



COLEG Sir Benfro
Pembrokeshire COLLEGE

Audit Committee

Annual Report
1st August 2022 -
31 July 2023



1.0 Introduction

- 1.1 In compliance with the Welsh Government Further Education Audit Code of Practice, the following Report for the year ended 31/07/23 has been prepared by the Pembrokeshire College Audit Committee. The Report has been prepared for the Corporation Board and will be considered prior to the approval of the 2022/23 statutory accounts.
- 1.2 The Report uses the guidance contained in Annex C of the revised Further Education Audit Code of Practice (issued March 2015).

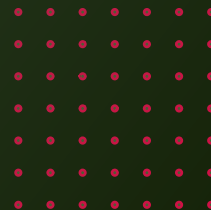
2.0 Membership

2.1 The following Committee Members served during the 2022/23 academic year:

- Dylan Harries – Chair of Audit Committee (Appointed to the Board and Audit Committee in December 2020, re-appointed as Chair in December 2022)
- Jonathan Haswell - (Appointed to the Board and Audit Committee in October 2014, finished his term of office in October 2022)
- Andy Jones - (Appointed to the Board and Audit Committee in July 2017, previously a co-opted member of the Committee)
- Marc Blockwell - (Appointed to the Board and Audit Committee in January 2020)

2.2 From November 2022, the Committee was made up of 3 members, due to one member completing their second term of office in 2022. The composition of the Audit Committee is in accordance with the guidelines defined in the Code of Practice (paragraphs 3.4 and 3.5).

2.3 Catherine Freeman is the Governance Officer and Clerk to the Committee and to the Corporation Board.



3.0 Meetings

3.1 The Committee met on 5 occasions during the year:

- 4th October 2022
- 23rd November 2022 – Pre-meeting regarding resolution of pension issue.
- 28th November 2022 – Presentation of the Accounts (followed by the annual meeting with External and Internal audit representatives without Management Team present)
- 31st January 2023
- 21st June 2023

3.2 Overall attendance for Committee Members was 94% (previous year 88%).

3.3 The following members of the Senior Management Team attended meetings:

- Barry Walters - Principal
- David Evans - Assistant Principal Commercial and Client Services
- Jackie Mathias - Assistant Principal Vocational Studies
- Caroline James - Director of Resources
- Berni Tyler – Director of Work Based Learning
- Emma James – Health, Safety, Sustainability & Risk Manager
- Steve Jones – Head of Estates and Facilities
- Sion Morgan – Accounts & Finance Manager

In addition, the following bodies were represented when required to present their reports:

- PriceWaterhouseCoopers (PwC) - External Auditors
- TIAA - Internal Auditors

4.0 Terms of Reference

- 4.1 The Committee adopted the Terms of Reference as set out in the revised Audit Code of Practice. The Committee annually reviews its Terms of Reference and one minor change was made during 2022/23 to clearly state that the Chair was eligible for re-appointment.

5.0 Internal and External Audit Providers

- 5.1 The Board appointed PwC as the External Audit Providers in August 2018. The contract was let on a five-year maximum term made up of an initial contract period of 3 years from 1st August 2018 to 31st July 2021, with an option to extend for one year plus a further year with the agreement of both parties.
- 5.2 The Board appointed TIAA as Internal Audit Providers in August 2018. The contract was let on a five-year maximum term made up of an initial contract period of 3 years from 1st August 2018 to 31st July 2021, with an option to extend for one year plus a further year with the agreement of both parties.
- 5.3 The Board re-appointed PwC as the External Audit Providers and TIAA as the Internal Audit Providers
- for a further year from 1st August 2022 to 31st July 2023. A full tender exercise was undertaken during 2022/2023 for both Internal and External Audit Providers. The result of the exercise was the appointment of Azets as the External Audit Providers from 1st August 2023. Wylie Bissett was appointed as the Internal Service Providers from 1st August 2023.
- 5.4 College Management have been content with the service provided by both TIAA and PwC. The Key Performance Indicators (as set out in the Audit Code of Practice 2015) since the commencement of the contracts have been satisfactory and approved annually by the Audit Committee.



