

## Minutes of Audit Committee held Monday 14<sup>th</sup> June 2021 at 5pm via Microsoft Teams

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

In Attendance: Andy Comyn (in attendance)  
Gill Darwood (Senior Officer - Corporate Governance) (SOCG)  
Tony Felthouse (KPMG)  
Asam Hussain (RSM)  
Louise Jones (Observer)  
Carl Riding (Vice Principal)  
Neil Thomas (Chief Executive & Principal)

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

- 1.1 There were no apologies for absence. The SOCG confirmed that the meeting was quorate.
- 1.2 L Jones was welcomed as an observer to the meeting. Members also noted that A Comyn was continuing to support the College in the handover period to L Jones and was in attendance at the meeting to support the presentation of relevant papers.

### **2 Declarations of Interest**

- 2.1 S Birdi advised that she had been appointed as a governor at Joseph Chamberlain College in Birmingham and had updated the College's register of interests accordingly.

### **3 Appointment of Chair and Vice Chair for 2021/22**

- 3.1 **It was resolved** To appoint Charlie Harvey as Chair and Liam Butler as Vice Chair for 2021/22.

### **4 Minutes of Meeting on 8<sup>th</sup> March 2021**

- 4.1 The minutes of the meeting held on 8<sup>th</sup> March 2021 were accepted as an accurate record for signature by the Chair.

### **4.2 Matters Arising**

- 4.2.1 There were no matters arising.

### **5 Internal Audit**

#### **5.1 Internal Audit Progress Report including internal audit reports**

- **Health & Safety and Estates Management**
- **Follow up of previous recommendations**

- 5.1.1 A Comyn presented the Internal Audit Progress Report which set out the work carried out by RSM in the 2020/21 academic year to-date. The internal audits were intended to assist College management and Audit Committee in obtaining an overall view of adequacy and effectiveness of the internal control systems and on risk management.

- 5.1.2 In addition, RSM's report also included sector updates on:
- enhancing the control framework in education - February 2021
  - virtual board and committee meetings - March 2021
  - further education emerging issues - April 2021
- 5.1.3 In respect of the sector reviews the Chair asked if the College had any formal process for reviewing their content and A Comyn advised that they were considered by the senior leadership team who reviewed them and determined what actions could be taken as a result of issues identified in them.
- 5.1.4 The following reviews had taken place since the last Audit Committee and the reports were considered by members:
- 5.1.5 *Framework for Compliance with Legal Regularity Requirements: Health & Safety and Estates Management*
- 5.1.6 A Hussain provided a brief overview of the report which provided a reasonable assurance opinion with 6 recommendations (1 low and 5 medium).
- 5.1.7 Members discussed the recommendations in particular those relating to the monitoring of staff completion of mandatory training. A Comyn advised that the completion of mandatory training would in future be linked to the staff members' performance management review. Staff who had difficulties in accessing online training modules would be supported with face to face sessions to enable them to complete required training. The CE&P assured members that steps would be taken to ensure that all staff had completed mandatory health and safety training in respect of Covid prior to the commencement of the next academic year, and noted that this online module was in addition to a wide range of other regular updates provided to staff.
- 5.1.8 *Follow-up of previous audit recommendations*
- 5.1.9 A Hussain provided a brief overview and confirmed that in RSM's opinion the College had demonstrated good progress in implementing agreed management actions. He noted that this was the highest level of assurance which could be provided. Of 30 recommendations, 19 had been implemented although one had not been able to be tested yet (relating to external speakers, as there had been none during this period), two had been superseded and nine had partly been implemented but remained in progress with three low, five medium and one high priority recommendation).
- 5.1.10 The recommendations arising from the follow-up review related only to elements of the original recommendations that RSM considered were not yet fully complete.
- 5.1.11 A Comyn noted that of the nine ongoing recommendations, seven related to the IT health check and further progress on these actions would be considered later on the agenda where it could be seen that the College was responding robustly to the challenges in this area.
- 5.1.12 **It was resolved** To note the internal audit reports on Health & Safety and Estates Management and the follow up of previous recommendations.

