

Minutes of the Audit Committee meeting held on Monday 7th March 2022 at 4.30pm in Conference Room 2, Broadway

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

In Attendance: Gill Darwood (Director of Corporate Governance) (DCG)
Louise Jones (Chief Finance Officer) (CFO)
Neil Thomas (Chief Executive & Principal) (CEP)
Louise Tweedie (RSM)

1 Confirmation of quorum and apologies for absence

1.1 There were no apologies for absence. 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 29th November 2021

3.1 The minutes of the meeting held on 29th November 2021 were accepted as an accurate record for signature by the Chair.

4 Matters Arising

4.1 Minute 6.1.6 - *In response to a question from S Birdi, A Hussain agreed to provide further clarification in respect of one matter relating to a contract of employment not being provided.* The DCG advised that this had been clarified following the meeting as being due to a member of staff changing their name and the two names not being connected as the same person.

5 DfE's Audit Committee Best Practice Guide

5.1 L Tweedie provided a presentation on the DfE's Audit Committee Best Practice Guide which covered a number of key themes which were considered in further detail:

- Role of the Audit Committee in ensuring effective governance and accountability framework.
- Committee papers and importance of effective executive summaries, skilled and experienced governance professional.
- Risk management – increasing focus on risk appetite.
- Value for money, solvency and safeguarding of assets – assurance achieved primarily through external audit.
- Internal audit – new requirement for audit standards on 'culture'.
- Board assurance framework – risk management approach, mapping of sources of assurance.

- External audit – need to assess expertise, resources, effectiveness and independence of external auditors.
- The primary areas of focus for the Audit Committee were noted as:
 - Risk management
 - Learner recruitment
 - Learner data
 - Income from other sources
 - Procurement
 - Monthly financial closedown
 - Payroll and HR
 - Cash and bank management
 - Asset management
 - Estates and core contracts
 - Health and safety
 - Efficiency and budgets
 - Governance structures
 - Fraud, corruption, theft, bribery and whistleblowing
 - Regulatory framework (legal requirements such as Data Protection, and sector requirements such as the OfS’s Regulatory Framework)
 - Safeguarding
 - Management information and reports
 - Environmental, social and corporate governance (emerging area)
 - IT systems
 - Subsidiaries and joint ventures
 - Student focused reviews (eg Student satisfaction and retention)
 - Follow up

5.2 The primary focus of the Audit Committee was summarised as “*adequacy and effectiveness of the corporation’s assurance arrangements, framework of governance, risk management and control processes (including any subcontracting arrangements) for the effective and efficient use of resources, solvency, and the safeguarding of assets*”.

5.3 Members welcomed the list of areas of focus and agreed that it would be helpful to undertake a mapping exercise to determine sources of assurance against each area and ensure that they were covered by the committee’s terms of reference and the business plan.

5.4 The Chair felt that it would be helpful to develop a role description for the Chair of the Audit Committee, which the DCG agreed to draft for consideration by the committee.

5.5 The CEP suggested it would also be helpful to consider the standard scope document for each area which L Tweedie advised could be provided.

5.6 Members discussed the relationship to the Finance & Estates Committee in particular with regard to solvency and members felt that the Audit Committee would draw on the conclusions of the Finance & Estates Committee in arriving at that judgement. L Tweedie advised that the role of the Audit Committee was to be assured that there was a framework for this, rather than assessing solvency itself which was a responsibility of all members of the Corporation. Members agreed that once completed it would be helpful to share the mapping exercise with the Finance & Estates Committee to ensure clarity of responsibilities.

5.7 Members further considered the list of areas of assurance with regard to internal audit planning and the Chair noted that the internal audit plan was developed between leadership and the internal auditors, then brought to the committee for consideration at which point members had the opportunity to add to the plan prior to it being finalised. S Birdi noted that the audit plan was developed over a three year period and was aligned to the board assurance framework and any arising risks would need to be picked up on the audit plan.

5.8 In summary the following actions were agreed in response to the presentation and guidance:

- Mapping exercise against key areas of focus (DCG)
- Role description for Chair of Audit Committee (DCG)
- Scope documents for each area of focus to be provided to CEP/CFO (L Tweedie)
- Report to be provided to Finance & Estates Committee and to full Corporation following completion of mapping exercise (DCG)

5.9 **It was resolved** To note the presentation on the DfE Audit Committee best practice guide.

