

MEETING OF THE AUDIT COMMITTEE OF MACCLESFIELD COLLEGE

TUESDAY 21 JUNE 2022 – 9.30 AM

PART I

EXECUTIVE LEADERSHIP TEAM MEETING ROOM

Clerk: Mrs R Clare

M Wright Chair of the Committee
S Horseman
M Bowers
C Johns

In attendance:

V Hayhoe
Internal Auditor – BDO LLP: B Welch
External Auditor – Wylie & Bisset: A Hogg
New Internal Auditor from 2022 – Haines Watts: L Glover

For confirmation purposes B Welch, A Hogg, L Glover and C Johns joined the meeting remotely via Zoom. M Wright, S Horseman, M Bowers, V Hayhoe and R Clare attended the meeting in person.

Action	
<i>15/22 The Audit Committee agreed the proposal for the External Auditor fees as confirmed upon agreement of the three-year tender. The fees will be recommended for approval at the Corporation meeting on 5 July 2021.</i>	MW/VH
<i>18/22 Q: A Member requested that page 12 of the report be populated. (Internal Audit Plan)</i>	Internal Auditors
<i>18/22 The Audit Committee agreed that the relevant areas were included in the plan. Members discussed Business Continuity and agreed that a risk should be included on the Risk Register in relation to the College being agile and the ability to be adapt.</i>	VH
<i>19/22 The Internal Audit fees will be recommended to the Corporation for approval at the meeting on 5 July 2022.</i>	MW/VH
<i>21/22 The Audit Committee reviewed the risks and identified that a risk relating to Health and Safety/Business Continuity should be added.</i> <i>The Audit Committee agreed that an additional column should be added to confirm if the risk has moved up or down.</i> <i>The document will be developed and populated. The document will be shared with the Audit Committee at the first meeting of the academic year.</i>	VH

MINUTES

- Item Title**
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.
- To note, both the Internal Auditor and External Auditor confirmed that there were no matters to bring to the attention of the Audit Committee.
- BW confirmed that he had enjoyed working with the College in the past year and the relationship with Macclesfield College and the Internal Auditors had worked well. He confirmed that the responses from the College had been positive.
- 10/22 **Welcome and Apologies for Absence**
The Chair of the Audit Committee welcomed Members to the meeting.
- The Chair welcomed C Johns to her first Audit Committee meeting.
- The Chair welcomed L Glover to his first meeting (the new Internal Auditor representing Haines Watts).
- Apologies for absence were received for J Mairs.
- N Schofield was not in attendance at the meeting.
- 11/22 **Declaration of Members' Interests**
There were no declarations of Members' interests.
- 12/22 **Minutes and matters arising:**
To confirm and approve the minutes of the meeting held on 29 March 2022.
The minutes of the Audit Committee meeting held on 29 March 2022 were approved as an accurate record.
- The Chair of the Audit Committee reviewed the actions from the previous meeting.
- 7/22 Internal Audit - Cyber Security – two outstanding recommendations to be completed by December 2022 relating to phishing campaign and External Penetration Testing. VH will speak to DF and ascertain if the recommendation can be moved forward. RC to email Audit Committee Members with a response.*
- This action was completed. V Hayhoe confirmed that this action will be reviewed under item 11, Schedule of Outstanding Recommendations.
- 13/22 **Fraud, GDPR and RIDDOR**
There were no matters relating to fraud, GDPR or RIDDOR to report.
- 14/22 **Financial Statements/Regularity Audits**
To note the External Auditors Plan.
Wylie and Bisset provided the External Auditors Plan in advance of the meeting to provide Governors with oversight of the external auditor's plan. This included the financial statements audit and the regularity audit.

An initial planning meeting took place on 25 May 2022, with the main fieldwork for the audit commencing on 10 October 2022. The findings will be reported to the Audit Committee at the November meeting.

External Auditor – A Hogg (Audit Manager) presented the External Auditor’s Plan titled ‘Macclesfield College Audit Planning Memorandum Year ended 31 July 2022’ 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 2022 this included audit approach, audit objectives, accounting estimates and related disclosures, timetable, contacts; key audit risks and the planned approach to these, together with details on fees and independence. This was a similar approach to the previous year, where Macclesfield College had received a clean audit. It was explained that the level of testing had increased this year. Significant risks will be identified and reviewed. There will be substantive testing around governance arrangements, pension evaluation, control on accounts, recognition of income and going concern.

Wylie and Bisset requested that Members review section 3.4. 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.

The Chair of the Audit Committee sought clarification on the sector benchmarks that will be used for depreciation and pension liabilities. 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: In terms of the audit, how are claw backs identified, for example for the Adult Education Budget?

