



**CONFIRMED MINUTES OF THE AUDIT COMMITTEE  
HELD ON 29<sup>TH</sup> JUNE 2021**

<b>Present:</b>	Lucy Barrow	Independent Governor
	Joe McArdle	Independent Governor (Chair)
	Nigel Woodcock	Co-opted Committee Member
<b>In attendance:</b>	Pooja Furniss	Director of People & Culture
	Sue Higginson	Principal
	Nikki Leising	Financial Controller
	Rory McCall	Wylie & Bisset, External Auditor – minutes 145 to 171
	Michael Norton	Deputy Principal
	Ian Parkinson	Independent Governor (observer)
	Lisa Randall	RSM, Internal Auditor – minutes 145 to 171
	Lesley Venables	Clerk to the Governors

#### **APOLOGIES FOR ABSENCE**

140 Apologies for absence were received from Paul Haydock (RSM) and Scott Gillon (Wylie & Bisset).

#### **DECLARATIONS OF INTEREST**

141 Joe McArdle declared an interest in any matters relating to the University of Chester and as a parent of a student who attends the College. Lucy Barrow declared a standing interest of being employed by Wirral Borough Council and was currently seconded to the Liverpool City Region Combined Authority.

#### **PRE-MEETING WITH AUDITORS**

142 The Committee asked both sets of auditors whether there was a need to meet in the absence of management and was advised that there were no issues that they wished to raise.

#### **MINUTES OF PREVIOUS MEETING**

143 **Resolved** That the minutes of the meeting held on 24<sup>th</sup> February 2021 be approved as a correct record and signed by the Chair.

#### **MATTERS ARISING**

144 Governors received a progress report against the list of actions from the previous meeting and noted that the majority of these had been completed.

#### **OFFICE FOR STUDENTS INDIVIDUALISED LEARNER RECORDS 2019/2020**

145 The Deputy Principal presented the outcome of a recent audit by the Office for Students

on the College's Individualised Learner Records (ILR) system relating to higher education students for 2019/2020.

146 The audit had concluded that the College's internal controls for HE data management provided 'limited assurance' and made a number of minor recommendations to improve its processes.

147 Governors questioned the conclusions of the audit report, which appeared to contradict information provided from other sources, such as internal audit, on the high quality and integrity of the College's ILR data, which had been confirmed by the Education & Skills Funding Agency. The Deputy Principal responded that the majority of points related to areas of recommended good practice, rather than regulatory requirements. There were no funding clawback implications for 2019/2020 and it was noted that HE provision formed only a small part of the College's overall profile. All recommendations had been agreed by management and would be implemented in line with the relevant timescales.

## **PRESENTATION – ROLE OF THE AUDIT COMMITTEE**

148 The Internal Auditor gave a short presentation on the role of the Audit Committee and the current requirements of the Post-16 Audit Code of Practice.

## **INTERNAL AUDIT VISIT 3 REPORT 2020/2021**

### **Employee Performance Management**

149 The Internal Auditor presented the outcomes of the Employee Performance Management audit. This had resulted in a 'Substantial Assurance' audit opinion, with one low priority recommendation made to improve the consistency of paperwork completion. The Auditor had concluded that the control systems were well-designed and operated effectively, against the background of moving teaching observations and other processes online due to the pandemic.

150 It had been suggested that spot checks on the level of compliance should be undertaken, to ensure that changes to the performance management framework had not impacted negatively on the individual development needs of members of staff.

151 Governors noted that the audit had concluded that the continual feedback obtained from managers and students on teaching and learning was highly embedded within the College's processes. Staff were congratulated on such a strong outcome in such a difficult year.

### **Examination Process**

152 The Internal Auditor presented a report on the outcomes of an audit of the College's Examination Processes. This had concluded that the current systems provided a 'substantial' level of assurance, with no recommendations made. Systems were robust and followed consistently by staff across the College.

153 Governors were advised that the College's framework compared favourably against peer colleges in the further education sector.

## **Follow-up 2019/2020**

154 The Internal Auditor reported that a 'reasonable' level of progress had been made against the recommendations identified in internal audit reports relating to 2019/2020. A total of 11 of the 16 actions had been completed to date, with the remaining 5 partially implemented.

155 It was noted that 4 of the latter related to apprenticeships, progress against which would be followed up in 2021/2022. Management gave an assurance that these actions would be completed by the end of July 2021 and that staff in this area had been requested to ensure full compliance with the recommendations. This level of performance represented a risk for the College in terms of funding and quality, so it was vital to address these issues, which had been explained to the relevant staff.

## **INTERNAL AUDIT**

### **Progress Report 2020/2021**

156 The Internal Auditor reported that all work relating to the 2020/2021 Plan had now been completed.

### **Draft Internal Audit Plan 2021/2022**

157 Governors received the draft Internal Audit Plan for 2021/2022. This had been prepared following consultation with management and aligned to the College's strategy and risk profile, together with current priorities within the FE sector. It was noted that the majority of the proposed reviews were non-financial, which would enable the internal audit process to add value to the College's systems of internal control.

158 In response to a question from a governor the Deputy Principal confirmed that the proposed costs of the Plan had been included in the draft budget for 2021/2022.

159 **Resolved -** That the Board **be RECOMMENDED** to approve the draft Internal Audit Plan for 2021/2022

## **EXTERNAL AUDIT PLAN FOR FINANCIAL STATEMENTS & REGULARITY AUDITS 2020/2021**

160 The External Auditor presented the proposed Plan for the conduct of the audit work on the Financial Statements for 2020/2021.

