



PART 1: MEETING OF THE AUDIT COMMITTEE OF MACCLESFIELD COLLEGE

TUESDAY 9 MARCH 2021 – 9.30 AM

VIA ZOOM

Clerk: R Clare

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

In attendance:

L French
 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, the Internal Auditor confirmed that there were no matters to bring to the attention of the Audit Committee.

Action	
<p>8/21 Risk Management</p> <p>Action: LF to review Risk 6:1 Ref: 237 at the internal meeting and report any changes at the next meeting. Action: LF to review Risk 2:1 Ref: 12 at the internal meeting and report any changes at the next meeting. Action: LF to confirm score and mitigation factors for staff wellbeing at the next meeting. Action: LF to discuss Risk: 4.2 Ref: 38 with the curriculum team and add assurances to the document for review at the next Audit Committee.</p> <p>Action: LF to remove the reference to Subcontracting.</p>	LF
<p>9/21 The External Audit Tender report</p> <p>Action: The Audit Committee reviewed the contents of the External Audit Tender report and all Members approved the recommendation to the Corporation to engage Wylie and Bisset as External Auditors of Macclesfield College for an initial period of 3 years commencing 2020-21.</p> <p>Action: The Audit Committee agreed the recommendation to the Corporation for the contract with Wylie and Bisset to commence on 1 May 2021.</p>	MG

MINUTES

- | Item | Title |
|------|--|
| 1/21 | Welcome and Apologies for Absence
The Chair of the Audit Committee welcomed Members to the Audit Committee. There were no apologies for absence. |
| 2/21 | Declaration of Members' Interest
There was no declaration of Members' interest. |
| 3/21 | Minutes and matters arising
<i>The minutes of the Audit Committee meeting held on 10 November 2020 were approved as an accurate record.</i> |

The Chair reviewed the matters arising from the meeting:

Action: Item 16/20

*The Director of Governance confirmed that she had not heard from D Owen and will follow up after the meeting. **The Director of Governance confirmed that she had contacted D Owen via telephone following the last meeting. D Owen had explained that due to Covid-19 and being in the aviation sector, he was required to commit fully to his own work and no longer had the time to commit to the Audit Committee role at the present time. The Chair of the Committee would like to record her thanks to D Owen.***

Action: Item 18/20 (iii) Report and Financial Statements for the Year Ended 31 July 2020

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/RC. **This action was completed.***

*Action: 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. **This action was completed.***

Action Item 18/20 (vi) Student Union Accounts

*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.LF. **This action was accepted by the Corporation and completed.***

Item 20/20 Minutes and Matters Arising.

*NH to confirm the number of students who had withdrawn or changed courses during the ESFA audit. Action carried forward from previous Audit Committee. NH. **NH provided an update to the Audit Committee via email on 18 November 2020. NH response was: We haven't retained the original data from which we picked a sample to confirm original numbers but in total we***

considered 12 withdrawal (2+ a further 10) and 3 transfers. This is in line with our sampling methodology which is based on risk and frequency of the process or transaction.

Item 23/20 (i) Annual Risk Management Report

Q: On page four please can you confirm who the risk 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.

*On page 6, the Recommendation to be amended to 'review the effectiveness of Risk Management arrangements of the college'. LF. **This action was completed.***

Item 23/20 (iii) Risk Heat Map

*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. LF. **This action was completed and the revised report was received by the Corporation.***

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

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'. LF. **This action was completed and the report was presented to the Corporation.***

4/21 Fraud, GDPR and RIDDOR reportable incidents

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

5/21 Schedule of Outstanding Recommendations

The Vice Principal confirmed that since the last meeting of the Audit Committee no further internal audit reports have been received. Therefore, there was no further information to add to this report since the last meeting. There were 13 recommendations completed and awaiting audit and 1 recommendation that was not due to be completed yet. The outstanding action related to risk tolerances for each risk and had a completion date for April 2021.

6/21 Programme of Audit activities 2020/21

The Audit Progress update report was shared in advance of the meeting. NH explained that the Cyber Security audit had been completed. NH had debriefed LF on the Cyber Security audit but it was in draft and therefore was not ready to be reviewed at this meeting. The audit report would be considered by the Head of IT before being sharing to the Audit Committee. NH confirmed that the Audit Plan remained balanced and achievable.

