

**The College of West Anglia  
Minutes of the  
Audit Committee  
24 June 2020  
9.30 am  
Remote Meeting – Microsoft Teams**

<b>Present</b>	Gill Rejzl	Governor (Chair)
	Mike Andrews	Governor
	Dave Clark	Governor
	Rebecca Hamilton	Governor
	Lucy Nethsingha	Governor
<b>Attending</b>	Paul Harrison	Vice Principal Corporate Services
	Neil Harries	Head of Finance
	Rob Petto	Head of Funding & Exams (part)
	Paul Goddard	Scrutton Bland
	Stephanie Beavis	KPMG
	Charlotte Wilson	KPMG
	Stephen Halls	Clerk to the Corporation

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The Chair welcomed everyone to the meeting, and introduced Paul Goddard, Internal Auditor from Scrutton Bland who was attending his first CWA Audit Committee meeting today.

**1 Committee Members' Briefing with Auditors**

*See "Confidential Minutes – Restricted"*

*Mike Andrews joined the meeting at 9.32 am*

*Paul Harrison, Neil Harries and Stephanie Beavis joined the meeting at 9.36 am*

**2 Apologies for Absence**

There were no apologies for absence received. The Chair asked KPMG if Sam Quinn was still the audit manager responsible for the College. Stephanie Beavis, KPMG, advised that Sam Quinn had moved from this role and that Charlotte Wilson was now overseeing the external audit function for the College.

**3 Declaration of Interests**

No interests were declared.

#### **4 Minutes of the previous meeting – 25 March 2020**

The minutes of the meeting held on 25 March 2020 were reviewed and agreed as being an accurate record.

#### **5 Matters Arising**

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

Item 13, 27/11/19 – Employer Engagement CRM Software – the Chair asked for the details on the risk register to be revisited to clearly indicate the concerns regarding this risk.

**ACTION-VPCS**

Item 10 25/3/20 – Requested presentation updates to the Risk Register – due to time pressures this had not been actioned to date. The Chair asked for this to be actioned as soon as possible, mindful of current competing pressures on executive colleagues.

**ACTION-VPCS**

#### **6 Review Progress on Implementing Past Approved Audit Actions**

Item 4 – Funding Assurance & Negotiated Prices – Governors asked, considering the general concerns regarding the latest funding audit (June 2019 report), what checks were in place to ensure that the correct funding was received for activities where the price had been negotiated. The Vice Principal Corporate Services reported that prices would need to be fully documented and that this action would be monitored by the Head of Funding & Exams, adding that more work would be required in this area by the apprenticeship team.

Item 6 (and other related items) File checks and review of records – The Chair asked that with remote working, how the necessary file checks were being undertaken to ensure the accuracy of records, and if not, what challenges and risk would this bring for the College. The Vice Principal advised that some administration staff were working on campus, particularly where systems were paper-based to ensure that records were being maintained.

**The updates to the actions were noted.**

#### **7 Internal Audit – Key Financial Controls 2019/20**

Governors raised their concerns regarding the audit report which detailed the unavailability of certain procurement documents, 7 out of 15 sampled purchase orders were not in place and that the College did not have in place a contracts' register. Governors considered that the auditors' concerns should have been expressed more rigorously and that the recommendations should have been graded as a higher priority.

The Head of Finance said that the College managed a few regular standard contracts and that the department was in the process of setting up a contracts' register as per the audit recommendation. To provide assurance, it was explained that the Purchasing Officer was involved with all orders valued in excess of £10k, which mainly related to premises and IT. Paul Goddard, Internal Auditor, advised that the final recommendations in the report had been fully considered and reviewed, with the matters highlighted being the key points to note.

The Chair noted that in the benchmarked data for similar audits in other institutions the College was an outlier in a key area. Governors were concerned that in the procurements & payment audit only “Reasonable” assurance had been scored.

