee members were asked to advise the Clerk if they were interested in the role of Committee Chair, which would be considered by the Search & Governance Committee in due course.

ACTION-GOVERNORS

7 Risk & Internal Controls Update

The Vice Principal Corporate Services reported on the desk-top disaster recovery exercise that had taken place the previous week. This was considered not to have been as challenging as had been anticipated with the College's own disaster recovery plans not having been fully tested. Managers would be considering a possible event in the future. The Chair emphasised the need to test internal systems in such a situation, particularly communications. The Chair suggested that Ray Harding, with his previous experience of local government, might be able to offer guidance outside of the meeting to the Vice Principal in planning a future event.

ACTION-VPCS

The Chair referred to the update in the report regarding the nearly completed Job Evaluation exercise; the Chair considered that this exercise would assist but would not resolve the Risk Register item regarding the College's ability to recruit and retain staff. The role of the new Employee Recruitment and Retention Co-ordinator was reviewed; the Chair suggested that this person also took time to evaluate the effectiveness of recruitment procedures and campaigns. Governors suggested that this role also included the use of recruitment campaigns via social media. Governors asked how the successes and impact of this new position would be measured and how effective the Job Evaluation exercise would be. The Vice Principal reported that the exercise maintained the differential between particular roles for now, but advised that future pay awards would be needed for these to be maintained, particularly as the national minimum wage would be increased in April 2022. Governors noted that supply and demand issues for suitably qualified staff would continue to push salaries and wages upwards.

The report was noted.

8 Annual Report on Risk Management & Review of the Risk Register

Governors reviewed the Risk Register, noting particularly the following areas:

Risk 2018 (13) – Inadequate oversight of subcontracted provision. Governors were aware of the amount of work carried out recently in this area and were surprised that the overall risk score was still high at 12. The Chair added that the recent internal audit report carried out on subcontracting gave a strong assurance opinion.

Governors reviewed Risk 2018 (5) – Failure to capitalise on apprenticeship opportunities. Governors suggested that this section needed to be re-written to include issues regarding systems and reporting, and the migration to a new software system in due course.

ACTION-VPCS

Risk 2018 (9b) – Safeguarding. Governors asked why all staff had not completed the KCSIE training on training day. The Vice Principal would investigate those who had missed the training, the reasons for this, and the action being taken to rectify this. **ACTION-VPCS**

Risk 2018 (9a) – Health & Safety – The Chair noted that Property Services (a department with a likely high proportion of Health and Safety prerequisites) had been placed into Support to Improve intervention and asked the Vice Principal to review the scores of this particular risk in case any adjustment was now required. The Vice Principal reported that Property Services currently had a number of temporary staff in post and that the department would be recruiting for a project manager and a mechanical & electrical engineer in due course.

ACTION-VPCS

Risk 2018 (10) – Major Incident or Disaster. The Chair considered that the likelihood score of “4” was perhaps too high and asked the Vice Principal to review this. **ACTION-VPCS**

Risk 2019 (1) – Higher Education. Governors asked for commentary to be provided.

ACTION-VPCS

The Vice Principal Corporate Services highlighted the results of the risk appetite questionnaire at Appendix 3, and thanked Paul Goddard of Scrutton Bland for supplying this information. Paul Goddard reported that the governor responses obtained were similar to those at other colleges. Governors agreed that it was good to have a mixed range of scores from those individuals who completed the exercise, accepting though that at the time of a decision, consensus on the Board’s risk appetite would be needed.

The report was noted.

Rob Petto joined the meeting at 10.41 am

9 Cyber Security - Update Report

This item was deemed “Confidential.”

Ruth Harrison joined the meeting at 11.06 am

10 Internal Audit Reports - Apprenticeship Funding Audit

Governors were concerned to note that the review found systems to be unsatisfactory and was qualified as high risk, with a funding error rate above 5%. Governors asked if the issues were caused by external partners working with the College or internally. The Assistant Principal Funding and Performance advised that the College’s own employees were responsible for managing and processing the data and so the issues were internal.

The Vice Principal Corporate Services reminded the Committee that this particular audit was commissioned by the College itself, knowing that there were areas of weakness in this area and had engaged the consultancy firm to undertake a thorough review to identify areas for improvement and to assist in systems development.