## **5.2 Rolling Schedule of Audit Recommendations**

5.2.1 A Comyn presented the report which summarised the progress made in implementing the recommendations contained in the Audit Reports submitted by RSM. The report identified those recommendations that remained in progress and highlighted those that had been completed since the last review.

5.2.2 There were 17 recommendations rolled forward from the last Committee meeting, 16 of which related to internal audit reviews only presented for the first time at the last committee meeting. On further review ahead of this meeting, one of the recommendations was duplicated (the original and follow-up recommendations were both in the rolling schedule) and the Procurement, Financial Planning & Budgetary Control review only had 4 recommendations rather than the 5 originally stated. This had been confirmed by RSM and had been corrected in the RSM internal audit progress report seen at item 5.1. As such, the corrected number of recommendations rolling forward to this meeting was 15.

- 7 of the 15 recommendations brought forward had been completed.
- there were 6 new recommendations from the Health & Safety review
- 9 recommendations were flagged as partially implemented but remaining in progress from the follow up of previous audit recommendations review. These recommendations had been updated by RSM to reflect any element of the original recommendation that had not been completed and all 9 of these recommendations had been added to the rolling schedule.

5.2.3 In total therefore, 23 recommendations would be carried forward and presented at the next meeting, comprising 9 low, 12 medium and 2 high priority recommendations.

5.2.4 It was noted that a short paper relating to regular reporting on Freedom of Information would be presented at the Autumn committee meeting based on the previous Audit paper. This report would detail the timeline of responses to evidence that requests were being handled in a timely manner.

5.2.5 The Chair noted the recommendations on IT would be covered later on the agenda.

5.2.6 **It was resolved** To note the rolling schedule of audit recommendations.

*A Hussain and T Felthouse left the meeting.*

## **5.3 Confidential - Internal Auditors' Performance Review 2020/21 and reappointment of internal auditors for 2021/22**

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

*A Hussain and T Felthouse re-joined the meeting.*

## **5.4 Internal Audit Plan for 2021/22**

5.4.1 A Comyn advised that RSM had produced the Internal Audit Plan for 2021/22, which focused on strategic risks identified following discussions held with management in April 2021, as summarised.

5.4.2 *Term 1*

- Framework for efficiency - curriculum planning
- Key financial controls - testing either/both creditors and payments and/or debtors and income

#### 5.4.3 *Term 2*

- Risk management processes - to include an assessment of the college's risk appetite and how this was monitored against actual/mitigated risk for each control area
- Student welfare framework - student mental health, wellbeing and safeguarding
- Funding compliance/learner number systems (focus of testing to be agreed at a later date)

#### 5.4.4 *Term 3*

- IT arrangements to assess progress towards Cyber Essentials Plus accreditation
- Follow up of previous audit recommendations

5.4.5 Based on this plan, the total number of internal audit days in 2021-22 was unchanged from 2020-21 at 52 days.

5.4.6 A Hussain noted that the aim was to achieve good engagement and agreement with management with a steady flow of reports to committee meetings.

5.4.7 In response to a question from the Chair, A Hussain advised that this number of audit days would measure within the normal range for other comparable organisations. He explained that the benchmarking exercise discussed at the previous meeting was being taken forward to enable production of comparators across the sector.

5.4.8 The Chair considered that the plan covered the three key areas of IT, risk management and student welfare.

5.4.9 Members discussed the audit of key financial controls and agreed that this should focus on both creditors and debtors but acknowledged that it would be more beneficial to have a deeper focus on creditors due to the greater number of transactions compared to debtors which were derived primarily from funding agencies. W Davies noted that the external audit would conduct more work on income and therefore it would be appropriate to focus in internal audit on creditors and payments. A Hussain agreed to take these comments into account in planning the internal audit work.

5.4.10 The Chair highlighted the need for some flexibility in the plan to accommodate any priorities identified by L Jones once she was in post. A Hussain confirmed that a meeting was diarised with her to explore this and any changes would be brought back to the committee for agreement.

5.4.11 **It was resolved** To recommend the internal audit plan for 2021/22 to the Corporation for approval.

