



PART 1: MEETING OF THE AUDIT COMMITTEE OF MACCLESFIELD COLLEGE

TUESDAY 10 NOVEMBER 2020 – 9.30 AM

VIA ZOOM

Clerk: R Clare

M Grant: Chair of the Committee
M Wright
P Newell
M Bowers
S Horseman

In attendance:

L French-Vice Principal: Finance and Resources
External Auditor – RSM UK Audit LLP: C Walsh
Internal Auditor – BDO LLP: N Hinchcliffe

Vice Principal to join the meeting once the Audit Committee has ascertained if there are any matters that the auditors wish to pass to the committee from their perspective whilst no college staff are in the room.

To note, both the Internal Auditor and External Auditor confirmed that there were no matters to bring to the attention of the Audit Committee.

Action	
Item 16/20 The Director of Governance confirmed that she had not heard from D Owen and will follow up after the meeting.	RC
Item 18/20 (iii) Report and Financial Statements for the Year Ended 31 July 2020 PN and MG requested the following changes: <ul style="list-style-type: none"> • Page 13 Trade Union Facility time should be in a sum not number • Page 5 're-inspected' 2017 – the 're' will be removed • Page 8 review paragraph in relation to the TMA – 12 July 2016 in relation to ceasing sponsorship • Governance statement – CT reappointment date to be added The Audit Committee agreed to recommend the Report and Financial Statements for the Year ended 31 July 2020 subject to further review and amendments.	LF/RC
Item 18/20 (iv) Regularity Self-Assessment Questionnaire A Member pointed out that the column with the action needed to be realigned. Two answers were required on page 13, LF reported that in relation to performance the answer was 'yes' and in relation to investments the answer was 'N/A'. Realignment of two responses on page 17 was requested to be considered.	LF

LF will review the Self-Assessment questionnaire and update the information accordingly.	
<p>Item 18/20 (vi) Student Union Accounts</p> <p>The Audit Committee recommended to remove the requirement for Student Union accounts to be submitted to the Audit Committee going forward. LF will add the recommendation to her report and the Chair of the Audit Committee will make this recommendation at the Corporation meeting on 8 December 2020.</p>	LF
<p>Item 20/20 Minutes and Matters Arising.</p> <p>NH to confirm the number of students who had withdrawn or changed courses during the ESFA audit. Action carried forward from previous Audit Committee.</p>	NH
<p>Item 23/20 (i) Annual Risk Management Report</p> <p>Q: On page four please can you confirm who the risk is reviewed by?</p> <p>LF confirmed that effectiveness is reviewed by the Risk Management Committee. This comment will be added on page 4 of the report.</p> <p>On page 6, the Recommendation to be amended to 'review the effectiveness of Risk Management arrangements of the college'.</p>	LF
<p>Item 23/20 (iii) Risk Heat Map</p> <p>It was agreed that in relation to an earlier conversation held at the Audit Committee, additional points and clarity in relation to risk and planning the curriculum would be reviewed. However, it was noted that the College was adaptable and had prepared well by developing new partnerships and ventures and making key strategic decisions.</p>	LF
<p>Item 24/20 Annual Report of the Audit Committee to the Corporation</p> <p>Members noted the following amendments to the report:</p> <ul style="list-style-type: none"> • MB attendance will be amended as there was a correction in the table. • the date on page 4 to 3 December 2019. • the amendment on page 4, section Audit Committee's Opinion, the first sentence to confirm: 'The opinion of the Committee is that the College's Risk Management internal control system and governance is adequate and effective'. 	LF

MINUTES

Item	Title
16/20	<p>Welcome and Apologies for Absence</p> <p>The Chair of the Audit Committee welcomed Members to the first Audit Committee of the academic year. The Director of Governance confirmed that she had not heard from D Owen and will follow up after the meeting.</p>
17/20	<p>Declaration of Members' Interest</p> <p>There was no declaration of Members' interest.</p>
18/20	<p>Financial Statements/Regularity Audit (Year ended 31 July 2020)</p>

