

CITY OF WOLVERHAMPTON COLLEGE

Minutes of the Meeting of the Audit Committee of the Board of Governors held on Wednesday 26 June 2024 at 5pm via Microsoft Teams

PRESENT

Mr John Bradford (Chair)
Mrs Amanda Tomlinson
Ms Alison Shannon
Ms Dionne Barrett (from 5.15pm)

IN ATTENDANCE

Mrs Alison Buick (Head of Governance)
Mr Paul Davies (Director of Finance)
Mr Andy Foley (KPMG – Funding Assurance Auditors) – from 5.25pm until 5.40pm
Mr Rob Lawson (External Governance Reviewer – Observer)
Mr Peter Merry (Deputy Chief Executive)
Mr Mark Munro (Bishop Fleming – External Auditors) – until 5.25pm
Ms Clare Parkes (TIAA - Internal Auditors)

28/24 MEETING WITH AUDITORS WITHOUT MANAGERS PRESENT

Governors held a brief meeting with TIAA and Bishop Fleming, who had no concerns to raise.

The Deputy Chief Executive and Director of Finance joined the meeting.

29/24 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST (ITEM 1)

Apologies for absence were received and accepted from Trevor Dutton.

Alison Shannon declared her position as Deputy Director of Finance at Wolverhampton City Council. This particularly related to discussions about campus transformation and CLQ.

The Chair noted that several of the papers had been received late and that verbal updates would be provided for them. It had been agreed that the external audit paper would be taken as the first item and also that the Funding Assurance auditor would be invited to join the meeting to give his update later on.

Introductions were made to Rob Lawson, who was observing the meeting as part of the work on his external governance review.

30/24 EXTERNAL AUDIT PLAN YEAR ENDED 31 JULY 2024 (ITEM 6)

Mark Munro, Partner, presented the external audit plan on behalf of Bishop Fleming. Governors noted the following:

- The document outlined the key risks identified through the initial planning meetings and the knowledge of the college that Bishop Fleming had built up in previous years, as well as other matters that auditors were required to highlight.
- Section 1.1 set out the scope of the audit assignment, which was:

- To express an opinion on whether the accounts gave a 'true and fair view' of the affairs of the college and its subsidiary for the year ended 31 July 2024.
- To review the governance and strategic reports for compliance with the ESFA Accounts Direction and Bishop Fleming's understanding of the college.
- Section 1.3 commented on the regularity audit and the new College Finance Handbook, although this was not applicable until next year. No fundamental changes were expected as a result of this.
- Section 1.4 confirmed the basis of materiality for the audit.
- There were two significant audit risks. These were significant by default and related to the potential for management override of controls and potential for fraud in income recognition. The audit would look at the design and application of controls and also carry out analytical procedures on income, as well as substantive testing a sample of MIS records.
- Pension assumptions for the LGPS would be reviewed by Bishop Fleming specialist staff and by benchmarking against their other FE sector clients.

(Dionne Barrett arrived at 5.15pm)

- The audit would report on any adjustments and also any audit differences that management did not propose to change.
- There would be continuity in the audit team.
- Section three gave some FE sector update information.
- Section four outlined the audit timetable, including the dates for presentation to Audit Committee and sign off at Board.
- Section five confirmed the fees that had been discussed and agreed.
- Sections six and seven outlined considerations on ethics and related party transactions.

Questions and comments were invited.

Governors were pleased with the detail of the plan and felt that the risk descriptions were helpful.

A technical question was asked about how the college had elected to treat any LGPS surplus. It was confirmed that the decision had been taken last year and that the college would not capitalise any assets.

A Governor asked if there were any expected challenges in meeting the timescale for the audit. Bishop Fleming expressed confidence in their ability to meet the agreed dates, assuming that all required information was provided by the college. The Deputy Chief Executive agreed. No issues were currently expected.

The Committee noted the report and agreed to recommend the External Audit Plan to the Board of Governors for approval.

(Mark Munro left at 5.25pm)

31/24 FUNDING ASSURANCE AUDIT (ADDITIONAL ITEM)

(Andy Foley joined the meeting at 5.25pm)

The Chair commented that there was no written report yet available for the work completed and that KPMG had been invited to give a verbal update.

