



**CONFIRMED MINUTES OF THE AUDIT COMMITTEE
HELD ON 24TH FEBRUARY 2021**

Present:	Lucy Barrow Joe McArdle Nigel Woodcock	Independent Governor Independent Governor (Chair) Co-opted Committee Member
In attendance:	Sue Higginson Michael Norton Will Jerram Nikki Leising Paul Haydock Lesley Venables	Principal Deputy Principal Assistant Principal – MIS Head of Finance RSM, Internal Auditor (minutes 98 to 119) Clerk to the Governors

APOLOGIES FOR ABSENCE

98 Apologies for absence were received from Lisa Randall (RSM).

DECLARATIONS OF INTEREST

99 Joe McArdle declared an interest in any matters relating to the University of Chester and as a parent of a student who attends the College. Lucy Barrow declared a standing interest of being employed by Wirral Borough Council and was currently seconded to the Liverpool City Region Combined Authority.

PRE-MEETING WITH AUDITORS

100 The Committee asked the Internal Auditors whether there was a need to meet in the absence of management and was advised that there were no issues that they wished to raise.

MINUTES OF PREVIOUS MEETING

101 **Resolved** That the minutes of the meeting held on 25th November 2020 be approved as a correct record and signed by the Chair.

MATTERS ARISING

102 Governors received a progress report against the list of actions from the previous meeting and noted that the majority of these had been completed.

103 In relation to minute 73 the Principal reported that the College had implemented a vast range of well-being measures as part of its overarching strategy for staff and students. This included dedicated staff well-being days that had taken place in December with a full menu of activities to support wellbeing and a weekly schedule of activities that sit within the framework of the college's wellbeing wheel.

104 Under minute 82 it was noted that there would be a training session for governors on the role of the Audit Committee at the June 2021 meeting.

ESF AUDIT CONCLUSION LETTER

105 The Assistant Principal (MIS) presented the outcome of a recent successful ESF audit, which related to the 2015/2016 and 2016/2017 academic years. This had been carried out remotely over a 9 week period and had resulted in no actions for the College.

106 In response to a question about the sample period for the audit, the Assistant Principal reported that this was normal practice in terms of EU matched funding audits.

107 Governors thanked the staff involved for their work in achieving 100% compliance in the audit, which provided the Committee with assurance on the robustness of the College's student records systems.

INTERNAL AUDIT VISIT 2 REPORT 2020/2021

Academic Quality Framework

108 The Internal Auditor presented the outcomes of the Academic Quality Framework audit. This had resulted in a 'Substantive Assurance' audit opinion, with no recommendations made and the Auditor had concluded that the control systems were well-designed and operated effectively.

109 Several areas of good practice had been identified during the review, including learning walks and lesson observations continuing to take place even during the 'lockdown' period. The outcome of the audit compared favourably to other similar audits amongst RSM's client base.

110 The Principal commented that the audit highlighted the effectiveness of the Quality & Standards Scrutiny structure that had been put in place over recent years, together with the impact of the Board's decision to appoint two Vice-Principals with responsibility for curriculum and quality respectively.

Cyber Security

111 The Internal Auditor presented a report on the outcomes of a specialist review of the College's Cyber-Security Framework. This had concluded that the current systems provided a 'reasonable' level of assurance, with four areas for improvement.

112 Governors suggested that additional staff training/awareness-raising on cyber-security should be considered. The Deputy Principal reported that the two actions on amending the College's IT access and disaster recovery policies had already been actioned and that the suggested increase in the number of times password changes were required had also been completed.

113 It would be difficult operationally to change any domains whilst staff were working remotely, but governors were assured that this action would be completed in the next 3 weeks as more staff returned to being based on campus, rather than undertaking remote working.

114 A governor asked why the audit had not tested the operational effectiveness of controls (which they understood formed part of the Internal Auditor's overall annual opinion), but *had* examined the College's restoration test log. The Internal Auditor advised that the scope of the review had been designed around the budget and time available, which had driven the level of the work carried out.

115 In response to a question about a comment in the report about management having the option of not implementing any of the recommendations the Internal Auditor explained that some organisations resisted suggested improvements to internal IT controls and this was a standard statement used in such reports. It was noted that this was not the case at Wirral Met College and that all recommendations had been actioned within a reasonable timescale.

116 A governor questioned whether the College had amended its processes to permit only 10 password attempts, rather than the previous 100. The Deputy Principal confirmed that this had been actioned and that the College was well aware of the associated risks.

Progress Report

117 The Internal Auditor reported that three out of the 6 reviews scheduled in the Internal Audit Plan for 2020/2021 had been carried out to date, with the remaining audits due to take place remotely by the end of the academic year.

Benchmarking

118 Governors received for information a report which compared the number and grading of audit recommendations made for the College against those of RSM's client base for 2019/2020. It was noted that the scope of this exercise had been limited due to the COVID-19 pandemic and that the organisations measured by the analysis varied significantly in size, region and complexity.

119 The Internal Auditor advised that no audit opinion had been issued to the College for 2019/2020 as the full audit plan had not been delivered due to the lockdown situation. However, the College was in a positive position compared to the benchmarks for all categories, which provided assurance to the Committee on the effectiveness of the internal control framework.

Paul Haydock left the meeting at this point.

MANAGEMENT ACCOUNTS

120 The Committee received for information the Management Accounts as at 31st January 2021 to monitor the solvency of the College, in accordance to the Committee's Terms of Reference.