The Assistant Principal reported that the error rate, from a sample of 35, was found to be approximately 6%, and of this, 4% related to one individual learner. Due to the complexities of that individual’s circumstances, a number of errors in the processing of their data had been

made. From the review it was evident that there were inconsistencies in the application of controls.

Governors appreciated that while some of the issues may have been Covid-related, with staff working being disrupted through homeworking; target dates for actions would need to be identified to ensure that progress was made, with perhaps additional resources being allocated and improved training provided to all staff involved.

The Vice Principal advised that additional resources had been recently approved by the Senior Management Team. The Assistant Principal added that a project manager had recently been appointed to oversee the implementation of a new CRM system and would review all current systems to ensure the accuracy of data. Governors asked if all of the data would be checked for accuracy; the Assistant Principal considered that 50% would be possible, using a mixture of internal staff and additional external resources.

Governors noted the sample size of 35 and considered whether if this had been larger, would the error rate have diminished, suggesting that the concern was not as great as was currently thought. Governors noted their previous concerns with the lack of progress in establishing a new CRM system with automated processes. Governors were concerned with the risk of reputational damage to the College, potential clawback of funds if any errors were not found and corrected prior to an external audit carried out by the funding body and further regulatory intervention.

The Chair asked for an update report on this matter to be presented to the next meeting.

ACTION-APFP

The report was noted.

With the Vice Principal Curriculum & Quality now present in the meeting, the Chair referred back to Item 7 – Risk & Internal Controls Update and asked the Vice Principal for an update on the RCVS accreditation for the Veterinary Nursing Degree Programme.

This update was deemed “Confidential.”

Ruth Harrison and Rob Petto left the meeting at 11.30 am

The Chair called for a break in the meeting at 11.31 am

The meeting re-commenced at 11.38 am

11 Internal Audit Reports

The internal audit reports were reviewed by the Committee. The ‘Significant’ assurance opinion was noted for the Payroll & Follow-Up of Previous Recommendations audit with comparable benchmarking data. Within the previous recommendations Governors noted that the item referring to authorisation limits had now been completed by the College.

For the Subcontracting audit, a ‘Strong’ assurance opinion had been given. This was a mandated audit for all providers engaged in subcontracting activities. Paul Goddard, Scrutton Bland, considered that the ESFA was cautious regarding subcontracting and the potential risks for providers. It was likely that future audits would be in more depth. The Chair asked for the Committee’s thanks to be passed to those involved in the audit.

ACTION-VPCS

The Cash Flow Forecasting audit received a 'Significant' assurance opinion. Governors asked if management had considered the two added value suggestions offered within the report regarding cashflow forecasting graphs and unexpected low cash positions; the Vice Principal Corporate Services advised that these items were still to be considered and that he would report back to the Committee in due course.

ACTION-VPCS

The internal audit reports were noted.

12 Review Progress on Implementing Past Approved Audit Actions

Governors considered the action on Risk Management from 2016/17 whereby the Vice Principal was proposing to prepare a new Risk Strategy to the Committee encompassing the work undertaken so far on this item. The Chair asked for this item to remain on the action log for the time being, although no further updates would be required until the Risk Strategy had been presented.

ACTION-VPCS

For the outstanding Apprenticeships action from 2016/17, governors were concerned about the limited time available for moving the data onto the EBS system. In the report the Vice Principal proposed to close this item from the action log as action was now being taken; the Committee did not agree this proposal. The Chair asked for the item to be noted on the Risk Register along with the outstanding item on the need for a new payroll system where there was also both limited time and resources available, and at the same time that there was likely to be changes in the way the College's IT services were managed.

The updates were noted.

13 Assurance Framework

The Vice Principal explained to the Committee that this report provided a listing of evidence to indicate that there was an adequate and effective framework for governance, risk management and control. A detailed review of the three 'Red' risks had been provided at Appendix 1.

