

Wakefield College Corporation

Board of Governors Audit Committee

Minutes of the Meeting held on 19 November 2019

- Present:** Julie Craig, Karen Hands and Ian Parsons (**Chair**)
Clerk to the Corporation (**Clerk**)
- In attendance:** Executive Director Finance and Resources, Richard Lewis (RSM) (**External Auditor**) and Jonathan Creed (ICCA-ETS) (**IAS**)
- Apologies:** Emma Elvin and Dmitry Fedotov

1 Appointment of Chair and Vice Chair of the Audit Committee for 2019/20

Resolved

That Ian Parsons be appointed Chair of the Audit Committee for 2019/20 and up until the date of the first Audit Committee meeting in 2020/21.

That Emma Elvin be appointed Vice Chair of the Audit Committee for 2019/20 and up until the date of the first Audit Committee meeting in 2020/21.

2 Closed Session with Auditors

2.1 *The Executive Director Finance and Resources left the meeting at the beginning of this agenda item.*

2.2 Neither the External Auditor nor the IAS had any issues to raise in relation to their work in 2018/19. General matters discussed included:

- (i) the External Auditor praised the Executive Director Finance and Resources and his team for their preparedness and noted that the Financial Statements required minor tweaking prior to the Board's approval;
- (ii) the Chair asked for an explanation regarding the unadjusted misstatements. The External Auditor explained that he had asked the Executive Director Finance and Resources to address these misstatements in 2019/20 but that due to the financial performance of the College he was happy for them to remain unadjusted for 2018/19;
- (iii) the Chair asked whether the College was too cautious in releasing provisions. The External Auditor confirmed and suggested that he had advised management to look at these and act during the year;
- (iv) the Chair asked whether there was any possibility that the misstatements were being used to mask other problems. The External Auditor said they were, in his opinion, not;
- (v) *This minute is confidential as it contains commercially sensitive information;*
and

- (vi) the Chair asked the External Auditor whether he had been informed of the reported internal problems relating to the buyer of the College's Thornes Park Campus. The External Auditor stated that he would query this with the Executive Director Finance and Resources.

The Executive Director Finance and Resources re-joined the meeting at the end of this agenda item.

3 Declarations of Interest

- 3.1 It was noted that no declarations of interest were given.

4 Minutes of the Meeting held on 25 June 2019

- 4.1 The Executive Director Finance and Resources noted that planning permission had been submitted in relation to F Block.

Resolved

That the minutes of the meeting held on 25 June 2019 be approved.

5 Matters Arising

- 5.1 The Chair noted the following matters arising:
 - (i) on minute 4.1(vii), the Audit Committee agreed to review the requirement to obtain ISO 27001. The Executive Director Finance and Resources noted that, after extensive lobbying, the College's funding contract for 2019/20 only required the College to work towards this certification and that the College was working towards Cyber Essentials to comply;
 - (ii) on minute 6.4(iii), the Committee requested that the issue of stakeholder engagement be revisited so that a decision could be made as to whether it should be re-added to the Risk Register. The Chair suggested this matter be considered at Agenda Item 8;
 - (iii) on minute 8.2(ii), the Executive Director Finance and Resources agreed to consult with the ESFA, speak to his network of Financial Directors and follow up RSM's references to ensure that RSM was a suitable appointment in light of recent events at Hadlow College. The Executive Director Finance and Resources noted that he had spoken to the ESFA and had received assurance from his colleagues in the sector;
 - (iv) on minute 9.1, the Executive Director Finance and Resources agreed to work with the IAS and External Auditors to produce audit plans which he would circulate to Governors. The audit plans were to be approved by the Committee during the meeting; and
 - (v) on minute 11.2, the Clerk agreed to make changes to the relevant documents to enable Governors to count in the quorum where present by telephone, or other similar means of communication, for Committee meetings, which had been actioned.

6 Status of Outstanding Audit Recommendations

6.1 The Executive Director Finance and Resources reported the following:

- (i) 98 of the 104 (94%) recommendations captured in the Audit Recommendation Implementation Tracker had been implemented;
- (ii) 6 recommendations were overdue due to stresses on the IT and Business Services Team caused by the summer works, the delay to the completion of the Deeds building and staff turnover;
- (iii) the actions required in respect of outstanding recommendations were complicated, but work was ongoing in respect of all of these; and
- (iv) that he was confident that all overdue recommendations would have been completed by 31 March 2020.