Q: As the College is more than ever dependent on performance of IT and security, please can you inform the Audit Committee if there are any actions that require an urgent management response ? LF explained that there were no high-risk actions and there were no major concerns arising from the audit. It was a detailed report and LF had not had time to review in detail but confirmed that there were 3 medium risks and 4 low risks and moderate assurance had been awarded.

All remaining dates remain the same for the academic year.

7/21 Internal Audit

NH reported that the Internal Audit report for Cyber Security would be received at the next meeting.

8/21 Risk Management

To receive an updated copy of the Risk Heat Map

N Schofield joined the meeting at this point due to technology issues. N Schofield was welcomed to his first meeting of the Audit Committee and introductions were made.

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
- Risk reference 95: risk of Health & Safety requirements not maintained leading to accidents/HSE review

LF explained that she now had closer management of the actual document rather than this previously being an administrative member of staff. LF reported that the Risk Management Group met on 24 February 2021 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 control measures the college has implemented to mitigate risks associated with Covid-19.

There has been one new risk added to the heat map:

- Risk 4.2 Ref: 38 Risk title Inadequate welfare and mental health support, consequence students with emotional needs will not remain in education, leading to poor retention and achievement and poor Ofsted grade.

LF reported that this risk has always been on the college risk register but with a lower gross score, this score has been increased to recognise the increased risk around student's mental health and wellbeing currently. LF explained that the risk relating to staff mental health and well being was also important and considered carefully by the internal committee, but had a lower score due to a package that the College had purchased from an external company to support staff health and wellbeing. The College also engaged with Occupational Health for support.

Other changes to note on the heat map:

- Risk 6.2 Ref: 231 Risk Title Achievement of bank covenants and breach of these could lead to bank calling in college Loan of which the consequence is financial viability risk.
- Risk 6.1 Ref: 240 Risk Title Reduced student recruitment for adult learners funded through the Adult Education Budget leading to inability to meet business plan/ financial viability

LF explained that both the bank covenant and student recruitment for adult learners had an increased score. The net risk score has been increased from 9 to 12 due to the revised forecast for 20/21 indicating that currently the bank covenant may not be met. LF explained that this was due to

recruitment in Adult Education. LF reported that this had been recognised in the financial forecast. The College do not currently know if the Government will support the Adult Education Budget as they have done in previous years, but the College was hopeful that they would. Covid-19 and the national lockdown had impacted on student recruitment and planned numbers being met, financial forecasts have been amended accordingly

- 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, an additional control is in place since last reported to Audit Committee. A Lateral Flow Test site has been set up in college and staff and students have been offered a test going forward. Initially the tests will take place in college and then going forward these will be provided via home tests, in line with government guidance. In addition, all students will wear face masks.

Q: At the current time, Risk 6:1 Ref: 237 Title: reduced student recruitment for learners on apprenticeship programmes has not exceeded the score of 12 due to mitigating factors. However, listening to this area being reporting on in the press, does this score need to be higher? LF confirmed that there were a number of mitigating risks in place that reduced the score but this could be reconsidered at the next internal meeting. **Action: LF to review Risk 6:1 Ref: 237 at the internal meeting and report any changes at the next meeting.**

Q: Risk 2:1 Ref: 12 Title: Ineffective board decision making currently has a Gross Score of 12 and a Net Score of 12 is that appropriate? LF explained that although the Corporation make decisions and review the strategy. Funding Bodies often make decisions that are shared late and this is a risk that is out of the Corporations control. LF is a representative of the AoC Finance Committee and so the College is well informed. LF confirmed that this could be reconsidered at the next internal meeting. **Action: LF to review Risk 2:1 Ref: 12 at the internal meeting and report any changes at the next meeting.**

Q: Staff wellbeing does not currently exceed a score of 12 and therefore is not on the heat map, are we comfortable with this as a committee?
LF explained the mitigating factors but explained that staff wellbeing currently sits under a wider HR Risk. LF confirmed that the College takes staff wellbeing seriously and it is a top priority with a number of strategies currently in place. LF reported that the gross risk score for the wider HR action does not exceed 12 due to mitigating factors. LF confirmed that she could separate staff wellbeing from the wider HR risk and ask the committee to review the scoring or it could be a risk that the Audit Committee request to be added to the Heat Map for further review. The Committee agreed that they would like more detail before deciding whether it should be added to the Heat Map. LF confirmed that staff absence was 1.97% on the KPI reported to the Corporation at the December meeting. LF explained that this was 2.3% at this time the previous year so was currently low. The committee agreed that this risk would be reviewed in more detail at the next meeting. **Action: LF to confirm score and mitigation factors for staff wellbeing at the next meeting.**