The Committee noted that positive audit reports had been received throughout the year from both the external auditor and internal auditor, with the exception of the recent Apprenticeship funding audit where there were concerns, but where an action plan was in place. Governors asked for the auditors' opinion on the College's assurance framework. Paul Goddard, Scrutton Bland accepted that there would from time-to-time be individual areas of concern, but the overall view should be considered. Emma Larcombe, KPMG, considered that management were fully aware of the areas of concern and were prepared to challenge the areas and take action, which was very positive. Emma Larcombe also welcomed the Committee's effective and rigorous challenge and that it took time to scrutinise reports comprehensively. The Chair agreed that the Audit Committee demonstrated effective and robust challenge and scrutiny.

The Committee considered that a number of areas of concern, and the actions needed to address them required staffing resources, which in itself was a current issue for the College due to challenges regarding the recruitment and retention of appropriate staff. Paul Goddard advised that Scrutton Bland would be able to carry out an internal audit on human resourcing for the College if required.

The Committee agreed that on balance and after careful consideration, there was an adequate and effective framework for governance, risk management and control and that the Committee could provide assurance to the Board.

The report was noted.

14 Self-Assessment of Compliance with Regularity and Propriety Requirements (Post-16 ACOP) 2020-21

The Committee reviewed the Regularity Self-Assessment Questionnaire. Under the second section, Funding Agreements, on page 5 of the report, the explanation of evidence noted that the reviews of the Risk Register had been incorrectly stated and that the register was actually reviewed by the Audit Committee and the Board and each of its respective meetings. The Vice Principal would correct this. **ACTION-VPCS**

Under Safeguarding Assets, page 20 of the report, the question asking if any insurance claims had been made in the year had not been answered. The Vice Principal would complete the response accordingly. **ACTION-VPCS**

The Committee agreed to recommend the approval of this document by the Board, subject to the 2 amendments noted above.

15 External Audit

Emma Larcombe, KPMG, advised that the audit was not yet complete and that some matters communicated in the report may change prior to the final report being published.

There had been a change in the approach to Revenue Assurance and an apprenticeship funding data sample was currently outstanding before this area of work could be completed. Additional work had been required in respect of revenue recognition due to new requirements and to confirm activity/income levels, where this information was no longer confirmed by the ESFA.

For the pension liability, KPMG's specialists were still finalising their calculations although it was likely that a late adjustment would need to be made to the accounts for this.

For Going Concern, the assumptions offered were being reviewed and it was likely that this would be completed that day (24 November 2021).

With regard to the management override of controls, it was noted that one journal had been posted without the evidence being attached or queried by finance staff. KPMG had asked to review the evidence but to date it had still not been made available. The Vice Principal Corporate Services apologised for the delay but assured the auditor, and the Committee, that the supporting data/evidence had been sent across to KPMG that morning for review. Emma Larcombe noted her concern that this omission had been accepted by finance staff and that the individual who posted the journal was not aware that this was an incorrect action. This was an isolated incident but could have been high risk under different circumstances. Governors asked about the circumstances of this journal; the Vice Principal explained that it related to an accrual of circa £500k for the backpay due to support staff as part of the job evaluation exercise, currently underway, and therefore contained details of individuals' salaries. Governors were concerned that management took too long in providing this data to the auditors and suggested that management considered alternative methods of storing sensitive data relating to journals. The Chair asked for an update at the next meeting on the training and guidance issued to finance staff on how to correctly process journals with complete information/evidence and how to challenge managers when the required information was not provided. **ACTION-VPCS**

Regularity work had been completed and also Subsidiaries, both with no issues or concerns.

The Recommendations from the audit were listed at Appendix 3, along with those from previous years. Governors were concerned that previous years' actions had not been resolved; the Chair advised that this would be closely monitored in future meetings under the item for monitoring past approved audit actions.

The Audit Differences, where finalised at this stage, were noted in Appendix 4.

Emma Larcombe confirmed KPMG's independence within the regulatory and professional requirements and that the objectivity of the Partner and audit staff had not been impaired.

With regard to the Annual Members' Report and Financial Statements for July 2021, the Committee would be recommending its approval by the Board, subject to the completion of the audit and any necessary late changes to the financial figures.

The Committee noted the Audit Report and accepted that there would be an amended final report to be presented to the Board.

The draft letter of representation was noted.