VH confirmed that the final cut off for the ILR takes place after the audit has been completed. For the Audit the latest ILR will be checked. The College will know the outcome of the ILR at year end and this will be captured in the accounts. In terms of the audit, a provision is placed in the accounts with the potential for a claw back. During the final part of the process, the reconciliation will be shared before the auditors sign off the financial statements. Occasionally, there can be a delay in the signing but this is rare.

A Hogg left the meeting (remotely) at this point.

15/22 **External Auditor Fees**
To review the recommendation for the External Auditor Fees as recorded in the External Audit Plan.

The Audit Committee agreed the proposal for the External Auditor fees as confirmed upon agreement of the three-year tender. The fees will be recommended for approval at the Corporation meeting on 5 July 2021.

16/22 **Internal Audit Annual Report 2021-22**

BW presented the Internal Auditor’s Annual Report 2020-21. The committee reviewed the report and noted the seven recommendations, six of these related to the Health and Safety audit and one related to the MIS audit. The Internal Audit conclusion was confirmed on page 9 of the report:

Based on the assurance reviews undertaken, the follow-up audits completed during the period, and in the context of materiality:

- the risk management activities and controls in the areas which we examined were found to be suitably designed to achieve the specific risk management, control and governance arrangements; and

- based on our sample testing, the risk management, control and governance arrangements were operating with sufficient effectiveness to provide reasonable, but not absolute assurance that the related risk management, control and governance objectives were achieved during the period under review.

This view is given with the exception of the Health & Safety review where the opinion was Limited for both the design and operational effectiveness of the control environment reviewed.

17/22 **Internal Audit**

To receive the internal audit assignment reports prepared by BDO on the following areas:

Health and Safety

BW confirmed the following outcome of the Health and Safety internal audit:

Audit Assignment	Design	Operational Effectiveness	Number of recommendations
Health & Safety	Limited	Limited	6

BW confirmed that the internal audit review of Health and Safety highlighted a number of areas of good practice in respect of the completion of policy documentation, the completion of trip risk assessments, training arrangements, inspection oversight controls and the documentation of self-assessment actions on an action tracker. However, one recommendation was raised as a high priority recommendation in respect of cyclical inspections and three medium significance findings regarding accident, incident reporting procedures, key documentation for educational visits and completion of Health & Safety training.

VH confirmed that a new Head of Estates had been appointed with vast experience of the role. At the time of the audit, the Head of Estates had only been in post two weeks. He has since moved all record keeping online and created a new maintenance plan.

The Chair of the Audit Committee commented that 67/90 inspections had no time limit.

Q: What is being done in relation to Health and Safety training?

The training is mandatory and HR are managing non-compliance and taking serious action where necessary.

The committee discussed the fundamental risk of Health and Safety and where this sits on the risk register. A Member commented on the low number of accidents in the workshop and there being effective processes in place in some areas. The committee agreed to discuss Health and Safety further under item 12, Risk Management.

Budget and Cashflow

BW confirmed the following outcome of the Budget Control and Cashflow internal audit:

Audit Assignment	Design	Operational Effectiveness	Number of recommendations
Budget Control & Cashflow	Substantial	Substantial	0

BW confirmed that the internal auditors did not note any findings as part of the review. Overall, the College demonstrated that there are good controls in place over budget control and cashflow management. This allows budget holders to discharge their responsibilities and there is a level of ownership over their budget areas. Strong budgetary controls and cashflow management helps aid the Colleges financial health. The internal auditors noted good practice across all risk areas.

Governance

BW confirmed the following outcome of the Governance internal audit:

Audit Assignment	Design	Operational Effectiveness	Number of recommendations
Corporate Governance	Substantial	Substantial	0

BW confirmed a number of areas of good practice in the Governance internal audit in respect of strategic planning documentation, induction training materials and completion of inductions, Corporation attendance and ongoing training and development for Governors. The internal auditors also noted that supporting documentation and comprehensive reporting is provided to the Corporation, including KPIs and the availability of a Business cycle calendar. Skills assessments and effectiveness reviews have been carried out regarding Governors and actions were raised as a result of any areas for improvement that were highlighted. It was confirmed that appropriate documentation is in place for the Corporation and committees, including terms of reference, standing orders and a scheme of delegation. Corporation agendas and minutes demonstrate that topics are regularly discussed and challenge is documented within the minutes, including actions to be reviewed at the next meeting.

MIS

BW confirmed the following outcome of the MIS internal audit:

Audit Assignment	Design	Operational Effectiveness	Number of recommendations
MIS AEB	Substantial	Substantial	1

BW confirmed a number of areas of good practice during the MIS audit. This included the appropriate training of staff when starting in MIS and further annual training to keep up to date with systems. Any errors in the ILR Rule Violation are reported and clear detail on the type of error is given.