## **6 External Audit**

### **6.1 Fraud and irregularity annual report 2020/21**

6.1.1 A Comyn noted that the Corporation was required, through the work carried out by management, as monitored by the Audit Committee, to ensure that the risk of fraud and irregularity within the College was minimised. In order to assist with this obligation, it was usual practice for Audit Committees to carry out a formal annual self-assessment of

the measures that were in place to minimise risk and to recommend further mitigating actions should they be thought necessary.

6.1.2 He advised that the template from the previous year had been highlighted and tracked with changes relating to job titles, as well as a small number of updates to reflect activity in 2020/21, and was presented for the Committee to recommend for approval to Corporation.

6.1.3 **It was resolved** To recommend the fraud and irregularity annual report 2020/21 to the Corporation for approval.

## **6.2 Plan for External Audit of 2020/21 accounts (including College Accounts Direction 2021/22)**

6.2.1 A Comyn noted that, as agreed at the January 2021 Corporation meeting, KPMG had been re-appointed as the college's external auditors for 2020/21 rather than going out to tender given the challenges arising from Covid and from two senior college finance officers leaving the college in-year. This decision was further ratified by agreement of the external audit fee at the last audit committee and Corporation meetings in March 2021.

KPMG and College Finance Managers had discussed the 2020/21 audit at a planning meeting on 23 April. Following that meeting, the draft 2020/21 audit plan as prepared by KPMG was presented for consideration by members.

6.2.2 T Felthouse outlined the key considerations taken into account when preparing the plan and provided clarifications as required. He noted that the materiality level for this year was slightly increased as a percentage of revenue. He drew members' attention to the audit fees previously agreed and confirmed KPMG's independence in conducting this work.

6.2.3 **It was resolved** To recommend the external audit plan for 2020/21 accounts to Corporation for approval.

## **6.3 External audit inquiries**

6.3.1 The SOCG advised that the committee had been requested by the College's external auditors, KPMG, to complete the inquiry questionnaires prior to commencement of external audit. The questionnaires were unchanged from those completed last year, so these had been reviewed and responses updated as appropriate.

6.3.2 The first questionnaire was for completion by 'those charged with governance' and the other questionnaire was to be completed by the Clerk to the Corporation. Members concurred with the responses included in the questionnaire and agreed that they provided a true reflection of the position.

6.3.3 **It was resolved** To recommend the external audit inquiries response to the Corporation for approval.

## **7 Risk Management**

### **7.1 Risk management – Summer Term report**

7.1.1 A Comyn noted 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.

- 7.1.2 The summary risk register highlighted to members the risks that had been re-assigned or where the risk score or note had been updated since the last audit committee meeting. No new risks had been added to the register during this time.
- 7.1.3 A number of risks had been re-assigned due to change of management responsibilities and a list of other changes to risk scores and notes was also considered.
- 7.1.4 On risk CCR.59, the Chair noted that this scored low at 10. The CE&P noted that this was based on a likelihood of 2 and impact of 5, as with experience the College was now confident that this situation could be well managed to minimise impact on learners for a short period of closure when lessons would be delivered effectively on line.
- 7.1.5 L Butler noted the comparable risk score of CCR.60 (deteriorating financial health) at 15 compared to CCR.40 (recruitment of industry standard staff) at 16. A Comyn noted that this highlighted the issue previously discussed with the current model which did not allow for a variation in the tolerance level between individual risks. In this particular instance, the CE&P explained the rationale in respect of CCR.60, in that all of the actions taken had translated into an improving forecast position, which had given confidence in the score of 15. He noted that the risk register was a snapshot in time and risks attracted a varying degree of focus at different points in time.
- 7.1.6 The Chair noted that when considering a revised risk model, it would be helpful to have some context around risk appetite depending on the individual risk.
- 7.1.7 **It was resolved** To approve the changes to the risk register.