The Chair asked about the sign-off procedure for writing off debts. The Head of Finance outlined the current process. The Chair asked for the Committee to regularly review the contracts’ register (once completed), waivers and debt write-offs. **ACTION-HoF/CLERK**

The Chair commented that fraud was still an area of concern for the College and that in time a fraud risk assessment/review should be commissioned. The Vice Principal noted the draft fraud policy, which was reviewed at the previous committee meeting. The Internal Auditor confirmed that Scrutton Bland would be happy to be involved this work and suggested that work might also include whistle blowing, bribery and corruption. The Internal Auditor added that incidents of fraud were increasing in the sector. This would be noted in the matters arising to consider at a later date. **ACTION-CLERK**

The Chair referred to the recommendation regarding procurement where the purchasing officer would carry out periodic reviews to check for non-compliance; the Chair considered that the emphasis ought to be on improving controls to stop non-compliance from being possible.

The Chair asked if key performance indicators and penalty clauses were incorporated into contracts to aid performance monitoring/management. The Vice Principal responded that in most contracts this was the case and gave examples of the catering contract and fleet management contract in which, if performance was below that agreed, financial penalties were imposed.

Governors were concerned that the report highlighted that on average, it took 2 months for a room hire booking to be invoiced and there was a risk that some activity invoices might be missed. Further, there was a concern that there appeared to be a delay in issuing debt chasing letters. The Head of Finance explained that the delay in invoicing was due to the originating department. Debt chasing was a manual process but historically had not been a concern for the College which had low levels of debt write-offs.

Governors queried the authorisation levels of purchasing requisitions and payments which seemed high and could put the College at risk from fraud. The Internal Auditor considered that the levels of authorisation were high compared to other institutions. The Chair asked for management’s view on this. The Vice Principal commented that he had not been aware that the levels were above average and that this matter had not been queried previously. The Vice Principal would take the matter to the Senior Management Team meeting the following week (29 June 2020) for review and would report back to the Committee via email regarding any proposed changes. **ACTION-VPCS**

The Chair asked for the due dates of proposed actions be reviewed by the Internal Auditor and the College to ensure that the dates were realistic and did not cause undue pressure for College staff. The Chair added that the actions to be taken should directly address the matter of concern that had been identified and should not lead to a further review or a future audit. **ACTION-SB/VPCS**

**The report was noted.**

## **8 Financial Statements Auditor – Audit Strategy & Planning Memorandum**

Stephanie Beavis, KPMG, provided an overview of the audit to be undertaken over the summer period, noting that the key areas of focus would include looking at any possible impact of the

coronavirus pandemic, such as income streams (particularly apprenticeship income), pension fund liabilities and controls & process which have had to be adjusted to allow for remote working. It was noted that the new additional disclosures on HE activities as detailed in the accounts direction of the Office for Students did not actually apply to FE institutions and so this requirement would be removed. The External Auditor assured the Committee that the KPMG could confirm its independence in respect of its review and audit of the accounts.

Governors asked if there was a particular risk with regard to the going-concern concept and the college's bank loan covenant, and if this was unique to CWA or regarded as being usual across the sector. The External Auditor explained that this was common across the sector and was a concern with colleges generally as most were managing challenging budgets. The Vice Principal explained that this matter had received increased focus and attention from the banks since the introduction of the insolvency regime in January 2019. The College was meeting more regularly with the bank and was sharing information such as the budget, medium-term financial plans and monthly management accounts. Governors asked if the College had looked to amend the bank covenant or to seek an alternative loan. The Vice Principal confirmed that in the medium-term financial plan the cash-flow projection indicated that the bank loan would be paid off as planned and that there would be no breach of the bank covenant and so no amendment to the covenant or replacement loan would be necessary. The Committee asked for an indication of any possible action the bank would take should there become a problem in repaying the loan or there being a breach of the covenant. The Vice Principal reported that he had a meeting with the bank scheduled for the following week and so would ask then for the bank's response and written confirmation of its intentions, although he felt that it was unlikely that the bank would commit itself in writing.