The external auditor referred to a report that she had shared with governors in advance of the meeting. The report highlighted 'Emerging issues' for the sector and was dated autumn 2020. The external auditor highlighted the changes to the self-assessment questionnaire. The Audit Committee discussed government funding and College financial oversight. The Audit Committee discussed risk management and the impact of not being able to impact decisions made by government in relation to funding. The Chair of the Audit Committee referred to the College having a strong Risk Management internal audit in 2019/20 that was awarded 'substantial'.

i. To receive from RSM the Audit Findings Report for the year ended 31 July 2020

CW presented the External Audit Findings Report for the year ended 31 July 2020 prepared by RSM UK Audit LLP. It was noted that this report was required to be forwarded to the ESFA.

CW referred to the executive summary on page 3, and confirmed that she was awaiting the updated forecast. CW confirmed that the regularity audit conversations with the Principal and Chair are still to be held in the near future. CW explained the introduction section and reported that there were no modifications from the pro-forma financial statement report or the regularity assurance report provided in the Audit Plan.

CW confirmed that the financial statements, scope and planning were well on they way to be complete.

CW confirmed that no unadjusted audit adjustments were identified, which would have a 0% impact on the deficit for the year.

CW explained various points from the section identified as Audit, Accounting and Regularity Issues Identified at Planning Stage.

CW confirmed that in relation to Income Recognition no issues had been identified and from discussion with management it was understood that there was no significant risk of under delivery in respect of AEB given the ESFA's response to the Covid-19 impact and the 68% delivery threshold. The final funding body reconciliation are awaited in order to conclude the work on this area.

In relation to Management Override, no significant issues were identified. CW explained the greater risks are the journal entries that can be based on estimates and significant non-routine transactions. No issues were identified with journal entries and there were no significant non-routine or contentious transactions.

CW confirmed that no issues have been identified in relation to the accounting estimates for the review of the actuarial report for the Pension Scheme Liabilities. The assumptions appear reasonable and are in line with benchmark data. The total pension liability has increased from £3,609k to £5,443k. This increase has been predominantly driven by an increase in the pension scheme liabilities at the year-end valuation date and expected for this point in time. CW advised that all colleges were in the same position.

The financial statements would be signed by the auditors on the assumption that the College would continue for the foreseeable future as a Going Concern, i.e. that the Corporation would be in a position to meet its liabilities for the next 12 months. This would take into consideration the updated forecast, covenant compliance, financial health and impact of Covid-19.

Risks identified during the Audit

CW reported that one classification was identified relating to Tangible and Intangible Assets.

During the review of fixed assets, several findings were identified in respect of the classification and presentation of assets. They related to several assets of an intangible nature, including licences. Excluding items capitalised that were under £2,000 individually, these assets had a cost of £45,000.

Q: Please can you explain the tangible/intangible reclassification?

LF confirmed that this was related to IT software that was part of a larger project that was difficult to separate. It was therefore agreed that they would be classed as intangible.

Regarding Trade Debtors, CW reported that there was a balance outstanding at the end of the year of bad debt provision. A review of the ageing, highlights that most of these debts are over 121+ days old. CW reported that from discussions with the finance team, minimal trade debtors have been recovered since the year end. CW confirmed that management is going to prioritise collection of these debtors. Therefore, RSM will follow up the position of debtors closer to the date of signing of the financial statements.

Regarding Recommendations on Controls, CW reported that there were no recommendations on internal controls.

Regarding Fees and Independence, CW confirmed that the fees charged during the year, in respect of services performed, are consistent with those contained within the Audit Plan submitted to the committee. CW confirmed independence in carrying out the audit.

Regarding Update on Matters Communicated at the Planning Stage, CW thanked LF and her team for their co-operation throughout the audit.

CW stated that if any matters came to light between now and signing off the financial statements in relation to the college then this would be reported.

The Audit Findings Report will be recommended for approval at the Corporation meeting on 8 December 2020.

ii. To receive a copy of the letters of Representation which the Corporation will be invited to approve at its meeting on 8 December 2020.