6.0 Internal Audit

- 6.1 This section includes extracts from the Internal Audit Annual Report for the year ending 31st July 2023. The full Internal Audit Annual Report is attached to this report.
- 6.2 The Annual Report by TIAA summarises the outcomes of the reviews carried out on Pembrokeshire College's framework of governance, risk management and control. The 2022/23 Annual Audit Plan approved by the Audit Committee was for 60 days of internal audit coverage in the year. During the year no changes were made to the agreed Audit Plan. The Internal Auditors informed the Audit Committee that there had been no limitations or restrictions placed on the internal audit service which impaired either the independence or objectivity of the service provided. All planned work was carried out and reports issued. There were two extra days (one day from contingency and one additional day) carried out which were in addition to the work set out in the Annual Audit Plan. This was for Health and Safety - Workshops (Brickwork and Electrical) and was requested by management and approved by the Audit Committee.
- 6.3 TIAA carried out 15 reviews, 14 of which were designed to ascertain the extent to which the internal controls in the system were adequate to ensure that activities and procedures were operating to achieve Pembrokeshire College's objectives. For each assurance review an assessment of the combined effectiveness of the controls in mitigating the key control risks was provided. The table opposite outlines the areas reviewed, the type of review and assurance assessment.
- 6.4 Seven out of the 15 Internal Audits provided substantial levels of assurance and 7 reasonable levels of assurance. There was one follow up review. There were no limited or unacceptable assurance reports.
- 6.5 Based on the testing undertaken, the Internal Auditors were able to give an opinion that Pembrokeshire College has reasonable and effective risk management, control and governance processes in place.

6.6 Internal Audit's Annual Opinion - 'TIAA is satisfied that, for the areas reviewed during the year, Pembrokeshire College has reasonable and effective risk management, control and governance processes in place. This opinion is based solely on the matters that came to the attention of TIAA during the course of the internal audit reviews carried out during the year and is not an opinion on all elements of the risk management, control and governance processes or the ongoing financial viability or your ability to meet financial obligations which must be obtained by the Pembrokeshire College from its various sources of assurance.'

System	Type	Assurance Assessment
Performance Management	Assurance	Substantial
Risk Management – Mitigating Risks	Compliance	Substantial
Data Protection	Compliance	Substantial
Purchasing and Procurement	Assurance	Substantial
Cash and Treasury Management	Assurance	Reasonable
Concerns and Complaints	Compliance	Substantial
Campus Security	Assurance	Substantial
A Levels & Skills and Welsh Language Faculty Review	Compliance	Substantial
WBL Delivery & Contract Mgt – Cross College	Compliance	Reasonable
WBL – Consortium Contract Management	Compliance	Reasonable
Employer Engagement Strategy	Assurance	Reasonable
Human Resources – Training & Appraisals	Assurance	Reasonable
Educational Visits – Health & Safety	Compliance	Reasonable
Health & Safety – Workshops (Brickwork & Electrical)	Compliance	Reasonable
Follow-up	Follow up	-
(A definition of the levels of assurance is given in the Internal Audit Annual Report)		

7.0 External Audit

The following was presented as a report to the Audit Committee on 16th November 2023. All extracts included below refer to this presentation.

7.1 Preparation of Financial Statements

We are pleased to note that all information was prepared on a timely basis and in accordance with the agreed year end timetable. The schedules, analyses, audit trail and other supporting information provided has continued to be of a high standard. We expect to issue an unqualified audit opinion.

7.2 Financial performance

The College is reporting a surplus before actuarial gains on the pension scheme of £1,292k compared with £56k in the prior year. Overall income has increased by £140k while total expenditure has decreased by £1,088k.

Income statement	2023	2022	2021	2020
	£000	£000	£000	£000
Total Income	43,818	43,678	34,825	30,423
Staff Costs	(18,226)	(17,734)	(16,676)	(15,403)
Other operating expenses	(22,494)	(24,121)	(17,059)	(14,562)
Depreciation	(1,580)	(1,337)	(1,281)	(1,190)
Interest and other finance costs	(166)	(322)	(349)	(288)
Total Expenditure	(42,466)	(43,514)	(35,365)	(31,443)
Adjusted EBITDA	2,344	2,739	1,820	1,219
Net cash interest receivable	61	(295)	(346)	(272)
Staff restructuring costs	(14)	(44)	(18)	(12)
Depreciation	(1,580)	(1,337)	(1,281)	(1,190)
Release of capital grants	1,087	880	792	568
FRS 102 pension & early retirement charges	(546)	(1,779)	(1,507)	(1,333)
Surplus/(Deficit) for the year	1,352	164	(540)	(1,020)
(Loss) on disposal of fixed assets	(60)	(108)	(27)	(55)
Surplus/(Deficit) for the year	1,292	56	(567)	(1,075)
Actuarial gain/(loss) in respect of pension schemes	9,852	17,421	2,919	(7,271)
Total Comprehensive income	11,144	17,477	2,352	(8,346)

