

## **Minutes of Audit Committee held on Monday 8<sup>th</sup> March 2021 at 4.30pm via Microsoft Teams**

Members Present: Charlie Harvey (Chair)  
Sharon Birdi  
Liam Butler  
Wendy Davies

In Attendance: Andy Comyn (Chief Operating Officer)  
Gill Darwood (Senior Officer - Corporate Governance) (SOCG)  
Tony Felthouse (KPMG)  
Asam Hussain (RSM)  
Neil Thomas (Chief Executive & Principal)

### **1 Confirmation of quorum and apologies for absence**

1.1 Apologies for absence were received from Ester Gopoza. The SOCG confirmed that the meeting was quorate.

### **2 Declarations of Interest**

2.1 There were no declarations of interest.

### **3 Minutes of Meeting on 30<sup>th</sup> November 2020**

3.1 The minutes were accepted as an accurate record for signature by the Chair.

### **4 Matters Arising**

4.1 There were no matters arising.

*T Felthouse and A Hussain withdrew from the meeting.*

## **5 External Audit**

### **5.1 Confidential - External Auditors' Performance, 2019/20 accounts**

*This matter is the subject of a separate and confidential minute.*

*Tony Felthouse re-joined the meeting.*

### **5.2 Confidential - re-appointment of external auditors for 2020/21 accounts**

*This matter is the subject of a separate and confidential minute.*

*A Hussain re-joined the meeting.*

## **6 Internal Audit**

### **6.1 Internal Audit Progress Report, including internal audit reports**

6.1.1 The COO presented the internal audit progress report which included reports on the work carried out by RSM in the 2019/20 academic year to-date and a document on "Determining Your College Risk Appetite", which set out how a college Board may seek

to determine its risk appetite and how risk appetite should be used. This would be discussed in more detail later in the agenda at item 8.2.

- 6.1.2 The reviews which had taken place since the last Audit Committee had resulted in 16 new or follow up recommendations as detailed in the individual reports which were considered in detail.
- 6.1.3 – *Data Protection and Freedom of Information Act* – This was an advisory review so no assurance opinion was provided. The review had resulted in 6 recommendations (4 low, 1 medium and 1 high). A Hussain provided an update in relation to the recommendations and answered members’ queries on points of detail. L Butler suggested that consideration should be given by management to any changes to processes to ensure that deadlines for responding to data requests were adhered to.
- 6.1.4 – *Higher Education Framework* – The review provided a ‘reasonable assurance’ opinion, resulting in 5 medium priority recommendations. In respect of completion of the HESES return, A Hussain confirmed that this had been completed on time. He outlined the recommendations in respect of compliance with the requirements of the Student Loans Company and answered members’ queries on points of detail. It was noted that this related to a relatively small cohort of 106 HE learners. The review had resulted in heightened awareness of the importance of full compliance by staff in this area and the potential impact on funding. The COO confirmed that controls in this area had been tightened with both staff and learners to ensure that paperwork was submitted in a timely manner.
- 6.1.5 A Hussain confirmed that in respect of the Competitions and Markets Authority requirements, the college was largely compliant, with one medium term action relating to timely review of the College Charter.
- 6.1.6 – *Procurement, Financial Planning & Budgetary Control Arrangements* – the review had provided a ‘substantial assurance’ opinion, resulting in 5 recommendations (2 low and 3 medium).
- 6.1.7 A Hussain provided clarification on a number of questions raised by members and in response to a question from S Birdi agreed to confirm the timeline for the completion of control reconciliations. (*Note – this was subsequently confirmed by A Hussain as having taken place on 15/12/20*).
- 6.1.8 The COO outlined the ongoing actions taken by the College with both staff and suppliers to minimise instances of orders being placed in advance of a purchase requisition being approved. He confirmed that any instances which had not followed the correct financial regulations had been investigated and were found to be legitimate purchases.
- 6.1.9 **It was resolved** To note the internal audit progress report and internal audit reports.

## 6.2 **Rolling Schedule of Audit Recommendations**

- 6.2.1 The COO presented a report which summarised the progress made in implementing the recommendations contained in the Audit Reports submitted by RSM in 2019/20. The report identified those recommendations that remained in progress and highlighted those that had been completed since the last review.