121 The Committee was informed that the College's finances remained in a strong position with a financial health rating of 'outstanding', as calculated by the ESFA criteria. The current year end forecast was for a surplus of £896K, which was slightly lower than the approved budget.

122 The College had received an additional £392K for small class support for 16-18s, only half of which had been included in the current forecast, as it was likely that there will be other associated costs with this fund that were, as yet, unknown.

123 Further grants had been received for capital items and maintenance works, both of which needed to be spent by March 2021. The College had increased its income through higher 16-18 year old numbers and additional contributions to the Teachers' Pension Scheme.

124 However, Adult Education Budget income provided by ESFA for students that reside outside of the Liverpool City Region, had reduced compared to the forecast, mainly in curriculum areas that had suffered as a result of the lockdown situation (Hairdressing/Beauty Therapy, Business and ESOL) and also due to the lack of a January enrolment programme. In response to questions from the Committee the Deputy Principal advised that the AEB was split between the Liverpool City Region (which was performing in line with the contract) and the ESFA (for non-LCR provision, which was under target and would have been effectively illegal for people to travel from Cheshire into Merseyside during national lockdown and tiered lockdown). Colleges were not permitted to offset one element against the other, but it was noted that the College had recently received an additional £100K from the LCR for adult provision as part of the Government's skills agenda.

125 The Financial Controller reported that enrolments for 2020/2021 had improved, partly as a result of increased applications from partner organisations, such as the Princes Trust. Income for apprenticeships and higher education programmes was lower than anticipated although reflective of national reductions linked to the impact of Covid-19 and tuition fees had reduced, together with trading income (again, due to the lockdown). Expenditure savings of £195K partly offset the underperformance in income. The Vice Principal Quality and the HE Manager and Finance Team were working closely to minimise the amount of bad debts.

126 Governors noted that the majority of the College's income was derived from 16-18 funding grants, which were guaranteed for 2020/2021.

127 The Financial Controller reported that the current level of expenditure was 44.7% of the total yearly forecast, compared to 47% in 2019/2020. Cash balances were £7.6m, against a budget of £4.5m. However, the profitability margin indicated by the management accounts was much tighter for the current year.

128 A governor asked why the surplus had originally been forecast as £1.3m but was now £896K. The Deputy Principal explained that this was due to the ESFA's cyclical payment arrangements, which meant that the year to date figure in the accounts was only helpful in identifying the cash position. The key element was the annual forecast, as it was difficult to undertake a rolling cashflow forecast due to having average income over the year.

129 The Principal highlighted the work undertaken by the Deputy Principal in modelling the funding contracts in the management accounts, which enabled managers to monitor financial performance in their areas more effectively. This financial information was also linked to the data provided at Assistant Principal level.

130 There had been a disconnect between the budget set for each department and the management accounts, which was now resolved by compiling the accounts from a zero base to make them as realistic as possible.

RISK REGISTER

131 The Deputy Principal presented the Risk Management Update. Following the recent Cyber-security internal audit the risk score for data security had been increased in advance of the full implementation of the recommendations of that report. Management felt that the scoring may need to be adjusted downwards at some future point.

132 Governors were informed that the College was working to tight deadlines for the submission of applications for capital funding from the ESFA. These bids had been considered by the Capital Projects Working Group, which would monitor progress of all successful current and future projects. All existing projects were set to be delivered by the due deadlines and were on budget.

133 The Committee noted that the College had recently been invited to give a presentation on its low carbon energy strategy to a national Association of Colleges' conference in recognition of the outstanding work undertaken in this area.

MONITORING OF PREVIOUS RECOMMENDATIONS

134 Governors received a report on the progress of the implementation of previous audit recommendations. There had been two internal audits since the last meeting which had resulted in four new actions. There were no overdue actions and one remaining item in relation to the Safeguarding Audit in 2019/2020 which was due for completion in March 2021.

TERMS OF REFERENCE

135 The Committee was reminded that at a previous meeting the Clerk had undertaken to review the terms of reference to ensure that these were compliant with the latest version of the Post-16 Audit Code of Practice.

136 This work was now complete and revised terms of reference were presented for recommendation to the Board. Two amendments had been suggested – the addition of the word 'maximum' to the possible membership of the Committee and the inclusion of the words 'anti-fraud arrangements' to ensure that this item is included within the Committee's remit

- 137 **Resolved -**
- 1 That the Board **be RECOMMENDED** to approve revised terms of reference
 - 2 That the Committee's cycle of business be updated to include monitoring anti-fraud arrangements

ITEMS TO REPORT TO THE BOARD

138 The Chair summarised the main points of the meeting which would be reported to the Board at its meeting on 17th March 2021:

- Positive audits of Academic Quality Framework and ESF controls.
- Internal Audit on Cyber-Security – number of recommendations made to improve arrangements, which had been actioned
- College's performance in Internal Audits undertaken by RSM compares favourably to the rest of the sector
- Management Accounts, Risk Management Update and report on Monitoring Progress against Previous Recommendations received for information
- Revised Terms of Reference recommended for approval by the Board

139 At this was his last meeting, on behalf of the Committee the Chair thanked Will Jerram (Assistant Principal MIS) for his contribution over the past few years and wished him well for the future.

DATE OF NEXT MEETING – Wednesday 16th June 2021



Signed: _____ Date: _____

29 June 2021

Chair