

**MEETING OF THE AUDIT COMMITTEE OF MACCLESFIELD COLLEGE**

**TUESDAY 14 NOVEMBER 2023 – 9.30 AM**

**HYBRID MEETING HELD IN THE EXECUTIVE AREA AND VIA ZOOM**

**PART I**

**Clerk:** Mrs R Clare

Director of Finance and Estates 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.

**The Internal and External Auditors confirmed that there were no matters to pass to the committee from their perspective.**

Attendance	M Wright, C John, N Hodkinson, I Lees, P Hunter
Attendance Non-Committee Members	Internal Auditors – Clare Owen and Lee Glover External Auditors – Alexander Hogg  V Hayhoe
Apologies	M Bowers, G Bristow

<b>ACTION</b>	<b>RESPONSIBILITY</b>
<b>The Audit Findings Report for the year ended 31 July 2023 will be recommended for approval at the Corporation meeting on 5 December 2023.</b>	<b>VH/RC</b>
<b>The letters of representation will be shared at the Corporation meeting on 5 December 2023 for signing by the Chair of the Corporation and the Principal.</b>	<b>VH/RC</b>
<b>To receive a copy of the draft Report and Financial Statements for the Year ended 31 July 2023. This will formally be considered by the Corporation at its meeting on 5 December 2023.</b>	<b>VH/RC</b>
<b>The Chair of the Corporation and the Accounting Officer are required to sign the Self-Assessment questionnaire to meet audit and DfE requirements.</b>	<b>VH/RC</b>
<b>Management have requested as part of the Internal Audit Strategy that the Internal Auditors review Apprenticeships again in the future and therefore it is included in the future Internal Audit Plan.</b>	<b>Internal Auditors</b>

<b>The Annual Risk Management Report for the period 1 August 2022 to 31 July 2023 will be recommended to the Corporation for approval.</b>	<b>VH/RC</b>
<b>Audit Committee Members recommended the Annual Review of Risk Appetite report to the Corporation meeting of 5 December 2023.</b>	<b>VH/RC</b>
<b>The Audit Committee recommended the Annual Report of the Audit Committee to the Corporation meeting to be held on 5 December 2023.</b>	<b>RC</b>
<b>The Terms of Reference will be recommended to the Corporation meeting for approval at the meeting on 5 December 2023.</b>	<b>RC</b>

## MINUTES

**Item Title**  
18/23 **Welcome and Apologies for Absence**

Apologies for absence were received for G Bristow and M Bowers.

**The Chair of the Audit Committee welcomed two new Members to the Audit Committee. Introductions were made. N Hodkinson and I Lees will be joining the Audit Committee, as Co-opted Members for their specific skill set.** C Johns will be taking on the Chair of the Corporation position from April 2023, CJ will remain on the Audit Committee for this meeting and the Audit Committee in March will be her last meeting. CJ will then become Chair of the Search and Governance Committee and Member of the Remuneration Committee, in her capacity as Chair of the Corporation.

19/23 **Declaration of Members' Interest**  
There were no declarations of Members' interest.

20/23 **Financial Statements/Regularity Audit (Year ended 31 July 2023)**

**To receive from Wylie and Bisset the Audit Findings Report for the year ended 31 July 2023**  
The External Auditor (SG) presented the External Audit Findings Report for the year ended 31 July 2023, prepared by Wylie and Bisset. It was noted that this report was required to be forwarded to the DfE (ESFA).

SG referred to the executive summary on page 3, that confirmed key matters. SG reported the year-end financial position for 31 July 2023 and confirmed that they expect to issue an unmodified opinion and that there are no issues in relation to regularity. SG confirmed that they are satisfied with the going concern assumption is appropriate. SG referred to outstanding matters on page 4, section 1.9, listed under this section was Final R14 confirmation, post balance sheet events confirmation to date of approval, Bank covenant breach waiver and Signed regularity self-assessment questionnaire. 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 1.9.

SG confirmed that Wylie and Bisset anticipate issuing an unqualified opinion on the accounts of Macclesfield College for the year ended 31 July 2023. 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.

In section 1.5, one high level control was raised relating to Apprenticeship Funding. A response had been received from Management and the External Auditors confirmed that they were satisfied with the response. The External Auditors confirmed the Apprenticeship Funding abnormalities have been addressed.

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 2023.