## **7.2 Cyber Security Update**

- 7.2.1 The CE&P noted that, following the previous meeting's review of cyber-security, the College had since received a list of the main points that another local FE College had to address following their recent cyber-attack. This college had been attacked in March and had still not fully recovered all of its systems. Members considered the list, which was accompanied by a comment from Dudley College's Head of IT Services for each point raised which would give members an understanding of the action undertaken or planned by the College.
- 7.2.2 It was noted that the College already had in place a number of critical safety measures which were not in place at the neighbouring college and had acted on some further ones. With the resource currently in place the College had done all it could to provide as much security as possible. Over the summer the intention was to review these additional options to put forward any further recommendations that could be put in place together with any cost implications. The College would welcome audit committee input into assessing the cost versus risk approach to investment in this area. The recommendations would be brought to the next Audit Committee meeting in October.
- 7.2.3 The Chair noted that this was a significant issue and it was agreed that the committee should explore in detail any proposals prior to recommending them for consideration by the full Corporation.
- 7.2.4 **It was resolved** To note the cyber security update.

## **8 Apprenticeship contract guidance**

8.1 C Riding explained that feedback from RSM following the internal audit review for Employer Engagement highlighted that three procedures should be noted by Audit committee members, but would in future be approved by members of the Senior Leadership Group.

- Apprenticeship - Absence/Attendance
- Apprenticeship Contract - Additional Learning Support
- Service Level Agreements - Apprenticeship Recruitment

8.2 He explained to members the key changes which had been made to these documents which primarily related to changes to job titles and structures.

8.3 **It was resolved** To note the apprenticeship contract guidance.

## **9 Office for Students Review – self assessment on compliance with condition of funding CI**

9.1 C Riding advised members that as discussed at the previous meeting and also at Corporation meeting, the Office for Students (OfS) had written to all HE providers outlining its approach to regulation during the current phase of the COVID-19 pandemic. OfS outlined expectations around consumer protection law and stated 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 CI (guidance on consumer protection law).*'

9.2 The letter included a requirement to:

- a. Inform students of any further changes to teaching and assessment arrangements, such that these were broadly equivalent to those previously offered to students within the context of requirements of public health advice.*
- b. Inform students about their entitlement to seek refunds or other forms of redress - such as the opportunity to repeat parts of their course that you were unable to deliver this year - if they had not received the teaching and assessment promised.*
- c. Provide students with clear information, advice and guidance about the implications of the changes and the options available to them. This must include clear signposting of the route to complain or seek redress.*

9.3 The OfS letter came too late to be fully covered within the RSM audit report entitled "Higher Education Framework: Selected Controls for Higher Education Students Early Statistics (HESES) survey; Student Loans Company; and Competition and Markets Authority (CMA)" that was conducted earlier this year. Therefore, a further paper was presented which responded to points b and c and provided members with further information. C Riding confirmed that all actions had been completed and policies updated.

9.4 **It was resolved** To note the self assessment on compliance with OfS condition of funding CI.

## **10 Confidential – update on subcontracting matter**

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

**11 Committee's business plan for 2021/22**

11.1 The SOCG presented the business plan for the Committee which provided an indication of business and reports which would be submitted to the meetings of the Committee scheduled for 2021/22.

11.2 The SOCG drew members' attention to two new items which had been incorporated in the business plan as discussed at today's meeting – the Freedom of Information update and cyber security update which would be included on the autumn term meeting agenda.

11.3 **It was resolved** To recommend the business plan for 2021/22 to Corporation for approval.

**12 Dates of meetings for 2021/22**

4<sup>th</sup> October 2021

29<sup>th</sup> November 2021

7<sup>th</sup> March 2022

13<sup>th</sup> June 2022

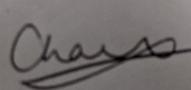
**13 Date of Next Meeting**

13.1 The date of the next meeting was noted as 4<sup>th</sup> October 2021 at 5pm.

**14 Any Other Business**

14.1 No further matters were raised.

The meeting closed at 18.52



A photograph of a handwritten signature in black ink on a light-colored surface. The signature is written in a cursive style and appears to read 'Charlie Harvey'. The signature is underlined.

Charlie Harvey, Chair

4<sup>th</sup> October 2021