The Chair of the Audit Committee requested that Risk 6:1 Ref 233, in the assurance column, the reference to subcontracting is removed as the College no longer subcontracts. **Action: LF to remove the reference to Subcontracting.**

Q: Risk 4.2 Ref: 38 Risk title: Inadequate welfare and mental health support, consequence students with emotional needs will not remain in education, leading to poor retention and achievement and poor Ofsted grade. This risk currently has no assurances, is this because it is a new risk?

LF confirmed that she would speak to the curriculum team and seek assurances and add this to the report for review at the next meeting. **Action: LF to discuss Risk: 4.2 Ref: 38 with the curriculum team and add assurances to the document for review at the next Audit Committee.**

NH left the meeting at this point.

MW left the meeting at this point.

9/21

External Audit Tender

An External Audit Tender report was received in advance of the meeting.

LF explained that Macclesfield College engaged with Tenet Services to support the College in the appointment of an External Auditor a year ago. Tenet is one of the leading providers of tendering services to the education sector. Unfortunately, at the time, there were no tenders due to the timing and Covid-19. The College has gone out to tender again using Tenet Services and received two tenders; Wylie and Bisset and Beever and Struthers. Two clarification meetings were organised with the two external auditors. Clarification questions were agreed and submitted in advance of the meeting. Following the questions being submitted, Beever and Struthers pulled out of the tender due to their lack of experience in the FE Sector. The clarification meeting with Wylie and Bisset went ahead with MG, MW, LF and RC in attendance on behalf of the College. MG Chaired the meeting.

The Wylie and Bisset team had experience of FE and the Engagement Partner and Relationship Partner had 28 years' experience of working with FE and the Audit Manager had 8 years' experience of working with FE. The Chair of the Audit Committee confirmed that the presentation from the External Auditors was excellent and many of the questions relating to FE experience were answered during the presentation. They were also part of the ESFA Forum and had knowledge of key issues in the sector.

It was noted that the cost of the contract, Including VAT for 2020-21 would be £19,914. For comparison, the contract cost with RSM for the year 2019-2020 was £20,400. The contract includes £1,600 +VAT for 'Expenses' to include the costs of servicing the contract from their head office in Glasgow, essentially travel costs. The company have said they will seek to minimise this cost by remote working and efficient coordination of onsite work. The actual cost for expenses will not exceed this amount. A Member asked if the External Auditors had referenced value for money as outlined in the new Audit Code of Practice. The Chair of the Audit Committee explained that the External Auditors had confirmed value for money in their presentation.

The Audit Committee reviewed the contents of the External Audit Tender report and all Members approved the recommendation to the Corporation to engage Wylie and Bisset as External Auditors of Macclesfield College for an initial period of 3 years commencing 2020-21.

The Chair of the Audit Committee explained that within the tender the agreed start date was 1 August 2021 as outlined by Tenet. However, following the meeting it was agreed for Tenet to ask an Open Question to enquire if there is flexibility regarding start date of the contract possibly to 1 June 2021, at the latest, to better facilitate the preparation for the 2020-21 External Audit. Wylie and Bisset responded and confirmed it would be better to start the contract on 1 May 2021 to allow preparation and planning time for the first audit. A Member of the Audit Committee asked if the costs were included in the budget and LF confirmed that they were. **The Audit Committee agreed the recommendation to the Corporation for the contract with Wylie and Bisset to commence on 1 May 2021.**

The Chair of the Audit Committee thanked R Clare her contribution to the report.



The Chair of the Audit Committee thanked L French, M Wright and R Clare for attending the meeting and work this involved.

10/21 Date and time of the next meeting

The next Audit Committee meeting will take place on 22 June 2021 at 9.30 am via Zoom. The Director of Governance explained that a decision had been made by ELT in conjunction with the Risk Assessment and Unions, that at the present time no external visitors would be allowed on site until the end of the academic year. The Director of Governance will inform the Audit Committee if that decision changes.

Signed and dated by the Chair of the Audit Committee	
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