AH 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 2023. The financial statements give a true and fair view of the College's financial position.

Wylie and Bisset thanks the Finance Team for the quality of the reports received.

SG confirmed that on page 10, section 3.9, Actual V Budget, reported the key variances including the overall income as £302K below budget.

The External Auditors confirmed the pension position stated in the balance sheet. For the first time the pension valuation for the college has shifted from a liability to an asset (£2.088M). In line with most other colleges and the External Auditors opinion, Macclesfield College have not recognised this as an asset and have put this through as nil value, as at 31 July 2023. The reason for this is that the asset cannot be realised due to:-

- The college not being able to reduce contributions.
- The college not being able to receive any refunds from the plan.

**Q: A Member asked if this should have been put into the accounts previously?**

CJ confirmed that this was good practice within the public sector and was a prudent approach. The Chair of the Audit Committee will share this opinion with the Corporation at the next meeting.

Relating to the internal controls, the Chair of the Audit Committee confirmed that the Apprenticeship Funding issue had previously been shared with the Corporation.

The External Auditors confirmed that there had been no matter relating to fraud brought to the External Auditors attention.

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

**Q: Page 13 of the report, relating to cash flow and stress testing it. There are a number of moving parts. The cash flow is propped up by investing activities, with a negative cashflow from operating activities, how comfortable are you with this?**

We carry out a number of worse case scenarios to reductions and apply them to the College position to see how realistic it is to see if no cash was available. It is a low risk position within 12 months from the accounts being approved. This needs to continue to be considered going forward. VH confirmed that this was a particularly difficult year to navigate, with reduced income and increased costs. Moving forward, enrolments have already increased and this supports a better financial position moving forward.

Audit Committee Members thanked Wylie and Bisset for the comprehensive report.

VH confirmed that the bank waiver is outstanding but has been granted and will be in place. VH explained that in May/June discussions took place surrounding the bank covenant. This has been resolved.

**The Audit Findings Report for the year ended 31 July 2023 will be recommended for approval at the Corporation meeting on 5 December 2023.**

**To receive a copy of the letters of Representation which the Corporation will be invited to approve at its meeting on 5 December 2023**

SG presented the Letters of Representation and confirmed that the representation was standard for the sector. **The letters of representation will be shared at the Corporation meeting on 5 December 2023 for signing by the Chair of the Corporation and the Principal.**

**To receive a copy of the draft Report and Financial Statements for the Year ended 31 July 2023. This will formally be considered by the Corporation at its meeting on 5 December 2023.**

V Hayhoe shared the Report and Financial Statements for the Year ended 31 July 2023. It was explained the statements reflect the draft financial outturn and strategic position in line with the financial reporting at Corporation meetings.

#### **Annex C Macclesfield College Self-Assessment Questionnaire**

V Hayhoe presented Annex C Macclesfield College Self-Assessment Questionnaire. It was explained that the section relating to Governance in the Self-Assessment Questionnaire had been completed and the document accurately reflected the College in terms of policies, contracts and matters of regularity.

VH confirmed changes to the questionnaire due to the reclassification of FE colleges:

- Special payments – not applicable to Macclesfield College.
- Write Offs – not applicable to Macclesfield College.
- New Novel, contentious and repercussive transactions – not applicable to Macclesfield College.
- Senior Pay – not applicable to Macclesfield College.
- Disposal of assets – not applicable to Macclesfield College.

All other responses are in line with previous years.

**The Chair of the Corporation and the Accounting Officer are required to sign the Self-Assessment questionnaire to meet audit and DfE requirements.**

#### **Internal Audit Reports**

#### **Apprenticeship/onboarding Follow up**

The two reports for review are the outstanding audits from 2022/2023 that were completed after the last Audit Committee meeting.

Validera, the Internal Auditors provided the following levels of assurance and number of recommendations for each assignment:

Audit Assignment	Overall Assurance	No. of recommendations	Green	Amber	Blue
Apprenticeship – On boarding	Limited	10	3	6	1
Follow – up	Adequate	N/A			

*Green - Desirable improvements to enhance value, the control, risk management or governance frameworks or strengthen their effectiveness. Minimal adverse impact on the achievement of objectives.*

*Amber - Attention to be given to resolving the position, as the organisation may be subject to significant risks.*

*Blue - These suggestions are of a good practice nature and do not represent any immediate risk to the organisation but may help it ensure that it remains effective and meets with external stakeholder expectations in the future*

There were a number of areas of good practice that were noted in the Apprenticeship report.