6.2 Governors considered the following issues:

- (i) how the College was progressing in recruiting replacements into the IT and Business Systems teams. The Executive Director Finance and Resources noted that good progress was being made but that appropriate candidates were in short supply;
- (ii) whether the deadline for completion of the outstanding actions should be made a higher priority, particularly given that short-handed teams might mean that the College is more vulnerable and IT security and disaster recovery systems are more likely to be tested. The Executive Director Finance and Resources noted that there was little chance the recommendations would be carried out ahead of schedule. The Executive Director Finance and Resources agreed to increase the priority;
- (iii) whether outsourcing would help. The Executive Director Finance and Resources explained that the preparatory work involved made this impractical;
- (iv) when formal testing of the disaster recovery system could be carried out. The Executive Director Finance and Resources thought that February half-term was the earliest possible date; and
- (v) why a new Head of IT would not be appointed until after Christmas. The Executive Director Finance and Resources explained that the outgoing Head was subject to a relatively short notice period, had accrued substantial leave and the Christmas period was likely to cause delays. The Executive Director Finance and Resources agreed to speak with the HR team regarding inserting longer notice periods into the contracts of new senior staff.

6.3 The External Auditor confirmed that the ESFA do not like recommendations hanging over into a second year. The Executive Director Finance and Resources confirmed the recommendations would be implemented before the end of the academic year.

7 Risk Management, Control and Governance

This minute is confidential as it contains commercially sensitive information.

8 Internal Audit Plan 2019/20

8.1 The IAS reported the following:

- (i) that the Audit Plan could be reshaped at any time depending on the needs of the College and that, if necessary, the work around the 16-18 learner journey could be altered to be a more in-depth view of a particular aspect of this issue; and
- (ii) that 30 days' work was proposed.

8.2 The IAS talked the committee through each of the proposed audit areas.

8.3 The External Auditor noted that the ESFA were concerned with Governor engagement with the Student database. Governors should, therefore, engage in ILR controls. He suggested Governors might consider the plan in light of this. The Executive Director Finance and Resources noted that Governors had received assurances in relation to this through the recent Ofsted inspection, ILR audit and internal audits. The External Auditor noted that Governors should be able to interrogate the data they receive rather than relying on the results of audits. The Clerk agreed to arrange Governor training with the Head of Management Information relating to the ILR and how data is recorded. The IAS explained that they would give Governors a deeper explanation of the funding audit to help address this issue.

Resolved

That the Internal Audit Plan 2019/20 be approved.

9 Internal Audit Reports

(i) Student Support Services

9.1 The IAS reported that the cost of the College's counselling service was relatively expensive but there was high and increasing student demand. It was advised that the College review the delivery model. The Executive Director Finance and Resources noted that the College would accept the recommendation and carry out the necessary analysis. He noted that the College had made a conscious decision to fund support services to a level well in excess of similar finding by other local colleges.

(ii) Follow up of Previous Recommendations

9.2 The ISA reported that 22 out of 22 previously agreed recommendations had been fully implemented.

9.3 Governors asked whether the College's performance was particularly good relative to other colleges. The IAS responded that most colleges now completed recommendations efficiently.

10 Internal Audit Annual Report 2018/19

10.1 the IAS reported the following:

- (i) the IAS provided a key part of the overall assurance in relation to the College's governance, risk management and systems of internal control;
- (ii) the Internal Audit Annual Report 2018/19 provided management and the Corporation with "*reasonable assurance that Wakefield College's governance, risk management, and systems of internal control were operating adequately and effectively, and that there were no instances where any breakdown of control resulted in material discrepancy*". It also provided an opinion that the College had "*adequate and effective governance, risk management, and systems of internal control in place to manage the achievement of its objectives and securing economy, efficiency and effectiveness*";
- (iii) that "reasonable assurance" represented a 'clean' report which is as good as any College can be awarded by the IAS due to the limited audits undertaken during the year; and
- (iv) that the summary of internal audit activity was very positive but was a fair reflection of the areas considered, which were chosen on a risk-based approach.

10.2 The Governors commended the Executive Director Finance and Resources and his team for their good work.

Resolved

That the Internal Audit Annual Report 2018/19 be recommended to the Board of Governors for approval.

11 Management Assurance 2018/19

11.1 The Executive Director Finance and Resources reported the following points:

- (i) that the Management Assurance 2018/19 was part of the year-end assurance to the Board that key controls were in place during the year to give them confidence to approve the Statement of Corporate Governance and Internal Control in the Report and Financial Statements;
- (ii) that the report was prepared on behalf of the Executive Team; and
- (iii) that the Management Assurance 2018/19 included an opinion from the Executive Team that the "*...management assurance processes in place during the year were adequate in identifying, evaluating and managing the College's significant risks for the period ending 31 July 2019 and up to the date of approval of the annual report and accounts.*"

11.2 Governors were content with report as drafted.

Resolved

That the Management Assurance 2018/19 be approved.

