



PART 1: MEETING OF THE AUDIT COMMITTEE OF MACCLESFIELD COLLEGE

TUESDAY 9 NOVEMBER 2021 – 9.30 AM

VIA ZOOM

Clerk: R Clare

M Wright Chair of the Committee
M Bowers
S Horseman
N Schofield

In attendance:

L French
External Auditor – Wylie and Bisset: A Hogg and S Gillon
Internal Auditor – BDO LLP: B Welch

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	
29/21 Letters of Representation - A Member pointed out an incorrect word under item 3 on the letter. The letter will be amended and shared at the Corporation meeting on 7 December 2021 for signing by the Chair of the Corporation and the Principal.	External Auditors
29/21 To approve the two subsidiary company accounts - MW will check with the Principal if there is any intention for the companies to be used going forward and if not, then the accounts could be closed down.	MW/RK
31/21 Minutes and matters arising - 26/21 Any Other Business - The Chair of the Audit Committee ascertained when the contract with the Internal Auditors will be reviewed, in line with good practice. The Vice Principal explained that this will be towards the end of the first term in 2021/22.	LF/VH
33/21 Schedule of Outstanding Recommendations - Q: Is it possible to move the Cyber Security audit forward as it is higher risk? Yes, this can be brought forward to January.	LF/VH

MINUTES

Item	Title
27/21	Welcome and Apologies for Absence

The Chair of the Audit Committee welcomed Members to the first Audit Committee of the academic year. MW explained that it was his first meeting as Chair of the Audit Committee. PN sent his apologies for the meeting. A new Member will be appointed to the Audit Committee to replace MG and will be invited to join the next Audit Committee.

28/21 Declaration of Members' Interest

There was no declaration of Members' interest.

**29/21 Financial Statements/Regularity Audit
(Year ended 31 July 2021)**

i. To receive from RSM the Audit Findings Report for the year ended 31 July 2021

The External Auditor presented the External Audit Findings Report for the year ended 31 July 2021 prepared by Wylie and Bisset. It was noted that this report was required to be forwarded to the ESFA.

SG referred to the table of contents on page 2 of the report and the executive summary on page 3, that confirmed key matters. SG reported the year-end financial position for July 2021 and the predicted position for the year ended 31 July 2022. SG referred to outstanding matters on page 3, section 1.2, listed under this section was the bank letter, updated financial statements, backup for regularity self-assessment questionnaire and post balance sheet event confirmation to date of approval. SG explained that the outstanding matters contained within the report will be removed upon signing of the report. A new report will be shared with the removal of any outstanding matters. SG reported that Wylie and Bisset anticipate issuing an unmodified audit opinion subject to authorisation of the financial statements by the Members of the Corporation and clearance of outstanding matters in section 1.2.

SG confirmed that Wylie and Bisset anticipate issuing an unqualified opinion on the accounts of Macclesfield College for the year ended 31 July 2021. 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.

SG confirmed that they had undertaken an overall review of the governance arrangements and process of internal control in place at the College, based on their findings the College has strong systems in place to comply with governance arrangements. The External Auditors made no control recommendations in relation to the year ended 31 July 2021.

SG referred to page 7 of the report, the Financial Review section and confirmed that there are no anticipated qualifications in the audit opinion of Wylie and Bisset on the College's accounts for the year ended 31 July 2021. The financial statements give a true and fair view of the College's financial position.

SG confirmed that on page 10, section 3.9, Actual V Budget, reported the key variances including the changes in income due to an unfavourable movement in research grants and contract income. The staff costs were higher than budgeted due to the FRS 102 pension charge, additional agency costs and additional staff costs. There was a favourable variance compared to the budget as a result of cost savings. Page 11 of the report detailed the balance sheet.

SG confirmed that on page 14, section 4.3, that there were no unadjusted errors brought to the attention of the External Auditors.

SG confirmed the independence of Wylie and Bisset in carrying out the audit.

SG referred to page 16, section 4.9, Income Recognition around main funding sources and the additional work in relation to the funding claims generated through the ILR returns. There is no assurance provided over funding earned by the ESFA and therefore the External Auditors have undertaken audit work to ensure the income is recognised within the financial statements. Based on the External Auditors sampling testing there is no material misstatement in income recognition. The External Auditors confirmed they were comfortable with the findings.

SG detailed the appendices contained within the report. SG stated that no issues were raised in relation to Fraud and this is reported on page 30 of the report. The Letters of Representation were contained within the report.

SH confirmed that it was a refreshing report and the report was well formatted and easy to read.

SG thanked LF and her team for their co-operation throughout the audit.

