

THE TRAFFORD COLLEGE GROUP

**Minutes of the Meeting of the Audit Committee  
held at 6.00 pm on Wednesday 14 September 2022 at the Altrincham Campus**

|                       |   |  |
|-----------------------|---|--|
| <b>Present:</b>       | Jed Hassid<br>Heather Lang<br>Lina Tsui-Cheung<br>Brian Bradley   | Chairperson  |
| <b>In Attendance:</b> | Barry Watson<br>Alison Duncalf<br>Natasha Bintley<br>Kelly Wright<br>Kal Kay<br>Brian Welch<br>Sam Hutt | Corporation Secretary<br>Deputy Corporation Secretary<br>Director of Finance<br>Assistant Principal Planning, Funding and Performance<br>Chief Finance Officer<br>BDO (Internal Auditors)<br>Armstrong Watson (Financial Statements & Regularity Auditors) |

**Minute No:**

**AUD/32/22 Apologies for Absence**

The Corporation Secretary (CS) reported that apologies for absence had been received from Ian Duncan and Emma Kelly.

It was noted that Karen Rae (Financial Statements and Regularity Auditor) and Carmen Gonzalez-Eslava (Deputy Principal) were unable to attend the meeting.

**AUD/33/22 Declarations of Direct or Indirect Interest in any of the Meeting Business Items**

There were no declarations of either direct or indirect interest in any of the meeting's business items.

**AUD/34/22 Minutes of the meeting held on 27 June 2022**

**The minutes of the meeting were approved and accepted as a correct account of the meeting's proceedings subject to a minor amendment to Minute No AUD 21/22 (Audit Tracker) which the CS undertook to action.**

**Action: Corporation Secretary**

**AUD/35/22 Matters Arising from the Minutes**

The CS went through the actions arising from the minutes and it was confirmed that they had either been completed or would be addressed as part of the agenda for the meeting.

There were no other matters raised by members arising from the minutes.

**AUD/36/22 GMCA Compliance Check- Outcome Report**

The Assistant Principal Planning Funding and Performance (APPPF) presented a report which provided members with additional detail to support the GMCA Audit Compliance

**Minute No:**

Outcome Report, which had a focus on the observations and recommendations for the MIS service area, and the wider College Group.

The report also included a copy of the GMCA Compliance Check Outcome Report which had been undertaken in April 2022 with feedback from the report being received in June 2022.

The APPFP advised that the report had contained 7 recommendations 5 of which were Rag Rated as Red, 1 Amber and 1 Green. The APPFP further advised that the overall grading of the provider RAG rating was issued as Red, with the previous rating from the 2020/2021 GMCA Compliance Audit also resulting in a Red Rag rating.

The APPFP advised on the factors that were considered in determining the rating and commented that given the significant changes within the team structure over the past twelve months, the audit recommendations presented were all known issues, and had been raised before were being tracked on the wider MIS audit action plan.

It was also advised that the underpinning actions in relation to the recommendations had been a particular focus in the systematic and procedural work that had taken place prior to the new academic year and that action would be taken to continue to focus on the key data priorities.

**Action: Assistant Principal Planning, Funding and Performance**

The APPFP also provided the Committee with full details and an overview regarding the following:

- Operational challenges including MIS staffing issues and future actions.
- Areas of future focus and Impact.
- Next Steps.

Members raised several issues arising from the report as follows:

- A member asked if the MIS department had a dedicated compliance team.

The APPFP confirmed that they did through the departments staffing complement and that it was intended that the expanded team through the FE&HE Data manager would ensure that compliance requirements are met.

A member asked about the compliance checks that were undertaken in the previous year and the APPFP confirmed that they had been undertaken and that the Group were working very closely with GMCA who had been very supportive in helping the Group move out of the Red Rag Rating.

- A member asked what the consequences of the Red Rag Rating were.

The APPFP advised that there were no financial consequences at this stage and as indicated the Group were working very closely with the support of GMCA to improve the position. The CFO advised that there could be indirect financial consequences if the correct data was not inputted then the right level of financial support would not be achieved. It was confirmed that the allocation levels were guaranteed.

**Minute No:**

- A member asked what the Group's position in the context of other Colleges was.

The CFO advised that it was an issue across Greater Manchester and that the Colleges were working together to try and ensure best practice.