**ACTION-VPCS**

The Chair referred to any potential Brexit implications for the college, as mentioned on page 13 of the Audit plan. The Head of Finance reported that any exposure would be minimal as the College had very few international students.

**The report was noted.**

## **9 Audit Needs Assessment & Audit Plan 2020/21**

The Vice Principal advised that the proposals highlighted the possible areas to be considered for review in 2020/21, noting that all financial areas would be covered over a three-year period. Governors asked for clarification on why the proposals included an external review of the new format of the management accounts. The Vice Principal explained that the recent re-design of the management accounts format followed the request from the FE Commissioner for this to be carried out. However, there was scope for the new format to be developed further and it was considered that it would be beneficial for an external review to be undertaken.

The Chair commented that a 3-year table would be useful to indicate when all areas would be covered and that where there were risks relating to property and estates that these audits were brought forward. The Chair added that not all risk areas would be relevant to a review by internal audit, and that assurance could be gained by other methods, as part of the Assurance Framework discussed previously by the Committee and under development by the Vice Principal. Governors noted that there was no indication from the report when the next Payroll audit would be undertaken, and that this could be considered to be a risk area due to the recent "furloughing" of some staff.

Paul Goddard, Scrutton Bland, commented that IT was an area that would usually be included within an audit plan, even though the current IT provision was managed by an external contractor. Additionally, the Internal Auditor would have expected to see a risk management

framework audit planned. Governors considered that it would be useful to have a listing of the audits carried out previously, particularly for those governors who were new to the college and the Committee.

**ACTION-VPCS**

For the Board to approve the plan at its meeting the following week (1 July 2020) for which papers had already been issued, it was agreed that if possible an amended paper be issued to show the 3-year cycle of audits and for the risk summary table to include fraud. The outcome of the funding audit report, to be considered under item A.2 would also be included in the audit plan if appropriate.

**ACTION-VPCS**

## **10 Internal Control & Risk Management Procedure - Update**

The Vice Principal confirmed that the amendments requested at the last meeting (25 March 2020) had been made. The College Leadership Team had reviewed the procedure and the Vice Principal was assured that actions were being taken on board by managers. Risk training would be provided for all staff in due course.

**ACTION-VPCS**

Paul Goddard, Scrutton Bland, advised that his team would be able to assist with risk training if required.

**The Committee approved the Internal Control & Risk Management Procedure.**

## **11 Risk & Internal Controls Update**

The Vice Principal advised the Committee of an emerging risk (health & safety and financial) regarding staff working from home, with particular regard to the use of IT equipment and domestic work stations.

The Vice Principal reported his concerns that for some staff, the current pressure of work, including the prospect of re-opening the campuses and planning for the September term was high. The Health & Safety Officer had produced a Covid-19 risk assessment which had the agreement of the unions. Some staff members had indicated their concerns and anxiety about returning to campus working.

Governors highlighted the need that should homeworking become normal practice then risk assessments in employees' homes would need to be carried out. Further, there were legal cases currently being processed regarding employees claiming for their costs for working at home e.g. rent for office space and utilities. The Vice Principal advised that a Working at Home policy was currently being prepared.

Governors considered that it was important for students to return to campus, accepting that there had been some good teaching being delivered remotely. The Vice Principal advised that for September there would be a blended approach to teaching, with some on-campus delivery and some remaining on-line. Where the College previously had excess space, this would now be fully utilised to manage safe distancing requirements.

**The update was noted.**

## **12 Risk Register Review**

The Chair reminded the Committee that due to time pressures the changes to the presentation format of the risk register requested at the previous meeting had not yet been actioned.