The plan will be recommended for approval at the Corporation meeting on 7 December 2021.

ii. To receive a copy of the letters of Representation which the Corporation will be invited to approve at its meeting on 7 December 2021.

SG presented the Letters of Representation. ***A Member pointed out an incorrect word under item 3 on the letter. The letter will be amended and shared at the Corporation meeting on 7 December 2021 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 2021. This will formally be considered by the Corporation at its meeting on 7 December 2021

LF shared the Report and Financial Statements for the Year ended 31 July 2021. LF explained the statements reflect the final management accounts and strategic position and in line with the financial reporting at the October Corporation meeting.

The Audit Committee agreed to recommend the Report and Financial Statements for the Year ended 31 July 2021 subject to final review.

iv. Annex C Macclesfield College Self-Assessment Questionnaire

LF presented Annex C Macclesfield College Self-Assessment Questionnaire. LF explained that there were not many changes to the Self-Assessment Questionnaire this year and the document accurately reflected the College in terms of policies, contracts and matters of regularity.

The Self-Assessment Questionnaire was recommended for approval by the Corporation on 7 December 2021, 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 7 December 2021.**

MW will check with the Principal if there is any intention for the companies to be used going forward and if not, then the accounts could be closed down.

30/21

Internal Audit

The Internal Auditor requested to review the two outstanding Internal Audit Reports for MIS: Apprenticeships and Follow up first.

MIS: Apprenticeships

BW confirmed that the level of assurance was substantial for design and moderate for operational effectiveness. There were two low level recommendations, one related to the dates on the internal sign up for learners. The sample testing showed that for four learners the sign up was between two and five months after their start date and the ESFA contract timescale state this should be done within two months. The second recommendation related to progress reviews. There were six learners whose reviews need to be rearranged, there were three learners whose reviews were late and where they were made by telephone there was no evidence kept. This was mainly due to the impact of Covid. BW confirmed that there was a lot of good practice in the area and confirmed that it was a very positive report.

Follow up report:

BW confirmed that the Follow up related to internal audits carried out during 2019/20. Internal Audits were carried out in the following areas during 2019/20:

Risk Management
Subcontracting
Learner Records
Health and Safety

From the 14 recommendations reviewed, the Internal Auditors confirmed that all 14 had been fully implemented.

Annual Internal Audit Report for 2020/21

BW reported that four internal audits, in addition to the follow up had been carried out during 2020/21:

Cyber Security and Disaster Recovery
Accounts Payable
Curriculum Planning
MIS: Apprenticeships
Follow up

BW explained the internal audit approach and confirmed that there were no high-level recommendations during the year. BW confirmed that on page 9 of the report, the annual statement of assurance was provided as suitably designed and with sufficient effectiveness for risk management, control and governance arrangements/objectives.

To review the Internal Audit Plan and Progress update report

The Audit Progress update report was shared in advance of the meeting. The mapping was included in the plan with controls in place. There were a number of changes requested at the Audit Committee meeting held on 22 June 2021. The amendments have been made and the revised plan was approved by the Corporation on 6 July 2021. The Safeguarding, including remote learning audit will take place first and the visit is scheduled for 24 January 2022.

Q: Will Cyber Security be comprehensively covered and will the auditor have the expertise to ensure that the College is not at increased risk?

BW explained that BDO use IT specialists to carry out the internal audit and they have training on internal systems to understand the increase risk. They also carry out cyber security audits across different organisations, so understand the changing nature of the risks.

31/21 Minutes and matters arising
The minutes of the Audit Committee meeting held on 22 June 2021 were approved as an accurate record.

The Director of Governance reviewed the matters arising from the meeting:

18/21 Internal Audit - The final two audit assignments have been carried out during June and the reports will be presented at the November 2021 Audit Committee. **Actioned.**

LF/Internal Auditors 18/21 Internal Audit - The dates for the recommendations to be completed were reviewed. The medium risk will be moved to be completed by September 2021. The low risk recommendations relating to the planning process will be moved to be completed by September 2021. **Actioned.**

LF/Internal Auditors 19/21 The Internal Audit Plan 2021/22 including the Internal Audit Strategy - The committee reviewed the amount of days required for each audit in detail. It was agreed that:

- Budget control and Treasury Management is merged into 'Budget control and cashflow', with days (for original Treasury Management audit) increased from 4 to 5.
- Health & safety – days reduced from 5 to 4.
- Follow-up – days reduced from 3 to 2.

The updated plan will be circulated to the Audit Committee by the Director of Governance in order for it to be recommended to the Corporation at final meeting of the academic year on 6 July 2021.