7.0 External Audit Continued

These reported figures include significant 'non-cash' items - most notably the accounting treatment for the College's share of the local government pension scheme ("LGPS"). Adjusting for these items (as shown in the shaded area of the table) shows a more representative and healthy picture of the underlying cash generated by the College. The adjusted EBITDA ('cash surplus') is £2.3m which is £395k (14%) below the record 2022 result but still 29% higher than 2021.

The overall summary of the movement at EBITDA level is one where the increases in WG funding (excluding franchised income) of £1.2m have been completely absorbed by increases in cash staff costs of £1.75m. This is coupled with non-pay cost savings and reduction in operating costs of £0.2m despite the high inflationary environment.

The total reported "bottom line" performance of the College is a 'comprehensive income' of £11.1m after accounting for another actuarial gain on the pension scheme. This is primarily due to another increase in the discount rate used to value future pension costs from 3.5% to 5.1%. For the first time since the introduction of the accounting standard that brings the pension scheme onto the College's balance sheet, there is now an overall surplus position of £3.6m at 31 July 2023.

7.3 Going concern and liquidity

Under ISA 570 (UK), we are responsible to obtain sufficient audit evidence that the College's basis of preparation of the financial statements as a going concern remains appropriate.

The current level of cash, absence of external debt and forecast EBITDA for FY24 mean that there are no going concern issues to consider in the next 12 months.

7.4 Pensions

The College participates in two pension schemes:

- Teachers Pension Scheme (TPS)
- Local Government Pension Scheme (LGPS)


Teachers' Pension Scheme (TPS) - The TPS is a UK-wide scheme which is a statutory unfunded, defined benefit occupational scheme. As a result the scheme is treated as a defined contribution scheme for FRS 102 purposes. Accordingly there is no provision made under FRS 102.

LGPS - The deficit in the LGPS scheme as at 31 July 2023 stands at a surplus of £3.6m compared with the deficit of £5.4m at the prior year end – see movements opposite:

£000	2023	2022	2021	2020
Scheme deficit at 1 August	(5,441)	(20,704)	(21,749)	(12,981)
Movement in year:				
Current and past service cost	(1,992)	(3,041)	(2,564)	(2,095)
Contributions	1,391	1,205	1,029	895
Net interest on liability	(166)	(322)	(339)	(297)
Actuarial gains/(loss)	9,852	17,421	2,919	(7,271)
Scheme surplus/(deficit) at 31 July	3,644	(5,441)	(20,704)	(21,749)
College's "share" of the scheme				
Market value of assets	37,863	35,706	34,610	27,586
Actuarial value of scheme liabilities	(34,219)	(41,147)	(55,314)	(49,335)
Pension fund surplus/(deficit)	3,644	(5,441)	(20,704)	(21,749)

7.0 External Audit Continued

The actuarial assumptions are deemed to be within the acceptable range – see below:

Assumptions	Position in range					FY22 rate
	FY23 rate	PwC acceptable range	* Optimistic	Prudent	Impact on deficit (compared to expected range)	
Discount rate	5.10%	4.95% - 5.25%			↔	3.50%
CPI	2.70%	2.50% - 3.30%			↑	2.60%
Salary increases	4.20%	3.50% - 5.50%			↔	4.10%

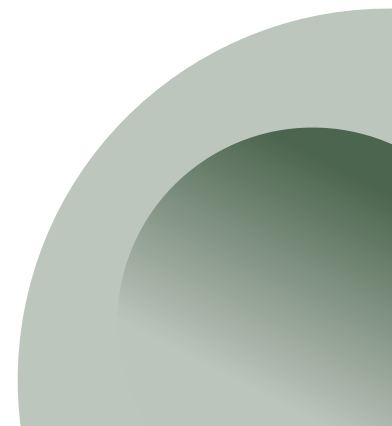
7.6 Internal Accounting Control

There are no significant control issues arising from our audit that we consider need to be brought to your attention. We have not repeated in this letter any matters raised by the College's internal audit provider during the year.