- 6.2.2 There were 2 medium recommendations outstanding from the last Committee meeting, one of which had now been completed and would be removed prior to the next meeting and the other remained in progress as a process needed to be revised which could only be implemented on the return of students to college post lockdown 3.
- 6.2.3 There were 16 new recommendations in the 3 reviews finalised since the last meeting, as seen at item 6.1. In total therefore, 17 recommendations would be carried forward and presented at the next meeting, comprising 6 low, 10 medium and 1 high priority recommendations. The high priority recommendation related to Freedom of Information requests being responded to within 20 working days following receipt of request.
- 6.2.4 In response to a query from the Chair, the COO clarified that the table heading labelled 'issue or due date' was either the issue date of the audit report, or when the audit was due to take place if in the future.
- 6.2.5 **It was resolved** To note the rolling schedule of audit recommendations.
- 6.3 **Benchmarking of internal audit findings 2019/20**
- 6.3.1 A Hussain presented a benchmarking report of internal audit findings in 2019/20 prepared by RSM, comparing the Dudley College outcomes to RSM's other Further Education clients.
- 6.3.2 It was noted that Dudley College compared very favourably to other FE providers in this report, with the College in the upper quartile of all FE College clients. The Chair noted that this report provided good assurance for the committee and asked if the number of reviews was reflective of other organisations. A Hussain explained that the appropriate number of reviews would normally be considered at the time of tender and was based on the size and complexity of the organisation. He agreed that this would be a useful indicator to build into future benchmarking reports and agreed to take this back for further consideration in compiling future reports. He confirmed that the report was based on data from approximately 150 colleges.
- 6.3.3 In response to a question from S Birdi, A Hussain noted that further good practice reports would be shared following on from the benchmarking exercise. (*Note – A Hussain confirmed following the meeting that the thematic review for 2021 would be Higher Education Delivery in FE Colleges*).
- 6.3.4 The COO noted the strength of RSM was in their ability to provide comprehensive sector wide information which provided the committee with this type of wider assurance. He further noted that each review they undertook was also a more in depth review than would have been done previously and the resultant higher number of recommendations was welcomed by the College.
- 6.3.5 **It was resolved** To note the report on benchmarking of internal audit findings 2019/20.

## 7 **OfS Review**

- 7.1 The CEP advised that on 14<sup>th</sup> January 2021 the Office for Students had written to all HE providers outlining its approach to regulation during the current phase of Covid pandemic and lockdown. A copy of the letter was provided to members. This letter made clear the expectation around consumer protection law and stated that it would be

asking all providers to 'undertake a review during the first half of the spring term of your compliance with consumer law and provide assurance to your governing body of ongoing compliance with ongoing condition C1 (guidance on consumer protection law).'

7.2 The letter further required Corporations to consider the following:

a. Re-test whether you were sufficiently clear with new and continuing students about how teaching and assessment would be delivered in 2020-21, the circumstances in which changes might be made, and what those changes might entail.

b. Assess whether students received, during the autumn term, the teaching and assessment they were promised and might reasonably have expected to receive based on the information provided.

c. Assess whether your current plans for the spring and summer terms would ensure that students received the teaching and assessment they were promised and might reasonably expect to receive based on the information provided.

7.3 The CEP explained that this requirement had formed part of the recent internal audit completed by RSM entitled "Higher Education Framework: Selected Controls for Higher Education Students Early Statistics (HESES) survey; Student Loans Company; and Competition and Markets Authority (CMA)", which had already been considered at item 6.1. However, given this explicit request by OfS it was being considered as a separate item so that members could assure themselves that this requirement had been met and so that it could be separately reported when shared at the next Corporation meeting.

7.4 The CE&P confirmed that students had received the teaching and learning to which they were entitled during the lockdown period, and any HE student who had requested a refund of fees had been reimbursed.

7.5 Members agreed that the audit undertaken had covered the requirements set out in point 'a' of the letter, but agreed that [points 'b' and 'c' be addressed through the completion of a self assessment on these aspects which could then be brought back to the next meeting of the committee for consideration.](#)

7.6 **It was resolved** To note the review of compliance with consumer law and ongoing compliance with condition C1.

## 8 Risk Management

### 8.1 Risk Management – Spring Term Report

8.1.1 The COO reported that the college Senior Leadership Group regularly reviewed the risk register and took actions on risks arising. The register was also reviewed by the Audit Committee at least once per term. The policy was currently working well and no changes were planned.

8.1.2 There were no new risks added to the risk register but the 'Latest Note' section on the following risks had been updated, including an increase in the score of 2 risks and the removal of 2 others:

CCR.03 - Failure to generate external full-cost income - this risk remained the same for in-country income. However, due to the international office being closed down, this risk would be removed prior to the next Audit committee meeting.