CW advised that the final details of the Letters of Representation were awaited from ESFA. **The letters will be submitted at the Corporation meeting on 8 December 2020 for signing by the Chair of the Corporation and the Principal.**

iii. To receive a copy of the draft Report and Financial Statements for the Year ended 31 July 2020. This will formally be considered by the Corporation at its meeting on 8 December 2020

LF shared a first draft of the Report and Financial Statements for the Year ended 31 July 2020. LF explained there were a number of minor inaccuracies, but the statements were in line with the financial reporting at the October Corporation meeting. The minor inaccuracies will be updated prior to the Corporation meeting. **PN and MG requested the following changes:**

- **Page 13 Trade Union Facility time should be in a sum not number**
- **Page 5 're-inspected' 2017 – the 're' will be removed**
- **Page 8 review paragraph in relation to the TMA – 12 July 2016 in relation to ceasing sponsorship**
- **Governance statement – CT reappointment date to be added**

The Audit Committee agreed to recommend the Report and Financial Statements for the Year ended 31 July 2020 subject to further review and amendments.

iv. Macclesfield College Regularity Self-Assessment Questionnaire

LF presented Macclesfield College Self-Assessment Questionnaire. LF explained that there were not many changes to the Self-Assessment Questionnaire this year but that a summary was shared with governors via email. This year there was an additional annex A that included measures relating to Covid-19. LF confirmed that all suppliers were paid throughout the period of the College lockdown. The College did not utilise the job retention scheme. The Corporation carried out additional measures in relation to cyber security and working online. A Member pointed out that on page 9 the column with the action needed to be realigned. Two answers were required on page 13. LF reported that in relation to performance the answer was 'yes' and in relation to investments the answer was 'N/A'. On page 17, the responses re documenting and justification may need to be realigned.

LF will review the questionnaire and update the information accordingly.

The Self-Assessment Questionnaire was recommended for approval by the Corporation on 8 December 2020, subject to the amendments noted above.

v. To approve the two subsidiary company accounts

- European Centre for Aerospace Training Limited
- Cheshire Solutions Limited

It was noted that there had been no changes as both companies were dormant. **The Committee received the financial statements and recommended both for approval at the Corporation meeting on 8 December 2020.**

vi. To approve the Student Union accounts

LF presented the Students' Union Income and Expenditure Account for the year to 31 July 2020. LF explained that there was no income collected this year due to the requirement not to have separate ID cards. The National Union pay out was similar to previous years.

Q: Will this result in a negative deficit every year?

LF explained that the income/expenditure normally sits in College cost within student services and therefore recommended to remove the requirement for Student Union accounts to be submitted to the Audit Committee going forward. External auditor CW noted that it was not usual to review Student Union Accounts separately. **LF will add the recommendation to her report and the Chair of the Audit Committee will make this recommendation to discontinue this report at the Corporation meeting on 8 December 2020.**

The Committee received the Students' Union Income and Expenditure accounts to be approved at the Corporation meeting of 8 December 2020.

19/20

Annual Internal Audit Plan 2020-2021 and Progress update report

The revised Annual Internal Audit Plan 2020-2021 was welcomed by the committee in response to changes requested to the earlier version presented at the Audit Committee meeting held on 30 June 2020.

The Audit Progress update report was shared in advance of the meeting. It was explained that Covid-19 risks had been taken into consideration in the Internal Audit Plan. The mapping was included in the plan with controls in place.

An Internal Audit of Curriculum Planning is included in the 2020-2021 Audit Plan. The Audit Committee discussed accurate curriculum planning, the risk of curriculum not being sufficient and recruitment targets.

Q: Does curriculum planning cover all the risks linked to that point?

LF explained that the curriculum planning not being sufficient would result in not meeting recruitment targets. It was agreed that LF and NH would review the scope for the Curriculum Planning Audit and the associated risks.