161 Governors were informed that the scope and level of materiality were similar to the previous year. However, responsibility for the accuracy of funding claims now resided with the College and the statement provided in the annual accounts would no longer constitute assurance over funds earned from the ESFA. Previously, audit assurance had been taken from this ESFA statement.

162 The External Auditor proposed to gain assurance over the applicable funds by increasing the level of substantive testing, which would be undertaken in August 2021. The

Committee noted that guidelines had not yet been issued by the ESFA, but were expected in the next few weeks, and that there would be an additional cost to the College for this work.

163 Although the External Auditor could not yet provide a confirmed figure for the materiality limits for the audit, as this would be determined following receipt of the July management accounts, any instance over 5% of turnover would be reported to the Audit Committee.

164 Governors received information on the key risks associated with the audit, together with the reporting timetable and the total fees, which would increase slightly given the new assurance requirements of the ESFA on funding claims.

165 **Resolved** That the Board **be RECOMMENDED** to approve the External Audit Planning Memorandum for 2020/2021 Financial Statements, including the fees.

**Lisa Randall and Rory McCall left the meeting at this point.**

## **MANAGEMENT ACCOUNTS**

166 The Committee received for information the Management Accounts as at 31<sup>st</sup> March 2021 (which had already been presented to the Board at its meeting on 19<sup>th</sup> May 2021) to monitor the solvency of the College, in accordance to the Committee's Terms of Reference.

167 The Committee was informed that the College's finances remained in a strong position with a financial health rating of 'outstanding', as calculated by the ESFA criteria. The current year end forecast was for a surplus of £849K, which was slightly lower than the approved budget.

168 The College had received an additional ESFA funding of £300K for 16-19 year old provision. Higher education income had increased, but was still below the budgeted level, due to the impact of the pandemic on retention and bad debts. Commercial income, fees, sessional costs and teaching materials were all less than anticipated as a result of COVID-19.

169 Following receipt of its indicative allocation for 16-18 year old student numbers for 2021/2022 the College had submitted a business case to the ESFA in respect of its Not in Education, Employment or Training (NEET) cohort. The current calculations by the ESFA had been based on the number of NEET students present in December 2020, which did not reflect the position at this point in the academic year, effectively 'de-funding' these learners. The NEET cohort was likely to increase substantially in 2021/2022 as a result of demographic trends and the pandemic. However, if the appeal to the ESFA was unsuccessful, the College would have a large cohort of unfunded learners to which it would need to deliver, in line with its mission on inclusivity.

170 A number of bids had been submitted under the strands of the ESFA's capital programme, the outcomes of which were expected at the end of May, but these had been delayed indefinitely. Governors were reminded that one of these applications related to the expansion of the Wirral Waters campus, where high levels of demand had meant that space utilisation exceeded sector norms and was already causing significant capacity issues. In the short-term the College was exploring other options to alleviate the situation on the site to

provide additional teaching facilities.

## **RISK REGISTER**

170 The Deputy Principal presented the Risk Management Update. It was noted that there had been two changes to the risk register: an increase in Risk 8 on Accommodation (as discussed earlier in the meeting) and a reduction in Risk 15 Capital Projects as most of these had now been completed within the identified timescales.

171 Governors were advised that the Hamilton building had recently been valued for insurance purposes at approximately £3.2m, which represented a good return on the initial investment made, particularly since the College had been able to use ESFA monies and the contribution of the building by the local authority to finance the project.

172 The Principal commented that the College's mission of being an inclusive organisation, was being achieved through growth that was inclusive and had not introduced or raised entry criteria, instead adapting curriculum to accommodate all levels. This demonstrated the College playing its part as an anchor-point in the local community.

173 In response to a question from a governor on the importance of 'green' jobs, the Principal reported that the College had already started to update its curriculum to encompass elements of this strategy across all areas. An example was the introduction of hybrid energy cares in motor vehicle engineering. There would be a host of career opportunities in the future, particularly at technician level (ie Level 3). Compared to schools and universities, the profile of further education sector still needed to be raised in terms of its value to employers and other key stakeholders.

174 Governors suggested that the scoring for the risk on data integrity required amendment to reflect the discussions on the apprenticeships data audit.

## **MONITORING OF PREVIOUS RECOMMENDATIONS**

175 Governors received a report on the progress of the implementation of previous audit recommendations. There had been two internal audits since the last meeting which had resulted in one new action. There were no overdue recommendations and a number of items on apprenticeships that would be completed by the end of July 2021 (as outlined earlier).

## **ITEMS TO REPORT TO THE BOARD**

176 The Chair summarised the main points of the meeting which would be reported to the Board at its meeting on 14<sup>th</sup> July 2021:

- Outcome of OfS audit of ILR Data for 2019/2020 noted, with no associated funding issues
- Presentation on role of the Audit Committee received from the Internal Auditor
- Positive audits of Employee Performance Reviews and Examinations Process.
- College's performance in Internal Audits undertaken by RSM compares favourably to the rest of the sector
- Internal Audit Plan for 2021/2022 recommended for approval by the Board
- External Audit Plan for 2020/2021 Financial Statements recommended for approval by

the Board, with a slight increase in costs likely due to new regulations introduced by the ESFA

- Management Accounts (additional context had been provided by the Deputy Principal, which had not highlighted any 'going concern' issues), Risk Management Update and report on Monitoring Progress against Previous Recommendations received for information

**DATE OF NEXT MEETING – Wednesday 29<sup>th</sup> September 2021**



Signed: \_\_\_\_\_ Date: \_\_\_\_\_

Chair