- CCR.04 - *Changing employer fees for apprenticeships would reduce demand for this work.* The College was waiting for WMCA to confirm their plans to expand the Levy Transfer Scheme for 2021.
- CCR.17 - *Insufficient management and business support capacity to cope with various initiatives, new projects and increased complexity of the sector - the recent restructuring had been completed,* including a decrease in the size of the senior leadership team, but it was anticipated that sufficient capacity remained to deal with all matters.
- CCR.24 - *A level and BTEC curriculum reforms adversely impact student success rates.* Likelihood had increased from 1 to 2, increasing the risk score from 3 to 6 due to the current L2 and L3 programme consultation that could impact opportunities for future students.
- CCR.34 - *Risk of the college not being 'a provider of choice' for the Local Enterprise Partnership (LEP).* Recommendation to be removed prior to the next Audit Committee.
- CCR.36 - *College fails to acquire land in Dudley for future strategic development, such as Institute of Technology -* risk deleted as land had been acquired.
- CCR.40 - *Failure to recruit sufficient high calibre industry standard staff to deliver higher technical and professional learning.* No change to previous score, but the risk score of 16 remained high given the need to recruit specialist technical staff ahead of the IoT opening in September 2021.
- CCR.45 - *Inability to meet funding/budget targets for apprenticeships due to changes in funding methodology, client profile and customer expectations.* Likelihood increased from 2 to 3 increasing the risk score from 8 to 12 due to the impact of Covid, although current year income remained on track to the revised RFI forecast.
- CCR.52 - *The college fails to get more learners to achieve highest grades, resulting in poor performance table results.* Upgrade week went ahead in January during lockdown with good engagement.
- CCR.53 - *Transfer of operation of Waltham Forest Construction Centre leads to reputational damage if outputs were not achieved -* risk removed following transfer of centre to another provider on 30 November 2020.
- CCR.59 - *Closure of one or more college sites due to pandemic illness (e.g. Coronavirus).* Very small number of positive cases, with no evidence that the source was from college.
- CCR.60 - *Heightened risk of deteriorating financial health, including short to medium term liquidity pressures, arising directly from the impact of the Covid-19 pandemic, including reduced activity and income levels and increased costs of delivery.* No change to the risk score, but it was expected the risk score would reduce ahead of the next meeting following completion of the restructuring exercise to re-align college costs with its lower income levels post Covid and the approval and implementation of a new financial strategy including financial milestones to 2025.

8.1.3 **It was resolved** To approve the updated risk register.

## 8.2 **Risk management update – RSM report – Determining your College/Academy Risk Appetite**

8.2.1 The COO reminded members that at the last Audit Committee meeting in November 2020, a proposal was approved to develop a prototype of a new risk model to run alongside the existing risk register to assess its effectiveness prior to acceptance by Audit Committee at either the March or June 2021 meetings. Given the recently approved financial strategy and the current recruitment of a new Chief Finance Officer, it had been decided to defer the implementation of a new risk model until later this year.

- 8.2.2 However, as seen earlier in the agenda at item 6.1, RSM had produced a helpful document to help college Boards and Audit Committees to determine a college's risk appetite and how this might be used. The document contained a number of themes for the committee to consider when the risk model was represented later in the year.
- 8.2.3 A Hussain noted that a lot of work had been undertaken by RSM through workshops with colleges and they were suggesting a facilitated board workshop would be a good way to explore the issue of risk appetite. **Members concurred with the view that the matter of risk appetite was one for the full Corporation rather than audit committee, whose role was to monitor the implementation of the arrangements agreed by the full Corporation.**
- 8.2.4 **It was resolved** To note the update on risk management.

## **9 Policies**

### **9.1 Privacy Notice**

- 9.1.1 The COO explained that changes to the Privacy Notice had been highlighted in the policy to reflect the introduction of a new safeguarding tool 'Senso' which was used to monitor certain words and images on college devices or used through college cloud based systems and for use of body-worn video equipment by members of the college's security team.
- 9.1.2 **It was resolved** To recommend the Privacy Notice to Corporation for approval.

## **10 Cyber security in colleges**

- 10.1 The COO noted that, following an AoC Webinar attended by one of the College Governors, a number of questions and recommendations were raised in the presentation, which was attached for members' consideration.
- 10.2 The college's Head of IT had provided a response to each of the questions and recommendations to reflect the college's current position on cyber security matters. The COO noted that the College had carried out a great deal of work in this area over the last 15 months following an internal audit of IT undertaken by RSM in 2019, so it was pleasing to see that the responses demonstrated that the college had robust systems and processes in place to combat cyber threats.
- 10.3 **It was resolved** To note the report on cyber security.

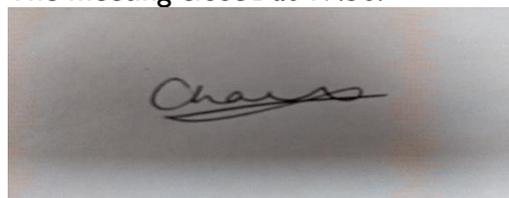
## **11 Date of Next Meeting**

- 11.1 The date of the next meeting was noted as Monday 14<sup>th</sup> June 2021 at 5pm.

## **12 Any Other Business**

- 12.1 No further matters were raised.

The meeting closed at 17.56.



**Charlie Harvey, Chair**

**14<sup>th</sup> June 2021**