

Minutes of the Audit Committee held Monday 4th October 2021 at 5pm in Conference Room 2, Broadway/via Teams

Members Present: Charlie Harvey (Chair) (via Teams)
Liam Butler
Wendy Davies
Nirmal Gupta

In Attendance: Gill Darwood (Director of Corporate Governance) (DCG) (via Teams)
Tony Felthouse (KPMG) (via Teams)
Louise Tweedie (RSM)
Louise Jones (Chief Finance Officer)
Neil Thomas (Chief Executive & Principal)

1 Confirmation of quorum and apologies for absence

- 1.1 Apologies for absence were received from Sharon Birdi.
- 1.2 The Director of Corporate Governance (DCG) confirmed that the meeting was quorate.

2 Declarations of Interest

- 2.1 There were no declarations of interest.

3 Minutes of Meeting on 14 June 2021

- 3.1 The minutes and confidential minutes of the meeting held on 14th June 2021 were accepted as an accurate record for signature by the Chair.

4 Matters Arising

- 4.1 There were no matters arising.

5 Committee Terms of Reference 2021/22

- 5.1 The DCG explained that it was considered good practice for the audit committee to undertake a periodic review of its terms of reference. The attached terms of reference for the committee have been reviewed alongside the revised Post 16 Audit Code of Practice (ACOP), published in July 2021. The changes made to the document were tracked for ease of reference and were intended to align the terms of reference to the requirements for Audit Committees as specified in the ACOP.
- 5.2 An extract of the relevant section relating to the responsibilities of the Audit Committee taken from the Post 16 Audit Code of Practice was appended to the paper and a link to the full document provided. The DCG thanked L Tweedie for her input in updating the Terms of Reference to ensure compliance with the ACOP.
- 5.3 **It was resolved** To recommend the terms of reference to Corporation for approval.

6 Audit Committee's Self-Assessment of its Own Performance in 2020/21

- 6.1 The DCG advised that it was considered good practice for the Audit Committee to undertake a self-evaluation of its performance each year. The questionnaire had been

completed on behalf of the Committee and members were invited to consider whether the answers drafted reflect their own views of the Committee's performance in 2020/21.

6.2 **It was resolved** To approve the Audit Committee's self assessment for 2020/21.

7.1 Internal Audit

7.1.1 L Tweedie advised that the Internal Audit Progress Report included internal audit reports on Resourcing Technically Advanced Provision and Learner Number Systems.

7.1.2 *Learner Number Systems – Adult Education Budget from ESFA and WMCA*

RSM had identified a number of exceptions where the College has not complied with the ESFA/WMCA funding and performance management rules which were noted and had been addressed. As a result of the audit work 4 management actions were raised out of the 20 areas reviewed. These actions are one low and three medium priority. Given the complex nature of the funding rules and the number of adult students, the CFO stated that the College was reasonably satisfied that overall controls in this area were effective. The recommendations made by RSM had been accepted and would be implemented in a timely way.

7.1.3 *Resourcing Technically Advanced Provision – advisory review*

The CE&P noted that the challenge of recruiting appropriately technically qualified teaching staff was becoming an increasing risk and this was particularly prevalent in areas such as Construction, Manufacturing and Engineering, where potential candidates were difficult to attract due to the demand for skilled people to remain in those sectors rather than move into teaching roles. He explained a number of mitigations which were being undertaken, including the establishment of shared resources through Colleges West Midlands to deploy staff across Colleges and offer incentives to join the profession. He was also in contact with university partners to identify potential secondment opportunities.

7.1.4 The CE&P provided further clarification in response to questions from members in relation to the review. Members concurred that this was a common issue across many sectors and agreed that this situation would require close monitoring via the risk management process, where it had already been identified as one of the twelve key strategic risks.

7.15 L Tweedie note that all internal audit work had been undertaken in accordance with the schedule for last year.

7.1.6 **It was resolved** To note the internal audit reports on Learner Number Systems and Resourcing Technically Advanced Provision.

7.2 Rolling Schedule of Audit Recommendations

7.2.1 The CFO explained that the report 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. The following summarised progress since the last report:

- 23 recommendations were in progress at the last Audit Committee (of which 7 were not yet due for completion).
- 4 additional recommendations had been added as a result of the student number AEB audit.

- 11 recommendations had been completed.
- 16 recommendations continued to be in progress and would be carried forward to the next meeting. Of these 7 were low priority, 9 were medium priority.

7.2.2 The CFO noted that an internal process had now been established to require designated staff to provide evidence of completion of actions.