6 Internal Audit

6.1 Internal Audit Progress Report

6.1.1 The CFO presented the internal audit reports which covered the following areas:

- *FE benchmarking of internal audit findings 2020/21*: this report identified that fewer Dudley College audits in 2020/21 gained substantial assurance (33%) compared to those done in 2019/20 (83%). This compared to the RSM FE client base of 56%. However, the lower figure was due to the mix of the type of reports, with three out of six undertaken during the year being advisory reports. The number of recommendations was broadly similar year on year. L Tweedie advised that in future the number of each type of report would be shown so that this could be evidenced.

It was further noted that 87% of RSM FE clients received an annual assurance opinion of green/amber indicated that “*There was an adequate and effective framework for risk management, governance and internal control. However further enhancements would ensure it remains adequate and effective*”. Dudley College received this opinion in both 2019/20 and 2020/21, which showed that there had been no change in the overall control environment.

- *Key Financial Controls – Income and Debtors Advisory Review*: two management actions had been recommended and these had been accepted by management. There was no level of assurance provided as this was an advisory report.

6.1.2 **It was resolved** To note the internal audit progress report.

6.2 Rolling Schedule of Audit Recommendations

6.2.1 The CFO presented the report which detailed the progress made in implementing the recommendations contained in the audit reports submitted by RSM. The format of the report had been amended to provide easier access and monitoring. The report identified

those recommendations that remained in progress and highlighted those that had been completed. Progress since the last report was noted as:

- 15 recommendations were in progress at the last Audit Committee,
- 8 recommendations had been completed,
- 7 recommendations continued to be in progress and would be carried forward to the next meeting. Of these 2 were low priority, 5 were medium priority.

6.2.2 Of the outstanding recommendations three were subject to delay, as follows:

- There was a delay in recruiting an additional infrastructure technician. The post was critical to ensure the change management processes to the College's firewall were robust. The College was currently reviewing the resourcing of the IT team to free up resources to enable this post to be appointed.
- Data protection training for all staff had been delayed pending preparation of training materials. These were being finalised and should be ready for all staff release within the next month.
- Monitoring of mandatory health and safety training had been hampered by the extensive list of training units within the online platform. These were being reviewed and reduced to ensure only essential training was included. The training would be relaunched to all staff and monitoring undertaken through the senior leadership group by April.

6.2.3 The CFO and CEP provided further clarification on points raised by members in respect of the outstanding recommendations and assured members that the revised completion dates were felt to be achievable. The CEP confirmed that the College was compliant in ensuring that all staff undertook the mandatory health and safety training.

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

7 Risk Management

7.1 Risk Management – Spring Term Report

7.1.1 The CFO presented the risk management spring term report. She advised that the senior team undertook a monthly review of the risk register to assess if the risk scores were still accurate, to ensure that all appropriate actions were noted and good progress was being made. Having done an in depth review she reported that the team were confident that the risk scores continued to be appropriate, with the exception of the risk around financial stability, which had increased.

7.1.2 There were a small number of actions which were subject to delay and these were receiving greater attention. In line with the risk management policy, risk updates had also been provided to the relevant sub-committees for review at each meeting.

7.1.3 Members considered the risk register and the CFO and CEP provided clarification on points of detail. Members felt it prudent to maintain for the time being the risk relating to the Covid pandemic.

7.1.4 In response to a question from N Gupta, the CFO confirmed that the senior leadership team considered that the target dates for completion of actions within the report were on track for achievement. Any delays were highlighted within the red/amber/green rating.

7.1.5 **It was resolved** To note the risk management spring term report.

L Tweedie left the meeting.

- 8 External Audit matters**
- 8.1 **Confidential - External Auditors' Performance, 2020/21 accounts**
This item is the subject of a separate and confidential minute.
- 8.2 **Confidential - Appointment of external auditors**
This item is the subject of a separate and confidential minute.
- 9 Date of Next Meeting**
- 9.1 The date of the next meeting was noted as Monday 13 June 2022 at 5pm.
- 10 Any Other Business**
- 10.1 No further matters were raised.

The meeting closed at 18.20 hrs.

Approved by the Audit Committee at the meeting held on Monday 13th June 2022.