16 Student Union Accounts 2020-21

The accounts of the Student Union for 2020-21 were noted.

The Committee agreed that it would recommend the approval of the accounts by the Board.

17 Annual Report of the Audit Committee 2020-21

The Chair asked the external auditor to confirm her agreement with section B.3 of the report, regarding the regularity assurance review. Emma Larcombe, KPGM confirmed that she agreed with the statement in the report.

Paul Goddard, Scrutton Bland, advised that the concluding paragraph in Section H should now also include a reference to subcontracting, to comply with the changes in the Audit Code of Practice, February 2021. The Clerk would make this amendment. **ACTION-CLERK**

The Annual Report of the Audit Committee was approved, subject to the amendment noted above.

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

Governors reviewed the debt write-offs and commented on the £4,735 relating to EBS in 2019/20. The Vice Principal Corporate Services explained that this had been necessary to correct a previous mis-posting.

Governors reviewed the contract waivers and noted that for one item listed there was no clear detail given to explain the reason for the waiver. The Vice Principal provided further information on the reasons for this particular waiver to the Committee.

Governors discussed how best to engage with building contractors, noting that the College tended to work with the same contractors, and considered if there was a need to try to engage with others to ensure that best value was always secured. The Vice Principal explained that where good working relations were experienced these tended to be developed, although there

would always be a focus on the prices received in quotes. Governors agreed that it was currently difficult to attract new building contractors as demand for their services were currently high, and so it was probably prudent to remain with those loyal to the College.

The report was noted.

19 Any Other Business

Coronavirus – attendance at meetings: the Committee considered the risk of all members meeting together at the current time and that should all become infected this would cause operational issues for the Board and management. An example was noted of an organisation where an entire Board was impacted by Coronavirus. The Clerk advised that the College was operating under the latest guidelines issued, with mask wearing in public areas, regular testing and individuals being encouraged to be vaccinated. The Clerk added that he had not yet heard of colleges returning to remote working on the clerks' network. Governors and auditors noted examples of how their organisations were working at the current time.

Hybrid Meetings – Governors commented on the meeting today, with one member joining remotely via Microsoft Teams. Members considered that it worked well with just one remote member and that it would perhaps be more difficult to manage if there were more members on the screen. The sound quality was good. The Chair noted that it was difficult to fully engage and make eye-contact with the remote member. The Clerk considered that the hybrid meeting worked well in the small setting; however, this would not be possible for larger meetings, such as Board, as the Board Room was not currently fitted with the appropriate technology to facilitate remote meetings.

20 Chair's items for briefing to the Corporation

- For this meeting both the internal auditors, Scrutton Bland, and the external auditors, KPMG, attended.
- Various aspects of risk, risk management and the risk register were discussed throughout the meeting; the accreditation issue for the vet nursing course was discussed.
- An update report on the work of IT on cyber-security was received; this was on the risk register and would continue to be monitored with updates from time-to-time.
- The specially commissioned audit report on apprenticeship funding was reviewed. Actions were being put in place by management to address the issues raised in the report. Three other internal audit reports on payroll, sub-contracting and cash-flow forecasting were reviewed and caused no concerns for the Committee.
- The Committee considered the assurance framework and the areas of work reviewed. Overall, the Committee considered that it was able to provide assurance to the Board and that the College had the necessary controls in place.
- The Regularity Self-Assessment Questionnaire was reviewed and with one amendment requested.
- The financial accounts were reviewed, with a presentation from Emma Larcombe of KPMG. One or two issues relating to matters identified during the audit were discussed in detail; follow up action would be taken and monitored. Overall, the Committee was assured by KPMG that the accounts and report were in order.
- The Student Union accounts were reviewed.

- The annual report to the Board on the activities of the Audit Committee over the past year was approved.
- The Committee discussed the Covid risks of governors meeting together. For now, meetings would continue as planned, ensuring the latest government guidance was being followed.
- For this meeting one member joined remotely via MS Teams on screen to try out the technology and to assess the effectiveness of running a hybrid meeting.

21 Date and time of next meeting

Wednesday 16 March 2022 at 9.30 am

The meeting closed at 12.54 pm