Risk 2020 (1) – National Construction College – Governors asked why the previous comments had been struck-out and if there was an update on this situation. The Vice Principal advised that the Comments section was used to display the latest information regarding the risk. Where information was out of date or had been reported previously it was then struck-through. Struck-through text indicated that the information, as previously reported, would be removed from the next update of the register. The Vice Principal confirmed that there was no new information to report, regarding the possible takeover of the construction site at Bircham Newton at the moment.

Governors commented that the provision of apprenticeships was a concern, as had been noted in several reports. This created a risk and the current coronavirus pandemic would result in the need for new activities for the College to engage in. It did however, also create likely opportunities for new training activities and this should be explored proactively. The Vice Principal noted that a number of apprentices had been furloughed with some having been made redundant over recent weeks but was confident that the income target for the current year would be achieved. The Clerk added that the situation had been reviewed in detail by the Performance Review & Quality Committee at its meeting on 10 June 2020 with actions being taken to support both current apprentices and applicants for apprenticeships in the autumn term.

**The updated Risk Register was noted.**

### **13 Annual Value for Money Report**

The Vice Principal considered that the Tribal Consulting report gave a good indication of the current performance of the College, noting that it was often difficult to obtain suitable data to allow for comparison and judgement to be made.

The Chair commented on the excess space that was available across the campuses and that the College was fully aware of the concern. The planned restructure would make savings against staff costs with the staff pay award being considered at the Corporation meeting on 1 July 2020.

*The next item was deemed "Confidential"*

### **14 Any Other Business**

There were no items of other business.

### **15 Chair's items for briefing to Corporation**

- The Audit Needs Assessment & Audit Plan for 2020/21 would be presented to the Corporation;
- The first report from Internal Auditors, Scrutton Bland, appointed October 2019, had been reviewed;
- The plan for the financial statements audit by KPMG had been reviewed.

The Chair would raise the following points at the next meeting of the Chairs' group:

- Risk of fraud;
- Concerns regarding apprenticeship provision and the need to identify and optimise the potential of emerging opportunities;
- The management and assessment of risk within the College.

## **16 Date and time of next meeting**

Wednesday 25 November 2020 at 9.30 am

The Chair thanked the auditors from Scrutton Bland and KPMG for their attendance and participation in the meeting.

*Paul Goddard, Stephanie Beavis and Charlotte Wilson left the meeting at 11.10 am*

## **A1 Evaluation of Performance of Internal Auditors**

*This item was deemed "Confidential."*

*Rob Petto joined the meeting at 11.17 am*

## **A2 Funding Audit**

The Head of Funding & Exams explained that the Funding Audit Report 2018/19, June 2019, had now been finalised and was attached to the report at Appendix 1. There had been no changes made to the audit commentary since it was reviewed in draft form by the Committee at its meeting on 25 March 2020. It was considered that the report was now so historic that it was difficult to gain assurance that actions had been taken and improvements made in the areas covered.

The Chair asked for the Vice Principal and Head of Funding & Exams to review any outstanding actions from the June 2019 report and have them moved to the audit tracker so that future progress could be monitored by the Committee. **ACTION-VP, HoFE, HoF**

Looking ahead to future audits, the Head of Funding & Exams reiterated his recommendations from his report that for the time being full funding audits be suspended. Further, a targeted audit be commissioned to focus solely on apprenticeship funding. The Committee agreed the recommendations, noting that the concerns regarding apprenticeship income needed to be clearly articulated on the College's risk register. **ACTION-VP**

The Chair asked that during the planning stage of the apprenticeship audit that the scope of works and terms of reference be reviewed by the Senior Management Team to ensure that the needs of the College had been fully covered. The Head of Funding & Exams advised that the scope of the audit would largely follow the usual ESFA terms of reference for funding audits. **ACTION-HoFE**

The timing of the targeted audit on apprenticeship funding was considered, noting that the current time was not suitable as the College moved into the summer break and staff were still

working remotely. The Committee would review this at its next meeting (25 November 2020) along with the process by which the audit would be commissioned and procured.

**The report was noted.**

**The meeting closed at 11.28 am**