The Audit Committee discussed the process for curriculum planning across two years; including marketing intelligence and numbers coming in from schools. LF explained that funding for new courses and external factors can make planning difficult. A Member pointed out that the College had put itself in a sustainable position by creating new partnerships with the new Academies. LF will request that the internal Risk Committee review the risk register to ensure that it accurately reflects the risks around curriculum planning.

NH shared the Progress update report and explained that the Cyber Security audit had been rescheduled from 2 November to 30 November 2020. All remaining dates remain the same for the academic year.

Q: Will Cyber Security be comprehensively covered remotely?

NH confirmed that the audit can be carried out comprehensively remotely and conducted efficiently online.

20/20

Minutes and matters arising

The minutes of the Audit Committee meeting held on 30 June 2020 were approved as an accurate record.

The Chair reviewed the matters arising from the meeting:

Action: The Committee requested that information be included within the Annual Audit Report on what contracts have been reviewed, how many have sought three quotations and where efficiencies have been made. LF confirmed that this was included in the Annual Report.

Action: Committee members requested for a comment relating to the delegation of responsibility be added to the report. This was detailed in the Annual Risk Management Report.

Action: A member asked if risks could be unique to the college in future reports including risks linked to objectives. LF confirmed that this will be included in the Annual Review of Risk Appetite.

Action: A member requested that for future years, the performance indicators are developed to be more measurable. Actioned.

Action: Risk Management Report – a member asked for a copy of the list of categories and risk scores. Actioned.

Action: LF has produced a separate report to be presented at this meeting. The Risk Management Policy and Procedures will also be updated to include this supplementary report. Actioned.

Action: NH was asked to remove the reference regarding a governor sitting on the Risk Management Group. This group comprises of all college members of staff with LF chairing the group. Actioned.

Action: NH to confirm the number of students who had withdrawn or changed courses during the Learner Records audit in 2019-2020. NH will check and confirm the numbers to LF.

Action: LF to confirm that procedures are in place for PDSAT reports. Actioned and confirmed.

Action: NH to amend the typo on p8 of the report (ESFA Internal Audit). Actioned.

Action: NH replied that the forms could be separated based on legal basis requesting different data. This appeared to be the difference in guidance from BDO and Vista. It was recommended that Vista and BDO liaise on the issue. It was agreed that this was a difference of opinion and accepted – actioned.

Action: It was agreed that health and safety should be audited on the internal audit plan every 2 years. The next date for internal audit will be 2021/22. Consideration will be given to put health and safety on the heat map which is reviewed at every Audit Committee meeting. Actioned.

Action: NH agreed to look at the Risk Register column and tick column on the Annual Internal Audit Plan 2020-2021 and look at an alternative way of logging audits. Actioned.

Action: It was agreed that as an external assessment had been conducted by Healthwork this would be treated separately to the Internal Audit. A statement will be included on the Internal Audit Plan 2020-21 stating that the College had engaged an external risk assessor for Covid 19. Actioned.

Action: Members approved the subjects to be audited in 2020/2021. A final report will be circulated to members. Actioned.

Action: The amended Internal Audit Plan 2020-21 to be formally recommended to the Corporation Meeting on 7 July 2020 for approval. Actioned.

Action: Following a discussion on whether to reduce the number of days it was agreed to ask BDO for the Scope for the Cyber Security & Disaster Recovery Audit. Actioned.

Internal fee proposals – action for LF to look at fee proposals to go to Corporation on 7th July 2020. Put forward the cost for 29 days but may be negotiated. Actioned.

- September update Audit Code of Practice and Supplementary Bulletin to the College Accounts Direction 2019-20 and the Post-16 Audit Code of Practice 2019-20
The Director of Governance explained that the Education and Skills Funding Agency have issued an update for the “Post-16 Audit Code of Practice 2019 to 2020, Assurance and Accountability Requirements for Post-16 Providers”. The changes in the new Post 16 Code were reflected in a summary shared in advance of the meeting. This version of the post-16 audit code of practice is relevant for all periods commencing on or after 1 August 2019. The Director of Governance stated the areas that have been tightened up include fraud and subcontracting. For governance, there is increased importance in ensuring the declarations of interest register is continually updated, with this ACOP focusing on personal benefit and related party transactions - the accountability and transparency of both.