8.0 The Work of the Committee

8.1 The Committee considered the following during the period ended 31st July 2023:

- Review of Terms of Reference
- Accounting Policies 2021/22
- External Audit Plan 2021/22
- Annual Review of CRM Strategy, Plan & Risk Appetite 2022/23
- Review of Compliance with Mandatory Requirements of Audit Code of Practice
- Audit Related Letters Review 2021/22
- Documents Under Seal Register 2021/22
- Gifts and Hospitality Register 2021/22
- Review of Confidential Items 2021/22
- Losses/Bad Debts 2021/22
- Declarations of Interest for Board Members and Senior Management
- Procurement Savings Report 2021/22
- Presentation of Accounts
- Comparison of Accounts for YE 31/07/21, with Forecast at June 2022
- External Audit Statement of Reliance on Internal Audit 2021/22
- Representation Letter
- Report on the 2022 Audit of FE Funding Data Return
- Review of Systems of Internal Control
- Audit of Funds for the Purpose of YE 31/07/22
- Report on the 2022 Audit: Management Letter
- Certificate of Losses for Year ended July 2022
- Related Party Transactions for YE July 2022



8.0 The Work of the Committee Continued

- Emoluments of Principal and Higher Paid Staff
- Audit Committee's Annual Report 2021/22
- Draft Financial Accounts for YE 31/07/22
- Auditor's Performance Indicators 2021/22
- Private Discussion with Internal and External Auditors without Managers
- Internal Audit Reports
- Tender Exercise and appointment of Internal and External Audit Providers
- Audit Needs Assessment and Operational Plan 2023/24
- Amendments to Procurement Thresholds & Authorisation Levels
- Internal Audit Annual Report 2022/23
- GDPR and Data Protection Log
- *New and Emerging Risks
- *Other Audits
- *Financial Regulations
- *Internal Audit Database of Outstanding Actions
- *Audit Committee Database of Outstanding Actions
- *Single Tenders
- *Risk Referrals
- *Audit Related Letters
- *Reportable Events
- *Fraud Register
- *Summary of Internal Controls Assurance

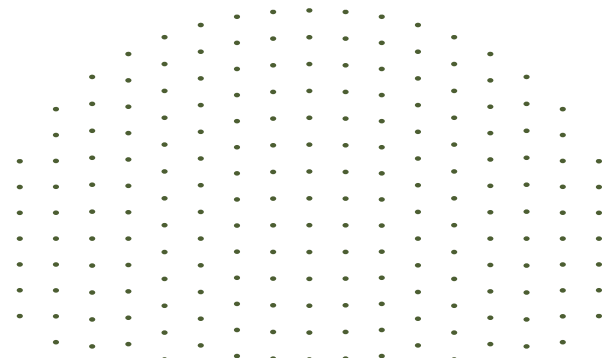
Note: Asterisked headings are standing items on every Audit Committee agenda

- 8.2 An additional meeting of the Audit Committee was held due to a pension issue that arose as part of the Financial Accounts for YE 31/07/22. The issue was resolved prior to the final account being presented. The Committee assisted the Director of Resources in resolving the matter and their advice and scrutiny was well received.
- 8.3 The Chair of the Audit Committee was the Committee's representative to work alongside College Management for the tender process for the Internal and External Audit Provider contracts. The Committee was kept appraised of progress throughout the process and appointed the new providers at the June 2023 meeting. The appointments were ratified by the Board at its July meeting.
- 8.4 No audit related letters were received during 2022/23.
- 8.5 Chapters of the College's Financial Regulations are reviewed by the Committee on a rolling programme and amendments are made in accordance with updated guidance and recommendations. The Committee provided guidance and proposed amendments where appropriate.



9.0 Audit Committee Opinion of Internal Audit Controls

- 9.1 The Audit Committee is required to give an opinion on the effectiveness of audit arrangements for the institution and to give an opinion on the extent to which the Corporation Board can rely on the risk management, control and governance arrangements of the Institution.
- 9.2 The Audit Committee is aware of its role and required outcomes and its work is directed to achieving these goals. Opinions formed by the Committee are based on opinions expressed by the Internal Auditors, External Auditors, PAGS, Estyn and other agencies, as well as the College Management Team. Generally, the Internal Auditors perform the lead role in the process as their work plan is integrated with that of the Committee.
- 9.3 Based on the work undertaken, the reports received and the Audit opinion presented by the Internal Auditor, the Committee is of the opinion that - in relation to the audits undertaken in the period under review, Pembrokeshire College has reasonable and effective risk management, control and governance processes providing reasonable assurance to the Corporation Board for the achievement of the College's objectives.