Actioned.

LF/Internal Auditors 21/22 Internal Audit Fee Proposals - Q: What is the increase of 3% for? The Internal Auditor explained that this in line with the contract, but will clarify this point prior to the Audit Committee making a recommendation to the Corporation. **Actioned.**

LF/Internal Auditors Audit Minutes 22 June 2021 2 22/21 Schedule of outstanding recommendations - All actions are noted as completed and awaiting audit. There are a number of recommendations not yet due. The dates for completion will be updated in line with the actions from item 8 on the agenda. **An update will be provided by LF at this meeting.**

26/21 Any Other Business - The Chair of the Audit Committee ascertained when the contract with the Internal Auditors will be reviewed, in line with good practice. The Vice Principal explained that this will be towards the end of the first term in 2021/22. **VH will carry this action forward.**

32/21 Fraud, GDPR and RIDDOR reportable incidents

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

33/21 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 two recommendations. Of the 2 outstanding, one is in progress (ref: 124) and one is not yet due (ref: 120). The recommendation in progress relates to refresher training for curriculum planning. The recommendation that is not yet due relates to Cyber Security and improving alignment with assets to endpoints within our Systems Management system.

Q: Is it possible to move the Cyber Security audit forward as it is high risk?
Yes, this can be brought forward to January.

34/21 Risk Management

Appendix D

i. To receive the Annual Risk Management Report for the period 1 August 2019 to 31 July 2021 and to recommend it to the Corporation meeting of 7 December 2021

The risk management annual report was shared in advanced of the meeting. LF reported that the Risk Policy was reviewed and approved by the Audit Committee in June 2021. In general, the College has had an adverse risk appetite. However certain risks have been unavoidable in order to meet strategic and operational needs. Any such risks have been planned and managed extremely carefully. LF reported successful performance against the plan in year and this had been monitored through the KPI document. It was confirmed that the risk management audit had been awarded substantial in summer 2020. Risk processes were deemed to be working well and operating effectively. A Member commented on the good format of the report and updated risk management approach.

The Annual Risk Management Report for the period 1 August 2020 to 31 July 2021 was recommend to the Corporation meeting of 7 December 2021.

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 7 December 2021

LF shared the Risk Appetite report. The document had been developed during 2020 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 reverse. It is recommended that the approach to the risk appetite of the College which was adopted in November 2020 continues.

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 7 December 2021.

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

The Risk Management Group met on 7 October 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 controls relating to the outbreak of COVID19 and the measures the college has implemented to mitigate risks. Where appropriate to the risk score (where gross risk score is 12 or more) these are shown within the heat map.

Four new risks have been added to the heat map, which are all in relation to College IT systems.

Other changes to note on the heat map:

- Risk 6.2 Ref: 231 Risk Title Achievement of Bank Covenants, breach of bank covenant could lead to the bank calling in loan consequence: Financial Viability. Since the last meeting of the Audit



committee this risk has been reviewed and the score after controls reduced to Impact – Severe (3) and likelihood – Possible (2) = 6 (previously Impact 3 and likelihood 3= 9).

35/21 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 the report:

- Arrangements of Committee
- Committee attendance
- Internal service and controls examined
- Controls tested
- An unqualified external audit opinion with no adjustments and no issues identified
- Terms of Reference of the Audit Committee
- Fees

The Audit Committee recommended the Annual Report of the Audit Committee to the Corporation meeting to be held on 7 December 2021.

36/21 Internal Audit Performance Indicators 2021/22

LF shared the Internal Audit Performance Indicators for 2021/22 in advance of the meeting. LF reported that the indicators remain the same as 2020/21. The performance indicators were reviewed and approved by the Audit Committee. A Member noted that the performance indicators are balanced.

37/21 Terms of Reference

The Audit Committee Terms of Reference were shared in advance of the meeting. The Director of Governance recommended no changes. The Director of Governance confirmed that she is working with Eversheds on conducting a review of the Articles of Association. The Corporation will review and approve any recommendations.

The Audit Committee recommended the Terms of Reference for approval at the Corporation meeting on 7 December 2021.

38/21 Date and time of the next meeting

The next Audit Committee meeting will take place on 29 March 2022 at 9.30 am via Zoom.

The Chair of the Audit Committee confirmed that this will be LF last meeting of the Audit Committee before her retirement. The Chair thanked LF for her contribution to the Audit Committee in her role as Vice Principal Finance and Resources. The Audit Committee acknowledged her professionalism and positive set of reports to end on.

Signed and dated by the Chair of the Audit Committee	
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