12 Audit Committee Annual Report to the Board of Governors and Principal 2018/19

- 12.1 The Clerk to the Corporation reported that the proposed overall opinion of the Audit Committee was that “...*the College’s systems of internal control and its arrangements for risk management, control and governance processes, and securing economy, efficiency and effectiveness (value for money) are both adequate and effective*”.
- 12.2 Governors asked whether there had been any further reported frauds during 2018/19. The Executive Director Finance and Resources confirmed that there had not.

Resolved

That the Audit Committee Annual Report be recommended to the Board of Governors for approval.

That the performance of both the IAS and the External Auditor in 2018/19 be noted.

13. ESFA CEO Letter

- 13.1 The Clerk noted that a letter had been circulated by the CEO of the ESFA to all Chairs which contained 15 separate actions with which the ESFA expects colleges to comply. He noted that he had carried out a benchmarking activity and that the College was broadly compliant. However, he noted that consideration could be given to carrying out regular updates to the regularity self-assessment questionnaire and to the publication of more detailed results of the self-assessment of Governance.
- 13.2 Governors considered whether it was necessary to carry out more regular updates of the regularity self-assessment questionnaire. The External Auditor noted that the document was typically completed at the end of the financial year and that there were benefits to it being a ‘live’ document, although not necessarily regularly reviewed by Governors. The Executive Director Finance and Resources suggested a note be included in the agenda, going forward, that there were no issues to report and that exceptions would be brought to the Committee, as necessary.

14 Financial Statements Audit Plan 2019/20

- 14.1 The External Auditor proposed that the Committee look only briefly at the plan given that it concerned the areas of focus but that he intended to give a conclusion during the meeting by way of the Audit Findings Report. He urged Governors to review the ‘Emerging Issues’ section of the report. The Chair asked that this be circulated to all Governors.

Resolved

That the Financial Statements Audit Plan 2019/20 be approved.

15. Report and Financial Statements for the Year Ended 31 July 2019

(i) The Audit Findings for Wakefield College

- 15.1 The External Auditor reported the following points:

- (i) there were some matters outstanding, but he was not concerned that this would cause any delay;
- (ii) that the areas of focus had been picked based on his knowledge of the sector, from speaking to management and looking at the risk register;
- (iii) that, in respect of each of the audit, accounting and regularity issues identified at the planning stage, which were reviewed in turn, he had no concerns of any significance to report to the Committee;
- (iv) that there was nothing to bring to the attention of the Committee in respect of issues identified during the audit;
- (v) that, in respect of unadjusted and adjusted misstatements, a small number of accruals needed to be considered by the College but, given their relative immateriality, were to remain in the financial statements for 2018/19. The Executive Director noted that a plan had been put in place to clear these over a two-year period;
- (vi) that, in respect of potential issues of impropriety, he had nothing to bring to the Committee's attention;
- (vii) that, in respect of significant deficiencies in internal control, recommendations were made that accruals and deferred income be addressed as previously noted, overseas visits be pre-approved by the Board and the College's procurement policy be updated to explicitly mention the link to conflicts of interest, when assessing procurement;
- (viii) that the Executive Director Finance and Resources had taken on board all recommendations relating to financial statement disclosures; and
- (ix) that Governors were urged to read the appendix regarding emerging issues.

15.2 Issues discussed by Governors included:

- (i) In relation to pension scheme liabilities, whether the loss measurement was caused by increased liability or returns on investment. The External Auditor confirmed the primary driver was the discount rate; and
- (ii) how the College would clear the unadjusted misstatements over an appropriate period. The Executive Director Finance and Resources noted that they were to be matched against appropriate expenditure.

Resolved

That the Audit Findings for Wakefield College be recommended to the Board of Governors for approval.

(ii) Letters of Representation

- 15.3 The External Auditor noted that the Letters of Representation that the College was being asked to sign were its generic letters. However, a non-standard statement had been included confirming that, in relation to the previously discussed unadjusted items, no amounts should be released during the financial year and that Governors accepted those unadjusted errors.

Resolved

That the Letters of Representation be recommended to the Board of Governors for signing by the Chair of Governors.