Q: By the end of the academic year are the errors cleared?

It was confirmed that any errors in the ILR Rule Violation report are reviewed before funding submission.

Follow up recommendations

BW confirmed the following outcome of the follow up recommendations audit:

Audit Assignment	Design	Operational Effectiveness	Number of recommendations
Follow up	N/A	N/A	7 of 7 implemented

It was confirmed that all of the recommendations which were followed up had a status and comments, where relevant, added to the tracker to detail the work undertaken to complete the recommendation. It was noted that the tracker was up to date and complete at the time of the review. From the seven recommendations reviewed, the internal auditors were able to verify that all seven had been fully implemented.

BW thanked the College for their supportive and helpful approach. BW offered his contact details to the new internal auditors, Haines Watts, in case they had any remaining questions. The Chair of the Audit Committee thanked BW for his work and offer. BW left the meeting (remotely) at this point.

18/22 **To receive and consider the Internal Audit Plan 2022/23 from Haines Watts. Members are invited to make a formal recommendation for approval to the Corporation meeting of 5 July 2022.**

L Glover presented the Internal Audit Plan for 2022/23 on behalf of Haines Watts.

The Audit Committee reviewed the proposed plan which included:

- Payroll (5 Days)
- IT Health check / Cyber Security (5 days)
- Health & Safety (4 Days)
- Information Governance (5 Days)
- Student Records (5 Days)
- ESFA Subcontracting (5 days) * (This will be confirmed, once a decision is made as to whether it will be the internal auditors that carry this audit out)
- Follow Up (3 days)
- Management Days (3 days)

LG explained that this will be a live document and can be amended in year at the request of the Audit Committee or Executive Leadership Team. LG explained that in his initial scoping meeting with the Director of Finance and Estates and the Chair of the Audit Committee, it was pleasing to note that they both saw the relationship with the new internal auditors to act as a 'critical friend'. LG shared the key findings within section 2 of the report. Page 7, showed the Internal Audit Strategy 2022/23-2024/25.

Q: A Member requested that page 12 of the report be populated.

The Audit Committee agreed that the relevant areas were included in the plan. Members discussed Business Continuity and agreed that a risk should be included on the Risk Register in relation to the College being agile and the ability to be adapt.

19/22 **Internal Audit Fee Proposals**

To receive the written report from the Director of Finance and Estates to determine the recommendation to be made to the Corporation meeting on 5 July 2022.

VH reported that the College recently tendered its Internal Audit Service. This resulted in the appointment of Haines Watts. The contract is to commence on 9 May 2022 for an initial period of 3 years, with the option to extend for a further 2 years subject to performance.

The Audit Committee agreed the internal audit fees of £33,025 over a 3-year period and £10,625 for year 1. This was based on 25 days per annum. The cost of this service under BDO would have been £12,200 for the year, a saving of £1,575. The Internal Audit fees will be recommended to the Corporation for approval at the meeting on 5 July 2022.

Q: Does this include RPI?

No, this is negotiated each year.

20/22 **Schedule of outstanding recommendations**

VH reported that the updated schedule of outstanding recommendations reflected that all 14 recommendations from 2020/21 have been implemented, of which 12 were signed off at the follow up review. The recommendations that have been implemented will now be removed from the schedule. It was explained that due to the follow up on Cyber Security being done earlier at the request of governors, 2 of these recommendations will remain on the schedule until confirmed by audit that they are fully implemented.

The recommendations from 2021/22 audits will now be added to this schedule and tracked until the follow up review in 2022/23.

21/22 **Risk Management**

To receive a draft copy of the proposed new format of the Risk Management Plan.

VH presented a copy of the proposed new format of the Risk Management Plan. The new format included the top ten risks identified by the Executive Leadership Team as 'what keeps us awake at night'. The grading and comment sections were explained. The new format was condensed and focussed.

The Audit Committee reviewed the risks and identified that a risk relating to Health and Safety/Business Continuity should be added.

The Audit Committee agreed that an additional column should be added to confirm if the risk has moved up or down.

The document will be developed and populated. The document will be shared with the Audit Committee at the first meeting of the academic year.

22/22 Date and time of the next meeting

To note the date and time of the next meeting will be determined when the calendar of meetings for the forthcoming year is approved by the Corporation in July.

The Director of Governance provided the draft meeting schedule to the Audit Committee as the following:

8 November 2022

21 March 2023

20 June 2023.

Signed and dated by the Chair of Audit Committee:	
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