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

7.3 Annual Internal Audit Report 2020/21

7.3.1 L Tweedie presented the Annual Internal Audit Report which set out the work carried out by RSM Risk Assurance Services LLP in the 2020/21 academic year, including recommendations made in each category, and RSM's performance against plan.

7.3.2 The summary of internal audit work completed in 2020/21 was:

- Follow up (good progress)
- Data Protection Act and Freedom of Information Act (no opinion)
- Health & Safety and Estates Management (reasonable assurance)
- Selected controls for Higher Education Students and Early Statistics (HESES) survey; Student loans; and Competition and Markets Authority (CMA) (reasonable assurance)
- Learner Number Systems (no opinion)
- Procurement, Financial Planning & Budgetary Control Arrangements (substantial assurance)
- Resourcing, Technically Advance Provision (no opinion)

7.3.3 L Tweedie advised that based on this work, RSM had reported the College had an adequate and effective framework for risk management, governance, and internal control in place, with the recommendations made throughout the year helping to identify further enhancements to the framework or risk management governance and internal control.

7.3.4 L Tweedie provided further clarification in response to questions from members in relation to the reports which did not provide an audit opinion and the reasons for this.

7.3.5 **It was resolved** To note the annual internal audit report.

8 External Audit

8.1 Regularity self assessment questionnaire

8.1.1 The CFO advised that the Post-16 Audit Code of Practice 2019 to 2020 set out a common standard for the provision of assurance and accountability in relation to funding of post-16 providers. Within the code it stated that college corporations must publish a statement of regularity, propriety, and compliance within their annual accounts. The supplementary bulletin July 2021 also required an additional questionnaire to be completed in respect of Covid 19.

8.1.2 The format of the statement was set out in the College Accounts Direction which would be reflected in the College's annual accounts.

8.1.3 To support college corporations in drafting the statement of regularity, propriety, and compliance, the ESFA provided an annual self-assessment questionnaire to provide clarity

over the framework, including the interpretation of the key requirements and the type of evidence that should be considered.

- 8.1.4 The College's external auditors, KPMG, required that the regularity self-assessment questionnaire should be approved by the Audit Committee prior to commencement of their work on site.
- 8.1.5 The draft completed questionnaire was considered and members concurred with the responses provided.
- 8.1.6 In response to a question from W Davies relating to the statement that the financial regulations stated that any procurement above £1,000 should have 3 or more quotes, the CFO agreed that the level of £1,000 was low and agreed that this could be reviewed next time the Financial Regulations were updated. The CFO explained the process for applying for a waiver to this condition which could be signed off by the CFO.
- 8.1.7 **It was resolved** To recommend the regularity self assessment questionnaire to the Corporation for approval.

8.2 ICCA advisory report 2020/21 Sub-Contracting Certificate (External Assurance)

- 8.2.1 The CFO advised that in consideration of the potential risk that sub-contracting could present to the Education & Skills Funding Agency (ESFA) a requirement had been introduced that all colleges obtained annual assurance from an external auditor on the arrangements in place to manage and control sub-contractors.
- 8.2.2 ICCA Education Training and Skills, who were instructed to undertake this review, had reported that the College was fully compliant and no recommendations were forthcoming. The required certificate had therefore been submitted to the ESFA.
- 8.2.3 The CFO advised that L Tweedie had subsequently identified two points (7 and 8 on the questionnaire) which had been noted by ICCA as 'not applicable' where in fact the College did have relevant activities which required audit work to be undertaken. The College had therefore contacted ICCA to invite them to update the report so that the committee could be provided with the required assurance of compliance on these areas. It was not considered that any potential non-compliance in these areas would represent a material value.
- 8.2.4 In response to a question from W Davies, the CFO confirmed that this work had been tendered as a separate activity from internal audit and awarded based on best value, but there were no restrictions to prevent the same auditors being appointed to undertake this separate piece of work.
- 8.2.5 The CFO agreed to provide a further update at the next meeting to advise on the response from ICCA to the points raised.
- 8.2.6 **It was resolved** To note the advisory report and sub-contracting certificate 2020/21.

9 Risk Management

9.1 Risk Management Annual Report

9.1.1 The CFO presented the Risk Management Annual Report which set out the key aspects of the college's risk management approach during 2020/21. The risk management policy had been updated and approved by Corporation in December 2020.

9.1.2 The College was currently reviewing its approach to risk management to incorporate risk appetite and tolerance; RSM were performing a review of risk management in September 2021 and their recommendations would be incorporated into the review. There continued to be a range of risks that the college was managing, the two highest risks were around failure to recruit high calibre industry standard staff and cyber security.