- A member asked about meeting the compliance checks targets dates some of which were due to be completed by September 2022.

The APPFP advised that they would mostly be completed by September 2022 but that the online enrolment system had been delayed due to issues with the supplier.

The CFO reminded members of the online tracker arrangements and the separate reporting arrangements for MIS. The CFO suggested that it would be helpful to consolidate the reporting requirements into themes which would make the reporting arrangements more manageable.

The Committee agreed that this suggestion should be supported and implemented.

**Action: Chief Finance Officer**

- A member commented on the high financial costs of contracting with Interim's and asked about the approach to addressing the staffing issues and asked if the Group had considered several different approaches that were less expensive such as Golden Hello's.

The APPFP outlined the approaches that were being undertaken to fill the vacancies which were currently ongoing to the member's satisfaction.

**There were no further issues raised by members arising from the report and after due discussion and consideration it was resolved that the report be noted.**

**AUD/37/22 GMCA ESF Desk Based Evidence Check**

The APPFP provided members with a copy of report which detailed the requirements from the GMCA ESF desk-based evidence check in respect of the Group's AEB claims for 2019/2020 and 2020/2021.

The report provided members with details of the area of coverage for the check and that the Group had provided a response on 1 August 2022 to which no feedback had been received. It was also advised that a similar evidence check would take place for the Group's 2021/2022 claim.

There was a general discussion on the demands made upon the Group by repeated external audits and that the Group needed to look forward regarding such issues and be in an informed position regarding external requirements and expectations.

The APPFP undertook to provide details of any outcomes if they were received in time for the next meeting.

**Action: Assistant Principal Planning, Funding and Performance**

**Minute No:**

**There were no further matters raised by members arising from the update and it was resolved that it be noted.**

**AUD/38/22 Internal Audit Progress Report 2021/2022**

The Internal Auditor (IA) provided the Committee with a verbal update concerning internal audit progress and advised that the progress was covered in the Draft Annual Internal Audit Report 2021/2022 which was to be considered at agenda item 9 of the meetings business items.

**There were no matters raised by members arising from the update and it was resolved that it be noted.**

**AUD/39/22 Internal Audit- Visit 3 2021/2022**

Prior to presenting the reports the IA drew the Committee's attention to the revised format of the reporting and in particular the Executive Summary which he explained in detail and asked for members views of the changes.

A member commented that in his view the changes were marginally better than previous reports.

The IA then presented the two internal Audit reports for the Committee's consideration as part of the agreed Internal Audit Plan for 2021/2022 as follows:

- **New Finance System**

The IA commented that the audit was an additional piece of work which had been undertaken from the contingency allowance which was carried out in May 2022 with the new finance system being operative in April 2022.

The IA further advised of the purpose and scope of the review and commented that that the audit had a good and positive performance outcome.

It was advised that the level of assurance for **Design was Moderate (Blue) and for Operational Effectiveness it was Substantial (Green).**

The IA further advised that there had been **only two recommendation of low significance** all of which had been agreed with management.

Members made several comments arising from the report as follows:

- A member commented that it was a very positive report, and it was apparent that management had implemented the new system very well. In answer to a question relating to the practitioners' views of the new system the Director of Finance (DoF) advised that there were still some challenges but that the new system was very positive, and she outlined the benefits that had been secured compared to previous practices.

**Minute No:**

- A member commented about the potential contradiction of have a Moderate Assurance for Design and yet a Substantial Assurance for Operational Effectiveness and asked for the IA view on the matter.

The IA advised that the issues were very minor and related to design which was not within the remit of the Group rather the producers of the system – CIVICA.

- A member asked if the point of the introduction of the new finance system was around moving from a paper-based approach and new enforced methods of controls.

The DoF advised that it was and explained in detail the systems approach Pre – Covid and how the new system led to more accountability and much clearer audit trails and continuity of approach across the 5 Campuses. The CFO advised that the new finance systems enforced the controls that were already in place in the Financial Regulations.

**There were no further questions or issues raised by members arising from the report and after due discussion and consideration it was resolved that it be recommended to the Board of the Corporation for approval.**

**Action: Board of the Corporation**

- **Learner Records – Apprenticeships**

The IA advised that the level of assurance arising from the audit was for **Design was Moderate (Blue) and for Operational Effectiveness it was Moderate (Blue)**.