- Sales pipeline in place to track enquiries through to sign up.
- Documentation in place to summarise key stages.
- Awarding body approval sought for all Standards where required.
- Initial Assessments, including Mathematics, English and Skills Scans are completed.
- Skill Scans revisited at Progress Reviews to show current knowledge levels.
- Learners support needs assessed.
- Planned Off-The-Job (OTJ) hours correctly recorded on ILR.

**Management have requested as part of the Internal Audit Strategy that the Internal Auditors review this area again in the future and therefore it is included in the future Internal Audit Plan.** This is to provide the Audit Committee with assurance that the paperwork is completed. The Internal Auditors confirmed that there is a lot of duplication paperwork for apprenticeships with funding rules changing constantly and therefore it is a complex area to manage across the FE sector.

**Q: How do we mitigate this risk when reporting income?**

VH confirmed that there is a funding risk to apprenticeship funding due to the complexities but this is tracked through the ILR (student record) and a risk factor is taken in to consideration, until the risk is mitigated throughout the academic year. Internal processes reflect the MIS record and support best practice. VH confirmed that a DfE/ESFA audit would take the same approach as the Internal Auditors, and the College will respond to recommendations accordingly.

Members discussed End Point Assessments and VH confirmed that a new appointment has been made to work alongside the MIS and Apprenticeship Team to ensure systems are as robust as they can be.

### **Follow up**

From the Follow up audit, the internal auditors were able to confirm that all recommendations from prior year had been fully implemented, with the exception of entry 142 which had been split into two and this element had not been fully implemented at the time of the audit due to the nature of the recommendation (in relation to cyclical inspections). However, this action has now been marked as complete and is included on the tracker and will be verified as part of the next Follow Up review.

**The only recommendation was in relation to insertion of completion date and where applicable a revised target date, if this has been changed.**

### **22/23 Internal Audit Annual Report**

The internal auditors reaffirmed that the responsibility for arrangements should remain fully with management and that Internal Audit can only provide 'reasonable assurance' and cannot provide any guarantee against material errors, loss or fraud. The internal auditor's role is to help management improve risk managements, governance and internal control, so reducing the effects of any significant risks facing the college.

A summary of the work performed during the year was provided by the Internal Auditors and shown on page 3 of the report. The conclusion was reported as the following (shown on page four of the report):

Based on the work performed we offer our conclusion as to the adequacy and effectiveness (or inadequacy and ineffectiveness) of the College's risk management, governance and control processes.

Overall, in our opinion, based upon the reviews performed during the year, Macclesfield College has:

- adequate and effective risk management.
- adequate and effective governance; and
- adequate and effective control processes.

**The Internal Audit Annual Report was reviewed and approved by the Audit Committee.**

### **23/23 Internal Audit Plan 2023/2024**

The Internal Audit Plan/Strategy for 2023/2024 was proposed as the following:

- Risk Management (4 Days)
- Performance Management (4 days)
- HR Health check (7 Days)
- Student Records - 16-18 funding (5 Days)
- Student Records – Apprenticeship funding (5 Days)
- Campus Management (7 days) to include on site visit
- Follow Up (3 days)
- Management Days (3 days)

The plan included a total of 38 days.

**The Audit Committee reviewed and approved the Internal Audit Plan for 2023/2024.**

### **24/23 Minutes and matters arising**

**The minutes of the meeting held on 21 June 2022 were approved as an accurate record.**

Matters arising from the previous meeting were reviewed.

2/23 Resolution: The External Audit Plan will be recommended to the Corporation for approval. RC/VH – Action completed.

13/23 L Glover requested that VH complete the satisfaction survey as this will support future work. VH – to work in conjunction with the Internal Auditors.

13/23 Resolution: The Internal Audit Progress Report will be shared with the Corporation. RC/VH – Action completed.

13/23 L Glover pointed out a problem with the password setting on Trust Governor. The Director of Governance will check this and resolve. RC – Action resolved – all passwords have been reset.

**25/23 Fraud, GDPR and RIDDOR reportable incidents**

There were no matters relating to fraud, GDDP or RIDDOR reportable incidents to report.

