



## MEETING OF THE AUDIT COMMITTEE OF MACCLESFIELD COLLEGE

TUESDAY 22 JUNE 2021 – 9.30 AM

PART I

### REMOTE MEETING VIA ZOOM

**Clerk:** Mrs R Clare

**Attendance:**

M Grant: Chair of the Committee

M Wright

P Newell

M Bowers

S Horseman

N Schofield

**In attendance:**

L French

External Auditor – S Gillon (Wylie and Bisset – Engagement Partner and Relationship Partner) and A Hogg (Audit Manager)

Internal Auditor – BDO LLP: B Welch

Action	
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.	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.	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: <ul style="list-style-type: none"> <li>Budget control and Treasury Management is merged into 'Budget control and cashflow', with days (for original Treasury Management audit) increased from 4 to 5.</li> <li>Health &amp; safety – days reduced from 5 to 4.</li> <li>Follow-up – days reduced from 3 to 2.</li> </ul> <p>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.</p>	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.	LF/Internal Auditors

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.	
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

## MINUTES

- | Item  | Title   |
|-------|---|
|       | <p><b>The Chair ascertained if there were any matters that the auditors wish to pass to the committee from their perspective whilst there were no college staff in the room.</b><br/>No matters were passed.</p>  |
| 11/21 | <p><b>Welcome and Apologies for Absence</b><br/>There were no apologies for absence. The Chair welcomed all Members to the meeting. Introductions were made as the new External Auditors were present at the meeting. The new External Auditors were welcomed to the meeting.</p>   |
| 12/21 | <p><b>Declaration of Members' Interests</b><br/>There was no declaration of Members' interest.</p>  |
| 13/21 | <p><b>Minutes and matters arising:</b><br/>The minutes of the meeting held on 9 March 2021 were approved as an accurate record.</p> <p>The Chair reviewed the matters arising.</p> <p>It was noted that the following actions relating to Risk Management would be discussed under item 13 on the agenda.</p> <p>8/21 Risk Management<br/>Action: LF to review Risk 6:1 Ref: 237 at the internal meeting and report any changes at the next meeting.<br/>Action: LF to review Risk 2:1 Ref: 12 at the internal meeting and report any changes at the next meeting.<br/>Action: LF to confirm score and mitigation factors for staff wellbeing at the next meeting.<br/>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.<br/>Action: LF to remove the reference to Subcontracting.</p> <p>The following action was noted as completed.</p> <p>9/21 The External Audit Tender report<br/>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>The Audit Committee agreed the recommendation to the Corporation for the contract with Wylie and Bisset to commence on 1 May 2021.</p> |
| 14/21 | <p><b>Fraud, GDPR and RIDDOR reportable incidents</b><br/>There were no matters raised in relation to Fraud, GDPR or reportable incidents.</p>  |

## 15/21 Financial Statements/Regularity Audits

To provide Governors with an oversight of the external auditor's plan for the financial statements audit and the regularity audit.

The Vice Principal explained that the initial visit with the External Auditors was arranged for 12 and 13 August, but this had now been brought forward. The main fieldwork for the audit will commence on 11 October 2021 and the findings will be reported to the Audit Committee at the November meeting.

External Auditor – S Gillon (Wylie and Bisset – Engagement Partner and Relationship Partner) and A Hogg (Audit Manager) presented the External Auditor's Plan titled 'Macclesfield College Audit Planning Memorandum' which Members reviewed.

Wylie and Bisset explained the introduction section which provided an overview of the preliminary audit planning procedures. In relation to the financial statements of the college for the year ended 31 July 2021 this included audit approach, audit objectives, timetable, contacts; key audit risks and the planned approach to these, together with details on fees and independence.

Wylie and Bisset confirmed that on page 5 of the report, section 3.1 Audit approach, shared the changes to the Audit Code of Practice, section 73 in relation to the Funding Assurance for external audit purposes. The ESFA will notify the Corporation and auditors of the value of their main funding grants, the responsibility for the accuracy of the claims resides with the corporation and the statement provided does not constitute assurance over funds. Previously audit assurance was taken from the ESFA statement, the approach will be adapted in this area to ensure substantive testing during August and September. Wylie and Bisset confirmed that they were Members of the ESFA Auditors Forum and the matter had been discussed but further guidance on this is expected during the summer. It was therefore difficult to determine the cost of the extra work required and the new guidance was not known at the time of the tender and therefore was not included in the costs. The additional cost is expected to be small as it was broadly in scope and in line with substantive testing expected.

Wylie and Bisset requested that Members review section 3, where a number of generic high risks within the FE Sector were highlighted.

Wylie and Bisset informed Members that in section 6, their independence to Macclesfield College was confirmed.

Wylie and Bisset confirmed their approach in carrying out the audit and explained that it was broadly in line with other sectors and that they were duty bound to ensure high standards are met.