The IA further advised that there had been **two moderate recommendations and two recommendation of low significance** all of which had been agreed with management.

The IA provided the Committee with an overview of the recommendations and the reasons for the assurance gradings, he further advised that the number and level of the recommendations contained in the conclusion should read as detailed in the minute and not in the report.

Members raised several issues arising from the report as follows.

- A member sought clarity around the timeliness issues and the procedures that needed to be improved.

The IA explained that the issue lay around getting information to the MIS team and that the review of the process should alleviate such difficulties going forward.

- A member questioned the action dates as detailed in the report and whether they were achievable given the current timings.

The APPFP advised of some of the staffing issues that impacted on timeframes but that generally the time frames were realistic in terms of the current work that was on going although there may be some minor slippage on target dates (September to October 2022).

**Minute No:**

- A member asked how the Group's performance in this area compared to other Colleges.

The IA advised that it was broadly comparable.

**There were no further questions or issues raised by members arising from the report and after due discussion and consideration it was resolved that it be recommended to the Board of the Corporation for approval.**

**Action: Board of the Corporation**

**AUD/40/22 Draft Internal Audit Report 2021/2022**

The IA presented a report which fulfilled their requirement to provide the Board of the Corporation, through the Audit Committee, with an opinion on the adequacy and effectiveness of the Group's risk management, governance, and internal control processes.

The IA commented that in comparison with other providers the report was a good one and it contained no high recommendation from any of the audits undertaken in year.

The CFO advised that the close down meeting with the internal auditors did not contain any surprises and a member commented that it was a good report with a very high level of follow up being achieved.

The IA advised the Committee that, in assessing the level of assurance to be given, they had considered the following factors:

- all internal audits undertaken by BDO during 2021-2022.
- any follow-up action taken in respect of audits from previous periods for these audit areas.
- whether any significant recommendations have not been accepted by management and the consequent risks.
- the effects of any significant changes in the organisation's objectives or systems.
- matters arising from previous internal audit reports to The Trafford College Group; and
- any limitations which may have been placed on the scope of internal audit. Regarding this the auditor advised that no restrictions were placed on their work.

The IA further advised that in their view, based on the 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 examined were found to be suitably designed to achieve the specific risk management, control and governance arrangements.
- based on the sample testing, 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.

**Minute No:**

**There were no further issues raised by members arising from the report and after due discussion and consideration it was resolved that it be recommended to the Board of the Corporation for approval.**

**Action: Board of the Corporation**

**AUD/41/22 Financial Statements and Regularity Auditors Progress Report 2021/2022**

The Financial Statements and Regularity Auditors (FSRA) presented a report which advised the Committee of the progress that had been made in respect of the preparatory work for the 2021/2022 Annual Report.

The key issues that the FSRA covered in his progress report were as follows:

- Progress, milestones and completion activity for the key elements of the financial statements and regularity audit work.
- Teachers' Pension end of year certificate.
- Transaction Grant Audit.

The FRSA commented that the team were currently mid-way through the audit and that to date all requests for information had been met. He advised that in terms of the key areas of, systems documentation, interim work around funding and interim audits in terms of purchase testing he was pleased with the progress that had been made.

He further advised that the internal planning meeting had taken place and that the field work was due to begin the following week with everything being on track. He expressed his thanks to the team at the Group for the time they had given to date to support the audit.

Members raised several issues arising from the report as follows:

- A member asked if they had been able to access the previous incumbents (GT) files to help support the audit.

The FRSA advised that they had asked but no access to the files had been provided to which the member expressed his disappointment but that he was not surprised.

- A member asked if any of the work undertaken to date had given any cause for concern.

The FSRA advised that it had not but that the areas covered so far had been relatively routine. The CFO commented that a potentially contentious issue would be the valuation of the Pension Scheme particularly in the context of the current inflation rates.

- The CS asked about the FRSA auditors' approach to Income recognition given the decision by the ESFA to withdraw certification of assurance last year.

The FRSA advised that they had undertaken this work already and provided a detailed explanation of the work undertaken and the sample sizes involved in the work. He commented that there were no issues relating to 16-19 or apprenticeships but that

**Minute No:**

the end of year reconciliation work still needed to be undertaken. It was noted that this was a smaller sample size than in the previous year but that it was much clearer and reasonable.