9.1.3 The Chair noted that at the Corporations' development day it had been agreed that the other Corporation sub-committees would be allocated relevant risks to monitor, but that the audit committee should maintain a holistic overview to provide assurance that the risk management framework was effective. Members had also agreed that the full Corporation should monitor the key strategic risks as set out in the Strategic Plan.

9.1.4 The CFO agreed that it would be possible to allocate risks to relevant committees of the Corporation for monitoring.

9.1.5 **It was resolved** To note the risk management annual report.

9.2 Business Continuity Plan 2021/22

9.2.1 The CFO presented the Business Continuity & Disaster Recovery Plan which provided a framework and a set of checklists detailing the steps required to be taken to ensure that in the event of a disaster or critical incident, the operational functions of the college continued. She advised that the document had recently been reviewed by the Senior Leadership group and updated to reflect changes in senior staffing for 2021/22. Information relating to promoting fundamental British values and awarding body contacts had been removed.

9.2.2 She advised that the aim was to conduct some simulation testing of the plan over the next 12 months and to do a more detailed review of the business continuity plan. The CE&P advised that further investigation would be undertaken into technological solutions for business continuity management systems, possibly through the use of a microsite.

9.2.3 **It was resolved** To recommend the Business Continuity Plan to the Corporation.

9.3 Data Protection and Freedom of Information Annual Report

9.3.1 The CFO presented a new annual report summarising Data Protection activity in 2020/21. This report had been written in response to a recommendation in an internal RSM audit in 2021, Framework for Compliance with Legal Requirements: Data Protection Act and Freedom of Information Act, where the need to formalise reporting on Data Protection issues to Corporation was highlighted.

9.3.2 The report summarised the Data Protection activity between August 2020 and July 2021, identified risks associated and measures in place to track activity and mitigate this risk. The college continued to closely monitor and respond to all aspects of data protection

and freedom of information. The College was proactively developing its systems and processes, based on the activities that were monitored and this was reflected in the programme of training rolled out to staff.

9.3.3 The CFO and CE&P provided clarification in response to points of detail raised by members and confirmed that they were satisfied that the format of the report provided a comprehensive oversight and assurance in relation to this area of activity.

9.3.4 **It was resolved** To note the data protection and freedom of information annual report.

9.4 Cybersecurity Report

9.4.1 The CFO presented the Cybersecurity Report and advised that the College had been proactive in updating its systems and hardware to prevent and minimise the risk of a cyber-attack. A number of projects had already been implemented to improve security and there were further projects planned to ensure ongoing protection. The necessary spend for the additional projects would be covered within existing budgets already approved by the Corporation.

9.4.2 She advised that work in this area would be continually ongoing to keep abreast of latest developments and identified risks. An assessment of the capacity of the IT team had been undertaken to ensure their skills were continually updated and they were able to access appropriate advice and guidance, such as that available through JISC.

9.4.3 She noted that the new IT strategy would be developed in support of the Digital Strategy and would take the form of a three year plan.

9.4.4 In response to a question from the Chair, in relation to phishing simulation, the CFO acknowledged that this would be helpful to roll out for students. Although they did not pose a risk to College systems in the same way as staff, it would benefit their personal awareness of the risks.

9.4.5 **It was resolved** To note the cyber security update.

10 Accounts Direction Update

10.1 The CFO advised that the College had received a letter from the Interim Chief Executive at the ESFA, addressed to Accounting Officers and Corporations. The letter was standard practice at this time of year, as colleges prepared for the year end audit.

10.2 The main points were noted as:

- Supplementary bulletin to the college accounts direction and the post 16 audit code of practice provided further guidance on accounting for Covid.
- Maintaining the integrity of ILR data emphasising the importance of maintaining clean data and minimising funding risk. There was a useful guidance document that provided an overview of funding (particularly for governors or those new to FE), and actions that colleges needed to take to secure good data.
- Related party transactions and a reminder to disclose these correctly in the accounts
- The importance of audit committees providing robust and fair challenge
- The role of the Governance Professional and a reminder of the new ETF Mentoring and Development Programme for Governance Professionals.

- The FE CFO programme.
- The need to change or re-tender auditors on a 5 year basis.
- The need for compliance with OfS accounts direction and a clarification document
- A reminder of the consultation on the FE funding and accountability reforms.

10.3 **It was resolved** To note the College Accounts Direction update.

11 Date of Next Meeting

11.1 The date of the next meeting was noted as Monday 29th November 2021 at 5.00pm

12 Any Other Business

12.1 No further matters were raised.

The meeting closed at 18.04.

Approved by the committee at its meeting held on 29th November 2021