**Q: There is a new Audit Code of Practice for 2020-21, please can you confirm best practice in relation to point 12, that external auditors will present their findings annually to the board of governors?**

Wylie and Bisset confirmed that they had attended a joint meeting with the ESFA and they had confirmed that it would be sufficient for the Chair of the Corporation only to be invited to attend the Audit Committee. The Director of Governance explained that she had reviewed comments on the Clerk's Network and a number of colleges were inviting the whole of the Corporation to the meeting. The point will be discussed at the Corporation meeting and a decision made.

## 16/21 External Auditor's Fees

The external auditor's fees were received in advance of the meeting. Macclesfield College engaged with Wylie and Bisset as external auditors for the college with effect from 2020-21 financial statements audit. The cost to the College will be £16,595 plus VAT for the year end audit, including audit of the Teachers' Pension Scheme. The additional work required for the additional point in the Audit Code of Practice will be at an additional cost. At this time, the cost is not known as the guidance has not been published. The increase will be shared once the guidance has been reviewed and the extra work required is known. The Audit Committee agreed that the proposal for the fees for the external audit will be recommended for approval at the Corporation meeting on 6 July 2021.

## 17/21 Internal Auditor's Annual Report 2020-21

BW presented the Internal Auditor's Annual Report 2020-21. The committee reviewed the report and noted that there are two Internal Audits outstanding.

- MIS: Apprenticeships debrief week commencing 7 June 2021
- Follow Up debrief week commencing 14 June 2021

### Q: When will these reports be reviewed?

LF confirmed that the reports will be reviewed at the November Audit Committee.

## 18/21 Internal Audit

Members received the internal audit reports prepared by BDO.

BDO have carried out three assignments to date and have provided the following levels of assurance and number of recommendations for each assignment:

Audit Assignment	Design	Operational Effectiveness	Number of recommendations
Cyber Security	Moderate	Moderate	7
Accounts Payable	Substantial	Substantial	2
Curriculum Planning	Substantial	Moderate	3

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

In relation to the Cyber Security Internal Audit there was 3 medium recommendations and 4 low recommendations. There were some common themes relating to roles and responsibilities, roles of GDPR, revising new policies and training and awareness focus. There was a lot of good practice seen. The College IT team successfully completed the 'hack in the box' tests, which is a training exercise to locate a rogue device hidden on the network. The College has a good understanding of cyber threats and threat factors that it is exposed to and designed ICT infrastructure controls. The Vice Principal explained that the College had achieved Cyber Essentials set out by the ESFA to be achieved by 2020/2021 funding year. The College is beginning to align to ISO27001 but this is to be achieved in future years. The Head of IT had found this audit useful as it had been a detailed review and found areas for future review to meet the ISO27001.

### Q: Where is the College compared to the sector?

The Internal Auditor confirmed that the College is at a similar point to other FE Colleges.

The Chair pointed out that there had been an observation detailed on page 16 in relation to Risk Management. There were no changes to the Risk Management Policy and Procedures under item 14. The Vice Principal confirmed that there will be changes in the future but not at the present time. The Internal Auditor confirmed that he had no concerns in relation to where Macclesfield College is and the report provided assurance.

In relation to the Accounts Payable Audit there were two low recommendations. One recommendation was in relation to when new members of staff join the organisation the Financial Procedures training is evidenced and updated on the staff intranet. The second recommendation was in relation to the Financial Procedures being updated to reflect the requirement, when requested to update supplier details, to contact the supplier using the existing supplier details held. The Internal

Auditor confirmed that effective financial procedures were in place throughout the pandemic. The Vice Principal confirmed that the finance team attended college throughout the pandemic. The Chair of the Committee thanked the finance team for their hard work and an excellent audit.

In relation to the Curriculum Planning Audit there was 1 medium recommendation and two low risk recommendations. The medium recommendation related to the development of a process for documenting the challenge raised during the review process and retain documentation for an agreed period. It was recommended that Management agreed key stages in the curriculum planning process and formally document meeting minutes to support discussions held prior to the final approval of the curriculum plan. The low recommendations related to document guiding principles for developing the curriculum plan to ensure that there are clear criteria outlined around expectations for Assistant Principals involved in the process. In addition to any changes or amendments to existing criteria being communicated in writing by the Vice Principal of Curriculum. **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.**

#### **19/21 Audit needs assessment – the Internal Audit Plan 2021/22 including the Internal Audit Strategy**

The Internal Audit Plan for 2021/22 was presented. The proposed audit plan for 2021/22 includes:

- Governance (5 days)
- Safeguarding including Remote Learning (5 days)
- Health and Safety (5 days)
- Treasury Management and Cashflow (4 days)
- MIS – AEB (5 days)
- Follow up (3 days)

The proposed plan totalled 34 days. The Vice Principal had met with the internal auditor to review the plan and the financial and non-financial risks. The increase in days and therefore cost was included in the financial budget. The committee questioned the increase in the annual follow up from 2 days to 3 days.