The data breach record is now in place and no matters have been reported to ICO but a data breach has been recorded on 31 August, a docuSign document was sent to a student and when it was returned it was not password protected.

**26/23 Internal Audit recommendation tracker**

V Hayhoe presented the schedule of outstanding recommendations and confirmed it had been updated to reflect the recommendations from the 2022/2023 internal audits.

The 'Follow up' audit in 2022/2023 concluded that all the outstanding actions from 2021/2022 audits have been implemented, except for one area which was not fully implemented at the time of review. Therefore, these actions have now been removed from the tracker.

The outstanding actions are now all from the 2022/2023 audits, except for the Apprenticeships audit which was completed over summer and is to be reported at this meeting.

From the recommendations on the tracker:-

- 5 actions are noted as completed and awaiting follow up audit.
- 8 actions are marked a complete since the last meeting.
- 1 action has been superceded.
- 1 action is overdue but in progress.
- 1 action is open.
- 1 action is not yet due.

VH confirmed the internal audits for 2023/24 will be added once completed during the year.

Members discussed password protection for IT and ensuring the College was as well protected as it could be.

27/23 **Risk Management**

**To receive the Annual Risk Management Report for the period 1 August 2022 to 31 July 2023 and to recommend it to the Corporation meeting of 5 December 2023**

The Annual Risk Management Report was shared in advance of the meeting. Risk processes were deemed to be working well and operating effectively. A Member commented on the college positive approach to risk management and strategy.

**The Annual Risk Management Report for the period 1 August 2022 to 31 July 2023 will be recommended to the Corporation for approval.**

**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 5 December 2023**

The 'Annual Review of Risk Appetite' was considered, in accordance with the requirements of the Risk Management Policy.

**VH confirmed, that in relation to the reclassification of FE colleges, the College has become more risk adverse in relation to the commercial arm of the College.**

**Audit Committee Members recommended the Annual Review of Risk Appetite report to the Corporation meeting of 5 December 2023.**

**To receive an updated copy of the Risk Register**

V Hayhoe explained that in June 2022, the governors approved the adoption of a new Risk Register that would focus on the strategic risks of the College. The top ten strategic risks were identified and agreed with governors, with an additional one added for Health and Safety as governors requested that this be included.

VH confirmed that during 2022/2023 an additional risk was added in relation to breaching the covenant on the college loan (Risk 12) and Risk 10 regarding pandemics was merged with Risk 9. The current register has 11 'Live' risks which were all agreed to be rolled forward from 2022-2023 to 2023-24.

The internal Risk Management Group met on the 2 November 2023 to review each risk including the scoring and controls.

The outcome from the Risk Management Group (RMG) meeting was as follows: -

- Risk ratings were reviewed and all risks remained the same except for Risk 8 (in relation to mental health and wellbeing) which the RMG felt could be lowered due to the additional resourcing in this area. Risk 9 (in relation to Business Continuity) which was increased slightly as the RMG felt that the likelihood of this was greater and Risk 12 (in relation to the loan covenant) was increased due to current year financials which will require strong forecasting and management.
- Additional controls were identified and these have been reflected on the risk register.

**The Audit Committee accepted the changes to the updated Risk Register.**



- 28/23 **Annual Report of the Audit Committee to the Corporation**  
**To recommend the above report to the Corporation meeting of 5 December 2023, for approval. Members should note that the report contains the annual self-assessment of the Committee, in compliance with Audit Committee minutes 9/05.**

R Clare presented the Annual report of the Audit Committee to the Corporation. The following points were highlighted 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 5 December 2023.**

- 29/23 **Terms of Reference**  
**To undertake the annual review of the terms of reference of the Committee and to make any necessary recommendations to the Corporation meeting of 5 December 2023.**

The Audit Committee reviewed the Terms of Reference for the Audit Committee as part of the annual business cycle. The Director of Governance recommended no changes to the Audit Committee Terms of Reference. **The Terms of Reference will be recommended to the Corporation meeting for approval at the meeting on 5 December 2023.**

**VH confirmed that the title for the Vice Principal of Finance and Resources should be replaced with the Director of Finance and Estates.**

- 30/23 **Date and time of the next meeting**  
The next Audit Committee will take place on 19 March 2024 at 9.30am.

P Hunter and I Lees confirmed their apologies for this meeting.