**There were no further matters raised by members arising from the progress report and it was resolved that it be noted.**

**AUD/42/22 New Subcontracting and Assurance Review Process**

The CFO presented a report which provided members with a report which outlined the new arrangements that the ESFA had put in place in respect of the standards for Subcontracting and Assurance Review Process.

The report included a copy of the guidance issued by the ESFA for Assurance Reviews of the subcontracting standard for post 16 providers.

The report provided members with the following information and the CFO provided the Committee with an overview of the main changes, the new requirements and the implication for the Group as follows:

- The terms of reference for appointing or engaging with the Reporting Accountant was now prescribed. The CFO advised that it was likely, as a result of this, that there would need to be a separate letter of engagement for this specific assurance.

The Committee discussed this issue in detail and the IA advised that BDO were currently seeking advice from their legal team regarding the matter and in particular where the responsibility for assurance work lies and whether there was a need for a separate letter of engagement.

He undertook to advise the Group of the outcomes from this as soon as they were known.

**Action: Internal Auditor BDO**

- Other requirement changes including reports to be provided to the ESFA by 31 July with their commitment to responding within 12 weeks with the outcome of their assessment and whether there is any further work required. That once the standard was achieved it would remain in place for three years, unless there are material changes.

A member sought clarification regarding the three-year period for the standard to remain in place. The CFO advised that it was not crystal clear from the documentation and that it was her view that if the standard was not met that it would be reviewed again the following year.

- It was also advised that there is a requirement for the Group to self-assess and that that the reporting accountant would design their own work programme based on the requirements within the guidance. It was noted that Management was still to determine the appropriate mechanism for the self-assessment review.

**Minute No:**

- Regarding assurance the CFO advised that the ESFA no longer required an assurance opinion, although the Group could request an opinion from the Reporting Accountant.

A member commented that in his view the guidance was unclear, and a number of issues needed to be clarified in addition to the ones already discussed which included the impact on the Group's Audit Plan, whether each sub-contractor was to be audited, the responsibility for signing off Annex E and was the process assurance or opinion and suggested that it might be worth discussing the matter with other Colleges to see what their views were on the matter.

The CFO undertook to raise the issue with the Finance Officers Network.

**Action: Chief Finance Officer**

Following the discussions, it was agreed that further consideration should be given to the matter once clarity had been achieved in respect of the items discussed. The CFO commented that it was hoped that further clarity could be achieved in time for the next Committee meeting when a further update would be provided.

**Action: Chief Finance Officer**

In discussion a member asked why the Board Assurance Framework Report and the Audit Tracker update were not on the meeting's agenda.

The CS advised of the planned annual cycle of business undertaken by the Committee and that both reports were considered in the Autumn Term at the Committee's November meeting and thereafter on a termly basis which was duly noted.

**There were no further issues raised by members arising from the report and it was resolved that it be noted.**

**AUD/43/22 Annual Audit Committee Self-Assessment 2021/2022**

The CS presented a report, which summarised the responses from members regarding the Audit Committee Self-Assessment 2021/2022.

The CS advised that most of the assessments had been completed affirmatively except for several issues that were reported directly to the Board of the Corporation and external meetings undertaken by the Chairperson of the Committee of which the co-opted members would have limited knowledge.

The Committee had a discussion regarding the supporting evidence of the questionnaire and in discussion it was agreed that, in future, the CS should populate the relevant elements of the questionnaire before it is sent to members.

**Action: Corporation Secretary**

There were no further issues raised by members arising from the report and after due discussion and consideration it was resolved that it be noted.

**Minute No:****AUD/44/22 Any Other Business**

The Chairperson sought Committee members views in respect of whether future meetings should be held either virtually or physically.

All members expressed their views regarding the matter and there was a consensus that all meetings should be held physically going forward.

Members also had a discussion concerning the preferred starting time for the meetings and after considering and discussing a wide range of factors it was agreed that future meetings should commence at 4.00pm.

The CS undertook to make the necessary amendments for the next Committee meeting.

**Action: Corporation Secretary**

It was also agreed that the position should be reviewed in July 2023.

**Action: Audit Committee**

**There were no further matters raised under any other business.**

**AUD/45/22 Date of the Next Meeting**

It was agreed that the next meeting would be held at 4.00pm on Monday 21 November in the Boardroom at the Altrincham Campus.

**Action: Corporation Secretary**

The meeting finished at 7.19 pm