**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.**

The External Auditors left meeting at this point.

#### **20/21 Internal Audit Fee Proposals**

The Internal Audit Fee Proposals for their daily rate is increasing by 3% to £488 from £474 in 2020/21.

The audit plan for 2021/22 contains 34 days within the plan costing £16,592 from £13,746 in 2020/21.

If the plan is reduced to 29 days as per previous years, the cost will equate to £14,152.

The Vice Principal confirmed that this was included in the budget for 2021/22.

**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.**

#### **21/21 Value for Money Statement**

The Vice Principal presented the Value for Money Statement. The Value for Money Statement has been reviewed and amended in light of Brexit. OJEU has been replaced with FTS (Find a Tender), the UK's e-notification service for procurement. Reference to the EU has been removed and replaced with UK. The Value for Money Statement was approved.

#### **22/21 Schedule of outstanding recommendations**

The updated Schedule of outstanding recommendations was presented. The Vice Principal confirmed that Since the last meeting of the Audit Committee, three internal audit reports have been received. The recommendations from the audits are included in the updated report under the following references:

- Cyber Security (7 recommendations) Ref: 114-120
- Accounts Payable (2 recommendations) Ref: 121-122
- Curriculum Planning (3 recommendations) Ref: 123-125

**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.**

#### **23/21 Risk Management**

The Vice Principal presented the Risk Heat Map. The heat map provides an overview of the key risks for the College which have been extracted from the Risk Management Register. 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 19 May 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 Covid-19 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.

No new risks have been added to the heat map. The Audit Committee discussed Risk 6:1, Ref: 237, this related to reduced student recruitment for learners on apprenticeship programmes. The Vice Principal confirmed that no changes were made to this risk and apprenticeship numbers were recovering well. The Audit Committee reviewed Risk 2:1, Ref: 12, this related to ineffective board decision making based on insufficient relevant and timely information from funding bodies. The Vice Principal confirmed that the funding bodies had been slow in releasing information and the College continued to react accordingly. There were no recommended changes to this reference. The Audit Committee reviewed Risk 4:2, Ref: 38, this related to inadequate welfare and mental health support. The Vice Principal explained that this risk was reduced due to employers HR systems, HR programmes and counselling on offer. The College engaged with Occupational Health to support well-being. The College also had a 'Spider network' in place to communicate effectively across the College. Risk 4:2, Ref: 38, relating to inadequate welfare and mental health support was reduced due to at risk meetings taking place, one to one pastoral meetings, revised tutorial process, an onsite College Counsellor, staying safe online sessions during lockdown and focus groups.

One change to note on the heat map is:

- 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. Lateral Flow Test kits are available to all staff and students and all are regularly encouraged to collect and carry out twice weekly tests. This is in line with government guidance.

**24/21 Risk Management Policy and procedures**

The Risk Management Policy and procedures was reviewed and no changes were recommended. The Audit Committee approved the Risk Management Policy and procedures.

**25/21 Audit Code of Practice and Bulletins update**

The Director of Governance presented a report on the new Audit Code of Practice and associated bulletins. The Director of Governance highlighted the main points from the report which included:

12. clarifying that external auditors will present their findings annually to the board of governors (para. 66).

14. clarification that, whilst the ESFA will continue to provide both corporations and their auditors with a statement of grant payments made in respect of the funding year, the statement does not constitute assurance over the funds earned by the college (para. 73)

The Director of Governance explained that in relation to point 12, External Auditors will present their findings annually at a meeting of the board of governors, which may be a joint meeting with the audit committee. In relation to point 14, the implication of this change is that external auditors will now carry out additional work this summer and early autumn to ensure compliance with funding rules. In effect this extends the funding audit to all colleges this year at their own expense.

The Chair of the Committee thanked the Director of Governance for her comprehensive report.

**26/21 Date and time of the next meeting**

The date for the next meeting is 9 November 2021. The remaining meetings will take place on 29 March 2022 and 21 June 2022. The schedule of meetings will be confirmed at the Corporation meeting on 6 July 2021.

**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.**

The Director of Governance explained that this was M Grant last meeting as Chair of the Audit Committee. M Grant will be leaving the Corporation in March 2022 and she will be remaining as an Audit Committee Member until this time. The Director of Governance thanked M Grant for her time, commitment and attention to detail during her time as Chair of Audit during her 4-year term. The Director of Governance informed the Audit Committee that M Wright will become Chair of the Audit Committee from September 2021 and she looked forward to working with him.

<b>Signed and dated by the Chair of the Audit Committee</b>	
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