10.0 The Future Role of the Committee

10.1 The Committee has supported and challenged the College Management throughout 2022/23, to ensure there is effective risk management mechanisms in place and compliance with governance requirements. It is resolved to continue the development of its role in line with legislative and good practice requirements.



Signed: _____
Chair of Audit Committee

Date: _____

Annex A



Pembrokeshire College

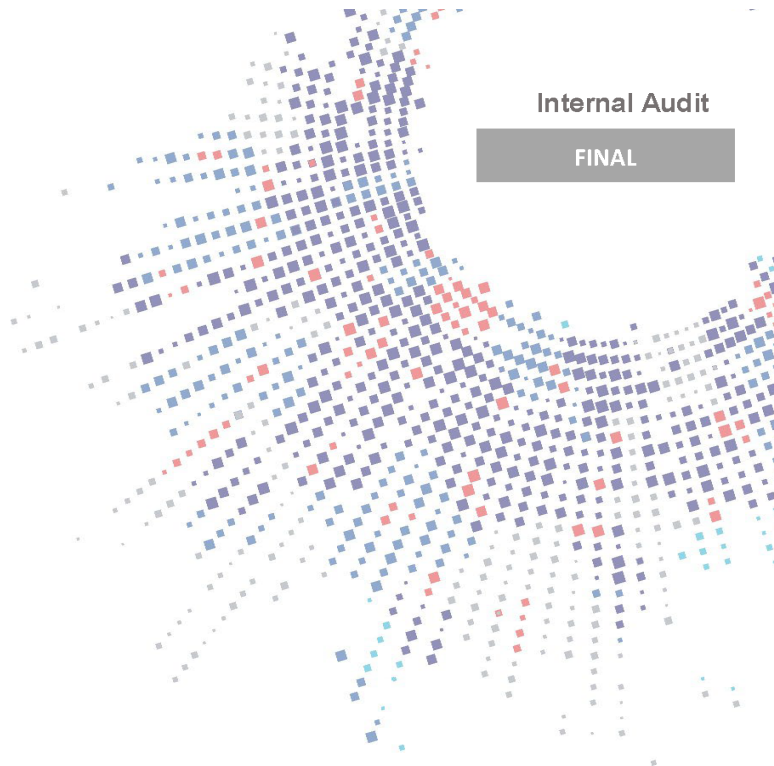
Internal Audit Annual Report

2022/23

June 2023

Internal Audit

FINAL



Internal Audit Annual Report

Introduction

This is the 2022/23 Annual Report by TIAA on the internal control environment at Pembrokeshire College. The annual internal audit report summarises the outcomes of the reviews we have carried out on the organisation's framework of governance, risk management and control. This report is designed to assist the Board of Governors in making its annual governance statement.

Our approach is based on the International Standards for the Professional Practice of Internal Auditing which have been developed by the Institute of Internal Auditors (IIA) and incorporate the Public Sector Internal Audit Standards (PSIAS). In 2022, TIAA commissioned an External Quality Assessment (EQA) of its internal audit service. The independent EQA assessor was able to conclude that TIAA 'generally conforms to the requirements of the Public Sector Internal Audit Standards and the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF)'. 'Generally conforms' is the highest rating that can be achieved using the IIA's EQA assessment model.

Ongoing quality assurance work was carried out throughout the year and we continue to comply with ISO 9001:2015 standards. Our work also complies with the IIA-UK Professional Standards.

HEAD OF INTERNAL AUDIT'S ANNUAL OPINION

TIAA is satisfied that, for the areas reviewed during the year, Pembrokeshire College has reasonable and effective risk management, control and governance processes in place.

This opinion is based solely on the matters that came to the attention of TIAA during the course of the internal audit reviews carried out during the year and is not an opinion on all elements of the risk management, control and governance processes or the ongoing financial viability or your ability to meet financial obligations which must be obtained by the Pembrokeshire College from its various sources of assurance.

Internal Audit Planned Coverage and Output

The 2022/23 Annual Audit Plan approved by the Audit Committee was for 60 days of internal audit coverage in the year.

During the year there were no changes to the agreed Audit Plan.

The planned work that has been carried out against the plan is set out at Annex A.