A supplementary bulletin has been created and has the same status as the college accounts direction and post-16 audit code of practice and should be read as an addendum to these documents. Its aim is to help further education colleges and their auditors/reporting accountants deal with matters arising from the COVID-19 pandemic which may impact on the corporation’s accounts for the year 2019 to 2020. The bulletin introduces a small number of additional requirements specifically relating to Covid-19. LF has checked the requirements and they are reflected within her reporting.

21/20 Fraud, GDPR and RIDDOR reportable incidents
LF reported that there were no issues relating to Fraud, GDPR and RIDDOR reportable incidents.

22/20 Schedule of outstanding recommendations
The schedule of outstanding recommendations was shared in advance of the meeting. Any outstanding recommendations were highlighted red within the document. All actions were completed except for one. The outstanding action from the Risk Management Internal Audit related to risk tolerances for each risk and has a completion date for April 2021.

23/20 Risk Management

Appendix D

i. To receive the Annual Risk Management Report for the period 1 August 2019 to 31 July 2020 and to recommend it to the Corporation meeting of 8 December 2020

The risk management annual report was shared in advanced of the meeting. LF reported that the Risk Policy was reviewed in 2019/20. This included differentiation of risk and the importance placed upon risk. The reporting criteria for the risk register have been reviewed. LF confirmed no new risks have been added for 2019/20 and one new risk had been added for 2020/21. LF reported successful performance against the plan in year and this had been monitored through the KPI document. LF explained that due to Covid-19 lockdown, the Risk Management Policy had been reviewed. It was confirmed that the risk management audit had been awarded substantial. Risk processes were deemed to be working well.

Q: On page four please can you confirm who the Risk Register is reviewed by?

LF confirmed that effectiveness is reviewed by the risk management committee. This comment will be added on page 4 of the report.

A member requested that the wording of the Recommendation on page 6 be amended to specify that the effectiveness of Risk Management is reviewed. This will be amended. Action LF

The Audit Committee discussed if there was a benefit in periodically reviewing the full risk register. Following discussion, it was agreed that this was operational and as BDO had reviewed Risk Management in greater detail in May 2020 this was not required at this time. This will be revisited at the November 2021 Audit Committee.

The Annual Risk Management Report for the period 1 August 2019 to 31 July 2020 to be recommended to the Corporation meeting of 8 December 2020 with the two amendments discussed.

ii. To receive the 'Annual Review of Risk Appetite, in accordance with the requirements of the Risk Management Policy. Members are invited to consider the report, and determine the recommendation to be made to the Corporation meeting of 8 December 2020

LF shared the Risk Appetite report. The document had been developed and ELT had considered a new way of reviewing risk appetite and this had been mapped across the college. LF explained that the college statement of being 'risk averse' could no longer be applied as this was now split by

categories. The final statement was complex and applied over a range of activities rather than just being risk averse. Members confirmed that the document was considered, focused and sensible. Members agreed that the new document shared the complexity of college risks with reality.

The 'Annual Review of Risk Appetite' was considered, in accordance with the requirements of the Risk Management Policy. Members recommended the report to the Corporation meeting of 8 December 2020

iii. To receive an updated copy of the Risk Heat Map

The Audit Committee received a copy of the Risk Heat Map in advance of the meeting. LF explained that risks included on the heat map are those with an overall gross score of twelve or more, with the exception of the following which have been added at the request of governors:

- Risk reference 191: risk of non-compliance with GDPR
- Risk reference 236: risk of failure to achieve HE target

LF reported that the Risk Management Group met on 12 October 2020 and discussed the risks within the risk register in detail. The register was updated, a number of risks have been updated with information and additional controls relating to the outbreak of Covid-19 and the measures the college has implemented to mitigate risks.