Andy Foley commented on the following:

- KPMG had been contracted by the ESFA to carry out funding audits, including at City of Wolverhampton College. The audit was part of the ESFA's cycle and based on ILR data from 2022/23.
- Sample testing had been completed on the four ESFA funding streams, with 30 learners from each stream. There had also been testing of the PDSAT reports.
- The primary focus had been the accuracy of the funding claim. The audit also required KPMG to identify any control issues that did not have funding implications.
- Issues identified had been reviewed by the college.
- £15.5m of the funded college provision had been in scope for the audit. £12m of this related to study programmes.
- The audit was completed and the college funding and compliance staff were thanked for their help to ensure that it had all gone very smoothly.
- KPMG were unable to release the audit findings as ESFA had not yet confirmed the report format to be used.
- There were no issues from the testing that had required additional work.

Governors were pleased to receive positive verbal feedback and asked when the written report would be available. KPMG did not have a clear timescale currently from ESFA so could not confirm this.

The Deputy Chief Executive expressed thanks to the KPMG team. The College EMT was very pleased with the outcome. He noted that TIAA had carried out a Learner Numbers internal audit, and that the ESFA audit notification had been received on the first day of this. In future he wished to consider commissioning a separate funding audit to provide annual assurance for the Committee and management team. Governor views on this were sought.

(Dionne Barrett left at 5.40pm)

The Chair agreed that there would be value in looking at a funding audit and asked when the next ESFA one might be expected. Andy Foley explained that ESFA selected colleges at random for audit, so it was not possible to say. Some colleges had experienced more frequent audits than others.

It was agreed that the Deputy Chief Executive should look at options and costs for an annual funding audit and report back in due course. Action: Deputy Chief Executive.

(Andy Foley left at 5.40pm)

32/24 MINUTES OF THE PREVIOUS MEETING (ITEM 2)

Resolved:

That the minutes of the meeting held on 20 March 2024 be approved as a correct record.

33/24 MATTERS ARISING (ITEM 2)

The agreed actions from the previous meeting were reviewed and the following were noted:

- Cyber Security training would be considered as the topic for the next Governor Development session in September 2024.
- The action for the Safeguarding Link Governor to review the Single Central Record would be checked.
- The meeting for the Deputy Chief Executive with Dionne Barrett was to be arranged.
- A curriculum planning deep dive would be considered and this would be added to the agenda for the next Committee meeting on 27 November 2024.

34/24 CORRESPONDENCE (ITEM 3)

Governors noted the Post 16 Audit Code of Practice, which had been circulated for information with the meeting papers.

35/24 INTERNAL AUDIT REPORTS (ITEM 4)

Clare Parkes, Manager at TIAA, presented the reports that had recently been issued. Governors noted the following:

Cyber Security (final report)

The overall conclusion gave reasonable assurance over the design and application of the controls to manage risks in this area.

The scope of the audit work was outlined.

There were two priority 2 (important) recommendations and seven priority 3 (routine) recommendations, all of which had been agreed with management. The priority 2 recommendations were explained to the Committee. The priority 3 recommendations were housekeeping matters. There were also two operational effectiveness recommendations.

The Chair noted the priority 2 recommendations and the associated risks. Dates for implementation had been agreed and assurance was sought that these were timely enough. TIAA had reviewed the implementation dates and felt that they were reasonable. The Deputy Chief Executive confirmed that the recommendations had been discussed at SMT. Actions were also discussed in the Director of Finance's fortnightly meetings with the IT Manager.

A Governor asked how the Committee could track progress implementing recommendations, other than through TIAA's annual follow up work. It was agreed that there was currently no other mechanism for reporting this to the Committee so a follow up report by management would be created for the November 2024 meeting. Action: Deputy Chief Executive/Director of Finance.

Budgetary Control (final report)

The overall conclusion gave substantial assurance over the design and application of the controls to manage risks in this area.

There were no recommendations made.

Campus Transformation (final report)

The overall conclusion gave substantial assurance over the design and application of the controls to manage risks in this area.

The scope of the audit work was outlined.

There was one priority 3 (routine) recommendation, which had been agreed with management. It was noted that TIAA had commented positively on the work of CTOG, which was a well-established group. The audit had identified that there was an estates strategy in place and that this needed to be updated. The Deputy Chief Executive commented that the existing strategy had been written in 2021 and updated in minor respects since. However the need for a refresh once ATAC was completed and CLQC progressed was agreed.