There were two extra days (one day from contingency and one additional day) carried out which were in addition to the work set out in the Annual Audit Plan. This was for Health and Safety - Workshops (Brickwork and Electrical) and was requested by management and approved by the Audit Committee.

Assurance

TIAA carried out 15 reviews, 14 of which were designed to ascertain the extent to which the internal controls in the system are adequate to ensure that activities and procedures are operating to achieve the Organisation's objectives. For each assurance review an assessment of the combined effectiveness of the controls in mitigating the key control risks was provided. Details of these are provided in Annex A and a summary is set out below.

Assurance Assessments	Number of Reviews	Previous Year
Substantial Assurance	7	10
Reasonable Assurance	7	5
Limited Assurance	0	0
No Assurance	0	0

The areas on which the assurance assessments have been provided can only provide reasonable and not absolute assurance against misstatement or loss and their effectiveness is reduced if the internal audit recommendations made during the year have not been fully implemented.



We made the following total number of recommendations on our audit work carried out in 2022/23. The numbers in brackets relate to 2021/22 recommendations.

Urgent	Important	Routine
0 (0)	13 (0)	36 (30)

Audit Summary

Control weaknesses: There were no areas reviewed by internal audit where it was assessed that the effectiveness of some of the internal control arrangements provided 'limited' or 'no assurance'.

Recommendations Made: We have analysed our findings/recommendations by risk area and these are summarised below.

Risk Area	Urgent	Important	Routine
Directed			
Governance Framework	0 (0)	3 (2)	12 (3)
Risk Mitigation	0 (0)	0 (0)	1 (2)
Compliance	0 (0)	8 (6)	23 (18)
Delivery			
Performance Monitoring	0 (0)	2 (0)	0 (7)
Sustainability	0 (0)	0 (0)	0 (0)
Resilience	0 (0)	0 (1)	0 (0)

Operational Effectiveness Opportunities: One of the roles of internal audit is to add value and during the financial year we provided advice on opportunities to enhance the operational effectiveness of the areas reviewed and the number of these opportunities is summarised below.

Operational
15 (25)

Independence and Objectivity of Internal Audit

There were no limitations or restrictions placed on the internal audit service which impaired either the independence or objectivity of the service provided.

Performance and Quality Assurance

The following Performance Targets were used to measure the performance of internal audit in delivering the Annual Plan.

Performance Measure	Target	Attained
Completion of Planned Audits	100%	100%
Audits Completed in Time Allocation	100%	100%
Final report issued within 10 working days of receipt of responses	95%	100%
Compliance with Public Sector Internal Audit Standards	100%	100%

Release of Report

The table below sets out the history of this Annual Report.

Date Report issued:

5th June 2023

Annexes

Annex A

Actual against planned Internal Audit Work 2022/23

System	Type	Planned Days	Actual Days	Assurance Assessment	Comments
Performance Management	Assurance	3	3	Substantial	Final Report Issued
Risk Management - Mitigating Risks	Compliance	3	3	Substantial	Final Report Issued
Data Protection	Compliance	5	5	Substantial	Final Report Issued
Purchasing and Procurement	Assurance	3	3	Substantial	Final Report Issued
Cash and Treasury Management	Assurance	3	3	Reasonable	Final Report Issued
Concerns and Complaints	Compliance	3	3	Substantial	Final Report Issued
Campus Security	Assurance	3	3	Substantial	Final Report Issued
A Levels and Skills and Welsh Language Faculty Review	Compliance	7	7	Substantial	Final Report Issued
Work Based Learning Delivery & Contract Mgt. – Cross College	Compliance	7	7	Reasonable	Final Report Issued
Work Based Learning – Consortium Contract Management	Compliance	5	5	Reasonable	Final Report Issued
Employer Engagement Strategy	Assurance	3	3	Reasonable	Final Report Issued
Human Resources – Training and Appraisals	Assurance	3	3	Reasonable	Final Report Issued
Educational Visits – Health and Safety	Compliance	3	3	Reasonable	Final Report Issued
Health and Safety – Workshops (Brickwork and Electrical)	Compliance	0	2 ¹	Reasonable	See note 1.
Follow-up	Follow up	2	2	N/A	Final Report Issued
Contingency		1	*		Used for Health and Safety – Workshops
Annual Planning	Management	2	2		Final Report Issued
Annual Report	Management	1	1		Final Report Issued
Audit Management	Management	3	3		
Total Days		60	61		

Note 1: one day was taken from the contingency balance (*) and one additional day was agreed.



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