(iii) Draft Report and Financial Statements

15.4 The External Auditor gave Governors a brief run-through of the main elements of the report and financial statements including:

- (i) the statement of corporate Governance and internal control which included:
 - a) a statement given by the Audit Committee and the Accounting Officer confirming that the College has 'an adequate and effective framework for governance, risk management and control...'. The External Auditor noted that he was confident that the Committee had properly reflected on this during the meeting. Governors confirmed the statement was appropriate to be put to the Board;
 - b) a second statement which required the committee to confirm that the College was a going concern. The External Auditor noted the College's healthy position in respect of debt and cash and the Committee confirmed that the statement was appropriate to make; and
 - c) a third statement for the Chair and Accounting officer to confirm that there had been no matters to bring to the ESFA's attention in respect of irregular or inappropriate transactions. The Board confirmed this was appropriate.
- (ii) his 'reasonable' assurance that the accounts give a true and fair view;
- (iii) that the College had made a loss of £1.1 million and a fixed asset loss of £1.4 million with a total comprehensive income deficit for the year of approximately £7.2 million, including the remeasured pension deficit;
- (iv) that the cash balance at year end was approximately £4.2 million with no debt, putting the balance sheet in a strong position; and
- (v) that a new, key, disclosure had been made in respect of key management personnel salaries.

15.5 Governors considered the following issues:

- (i) *This minute is confidential as it contains commercially sensitive information;*
- (ii) whether consideration should be given to concerns around the stability of the buyer of the College's Thornes Park site. The Executive Director Finance and Resources noted that all payments were up to date, the College had security and that he did not consider that the asset was impaired;
- (iii) that the positioning of certain photographs in the report be reconsidered; and
- (iv) whether there was an obligation to publish a gender pay split. The External Auditor explained that there was not, and this would have been reported by other means. Governors were happy not to publish this data.

Resolved

That the Report and Financial Statements, together with the accounting policies underpinning the accounts, be recommended to the Board of Governors for approval.

(iv) Regularity Self-Assessment Questionnaire

- 15.6 Governors asked whether the College had a policy on termination payments. The Executive Director Finance and Resources confirmed that there was no written policy, but these were not made, as a matter of course. The External Auditor confirmed that, if the College were going through a restructuring process, this would be necessary. The Executive Director Finance and Resources agreed to speak to the Executive Director HR and Organisational development to give assurance to the Committee that termination payments were not made.
- 15.7 The Executive Director Finance and Resources agreed to send the finalised version to Governors to sign-off.

Resolved

That the signing of the Statement of Regularity, Propriety and Compliance (as part of the Report and Financial Statements) be recommended to the Board of Governors for signing by the Chair of Governors and Accounting Officer.

That the signing of the declaration of the Regularity Self-Assessment Questionnaire be recommended to the Board of Governors for signing, subject to the completion of some outstanding minor points.

16 Review of Effectiveness of Meeting and Identification of Emerging Risks

- 16.1 Governors noted that the External Auditor had provided a useful list of emerging issues to consider.

17 Date of Next Meeting

The date of the next scheduled meeting is Tuesday 10 March 2020 at 5.30pm.

Signed..... Date.....

Actions

No.	Minute	Details	Deadline	Responsibility
1.	6.2(ii)	The Executive Director Finance and Resources agreed to increase the priority of the relevant outstanding audit recommendations.	The Audit Committee meeting of 10 March 2020	The Executive Director Finance and Resources
2.	6.2(v)	The Executive Director Finance and Resources agreed to speak with the HR team	The Audit Committee meeting of 10 March 2020	The Executive Director Finance and Resources

		regarding inserting longer notice periods into the contracts of new senior staff.		
3.	8.2	The Clerk agreed to arrange Governor training with the Head of Management Information relating to the ILR and how data is recorded.	The Audit Committee meeting of 10 March 2020	The Clerk
4.	13.2	The Executive Director Finance and Resources suggested a note be included in the agenda, going forward, that there were no regularity issues to report and that exceptions would be brought to the Committee, as necessary.	The Audit Committee meeting of 10 March 2020	The Clerk
5.	14.1	The Chair asked that the 'Emerging Issues' section of the Financial Statements Audit Plan be circulated to all Governors.	ASAP	The Clerk
6.	Please see the confidential minutes			
7.	15.6	The Executive Director Finance and Resources agreed to speak to the Executive Director HR and Organisational development to give assurance to the Committee that termination payments were not being made.	The Audit Committee meeting of 10 March 2020	The Clerk
8.	15.7	The Executive Director Finance and Resources	ASAP	The Executive Director Finance and Resources

		agreed to send the finalised version of the Regularity Self-Assessment Questionnaire to Governors to sign-off.		
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