Governors were pleased to receive a positive report on a complex area. The Chair noted that he was a member of CTOG and confirmed that project risks were regularly discussed there.

Learner Number Systems (final report)

The overall conclusion gave substantial assurance over the design and application of the controls to manage risks in this area.

The scope of the audit work was outlined and it was noted that the college had been informed of its ESFA funding audit at the same time that this review had started. The scope of the audit had been discussed and had included sample testing of controls.

There was one priority 3 (routine) recommendation agreed with management.

(Dionne Barrett returned at 6.05pm)

Follow Up (draft report)

The follow up report assessed progress in implementing the 15 priority 1 and 2 recommendations made and approved in all eight internal audit reports from 2022/23. Of these eight reviews, four had no priority 1 or 2 recommendations.

Ten of the 15 recommendations were agreed as having been implemented and five remained outstanding. All of the outstanding items related to either Cyber Security or GDPR.

The Chair noted that there had been unsuccessful efforts to recruit a GDPR specialist and asked what the impact of this on timelines would be. The Deputy Chief Executive explained that the job description had been reviewed and a post would be re-advertised. GDPR compliance reports were presented to the Board and GDPR was included again in the internal audit plan for next year.

The Director of Finance confirmed that management were working to ensure that all audit recommendations were actioned, not just the higher priority ones.

Subcontracting Controls (final report)

This audit had followed the ESFA's prescribed approach for testing and reporting in this area. There were no recommendations made.

The Committee noted the reports.

36/24 INTERNAL AUDIT STRATEGY 2024.25 TO 2026.27 (ITEM 5)

TIAA had drafted an updated strategy and an audit plan for 2024/25 based on their review of key emerging college and sector themes, the college risk register, meeting with the Deputy Chief Executive and update of last year's plan document. A three-year indicative plan had been prepared. Appendix C showed year one of this, which was the proposed plan for 2024/25. The rationale and indicative scope for each area was included.

The areas within the 2024/25 plan were discussed.

The Deputy Chief Executive confirmed that the plan had been discussed at EMT to ensure that there had been wider consultation and buy in.

A Governor asked whether coverage of Cyber Security every three years was appropriate given the level of risk, or whether every two years would be better. It was agreed to consider bring this forward a year in the three year plan. There was also a discussion about AI and it was agreed that the IT Manager and Business Learning Technologies Manager would be invited to give updates on this and Cyber Security to the Committee's March 2025 meeting. Action: Head of Governance.

A Governor asked whether curriculum risk was included in the plan. It was confirmed that curriculum planning had been an audit topic in 2022/23 and that it had received substantial assurance. It was also agreed that if Governors had a particular interest in a topic that was not included in the audit plan, management could provide a briefing during a Committee meeting.

It was noted that TIAA would consider adding AI as an audit topic in future years.

The Deputy Chief Executive and TIAA would also consider whether an annual review of an IT related area should be included in future plans. Action: Deputy Chief Executive and TIAA.

(Dionne Barrett left at 6.15pm)

The Committee agreed to recommend the Internal Audit Strategy and Plan to the Board of Governors for approval.

37/24 RISK MANAGEMENT UPDATE (ITEM 7)

The Director of Finance referred to his written report. There were 46 risks on the risk register, which was unchanged since the last update to this Committee in March 2024. Of these, 11 were rated as red, 31 as amber and 4 as green.

The significant (red) risks and the changes since March 2024 were as set out in the report.

No changes to the risk appetite were proposed. Risks generally were felt to be stable and controls in place were good.

There was a separate risk register for partnerships, with 12 risks, one of which was rated as red. Partnerships were felt to be the highest area of risk for the college at present. The impact of partnerships was regularly discussed at Board and it had been agreed to highlight this more explicitly in the finance reports. However, management had no current concerns about risk and control failure in this area.

A Governor noted the forthcoming general election and asked if there was any likelihood of general strategic risk to FE as a result. The Deputy Chief Executive thought not, as there no significant FE proposals in the manifestos of the main parties.

The Chair commented that the risk register had been more stable in the last 12 months, which was a positive development.

38/24 ANY OTHER BUSINESS

None.

39/24 CONFIDENTIALITY

There were no items to be withheld from public access.

40/24 DATE AND TIME OF NEXT MEETING

Wednesday 27 November 2024 at 5pm.