LF confirmed that one new risk was added to the heat map:

- Risk 10.1 Ref:95 Health & Safety requirements are not maintained leading to accidents/HSE Review consequence. This has been included at the request of the Audit Committee to ensure oversight at Board Level

Other changes to note on the heat map:

- Risk 3 Ref: 251 Risk title: Inadequate timetabling planning around social distancing guidelines, consequence Learners and staff put at risk of contracting coronavirus from not complying with government social distancing guidelines. Additional controls and actions - use of external venues to support the delivery of curriculum.
- Risk 6.1 Ref: 235 Risk Title: Reduced student recruitment for 19+ learners financing through student loan, with a consequence inability to meet business plan and ensure financial viability. Increase in net score from 9 to 12 to take account the increased risk around meeting the AEB budget. However, additional controls in place to enable delivery totally or partially through online learning.
- Risk7 Ref: 244 Risk title: Act of sabotage, virus, ransomware or worm, consequence Staff and students unable to access remote learning and teaching (new) some areas will be unable to log on or access college data for a few days until repair. Update to risk consequence as the number of attacks on FE institutions has risen during remote learning.
- Risk 10 Ref: 250 Risk Title: Coronavirus outbreak, consequence college closes for period of time. Although the risk ratings have not changed and remain high at a gross risk of 20 and a net risk score of 9 after controls, a number of additional controls are in place since last reported to Audit Committee including specific corporate risk assessments in place to follow government guidance and ensure safe reopening of college; specific Covid19 risk assessments in place for each Curriculum area; details of social distancing and Covid secure

measures in place. Staff and student charter/protocols; clear Covid-19 policy and procedures in place.

- Risk 6.1 ref 236 Risk title: Reduced HE recruitment to that planned consequence inability to meet budget plan. Increase in net risk score from 4 to 6 to take account of the increased risk of not achieving targets due to Covid-19.

It was agreed that in relation to the earlier conversation held at this Audit Committee meeting regarding the risk in Curriculum Planning, additional points and clarity in relation to risk and planning the curriculum would be reviewed. However, it was noted that the College was adaptable and had prepared well by developing new partnerships and ventures and making key strategic decisions.

24/20 Annual Report of the Audit Committee to the Corporation

LF presented the Annual report of the Audit Committee to the Corporation. LF highlighted the following points from within the report:

- Page 4: item 2 arrangements of Committee
- Committee attendance
- Internal Audit service, opinion and controls examined
- Controls tested
- Health and Safety Audit report – limited opinion for operational effectiveness
- An unqualified external audit opinion with no unadjusted audit differences, no control deficiencies and no issues identified as a result of the risks identified at the planning stage of the audit.
- Terms of Reference of the Audit Committee
- Value for money vs quality and additional details requested by the Audit Committee regarding contracts and quotations required

Members noted the following amendments to the report:

- **MB attendance will be amended as there was a correction in the table.**
- **the date on page 4 to 3 December 2019.**
- **the amendment on page 4, section Audit Committee's Opinion, the first sentence to confirm: 'The opinion of the Committee is that the College's Risk Management internal control system and governance is adequate and effective'.**

The Audit Committee recommended the Annual Report of the Audit Committee to the Corporation with the amendments recommended by the Audit Committee.

25/20 Internal Audit Performance Indicators 2020/21

LF shared the Internal Audit Performance Indicators for 2020/21 in advance of the meeting. The indicators had been made more measurable with the inclusion of three KPIs. The performance indicators were reviewed and approved by the Audit Committee.

26/20 Terms of Reference

The Audit Committee Terms of Reference were shared in advance of the meeting. The Director of Governance recommended one change. One recommended change to ix:

From:

receive the annual financial statements which shall be recommended to the governing body for approval.

To:



receive and review all documentation relating to the annual financial statements which shall be recommended to the governing body for approval subject to any decision/comment made by the Audit Committee.

The Director of Governance confirmed the terms relating to risk.

The Audit Committee recommended the Terms of Reference for approval at the Corporation meeting on 8 December 2020.

27/20 Date and time of the next meeting

The next Audit Committee meeting will take place on 9 March 2021 at 9.30 am via Zoom.

Signed and dated by the Chair of the Audit Committee	
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