AUDIT COMMITTEE

Minutes of the meeting held on Monday 28th June 2021 at 4.00 pm

Present: Mr A Clarkson (in the Chair), Mr D Aarons, Mr B Hansford, Mrs H King and Miss L Knapp

In attendance: Miss A S Bruce, Mrs C Harris, Mr J Lanes (BDO), Mr M Dawes (KPMG), Mrs G M Hulley and Miss B Wheatcroft (KPMG)

21/17 **Apologies for absence (Agenda item 1)**
There were no apologies for absence.

21/18 **Declarations of interest (Agenda item 2)**
There were no declarations of interest.

21/19 **Minutes of the last meeting (Agenda item 3, Paper A)**
The minutes of the meeting held on 8th March 2021 had been circulated previously and were approved as a true and accurate record.

21/20 **Actions outstanding (Agenda item 4, Paper B)**
a. **Action 23**: The Clerk would check that the reminder system was in place for annual completion of online modules by governors. The Committee requested that confirmation was needed at the next meeting that all governors had completed their modules.

21/21 **Risk Management (Agenda item 5, Paper C)**
The report confirmed that the risk profile of the College had remained stable with 3 of the 12 strategic risks above the College's risk appetite. Risk management remained focused on the effective management of the predicted student growth from September 2021. The Corporate risk register was actively monitored by the senior leadership team (SLT). There was a commitment to delegate more responsibility to the wider SLT; a structure was in place to support that. A workshop for all governors was planned for the 1st July 2021 and this would be an opportunity to refresh the strategic risks and risk appetite. This would also inform the number of risks going forward.

Resolved: To receive the Risk Management report.

21/22 **Board Assurance Framework (Agenda item 6, Paper D)**
The College had significantly improved the level and range of assurances available to governors relating to how effectively risks were being managed. The number of risks that were reviewed as part of this process which exceeded the College's risk appetite had reduced during the year from 17 to 8. In the last 12 months, the College had continued to provide Governors with high quality data rich information which had increased the confidence in management reporting, internally and externally. The report included some gaps in assurance that had been identified and the actions planned in 2021-22 to address them. This included weaknesses identified in IT General Controls following an internal audit. An action plan and IT risk register would be included in the final BAF later in the autumn. Members sought clarification about the membership of the Information Security Governance Group and were informed that the Chief Finance Officer (CFO) chaired the group. In addition to some members of the SLT, there was also representation by 3 business system owners in Finance, MIS and IT.

Resolved: To receive the Board Assurance Framework report.

21/23   **Internal Tracker (Agenda item 7, Paper E)**
Good progress had been made in implementing recommendations with over 80% from the previous year now implemented or partially implemented. Three remained open and in progress. During the year, the Internal Auditors had identified 26 recommendations, 1 high, 16 medium and 9 low. Over 60% were either implemented or in progress. Members confirmed that good progress had been made.

Resolved: To receive the Internal Tracker report.

21/24   **Insurance (Agenda item 8, Paper F)**
The report confirmed that the College had maintained adequate insurance over the course of the financial year. Claims had been effectively managed and action taken to mitigate any risks identified as a result of an insurance claim. The renewal process for 2021-22 was underway with terms expected during late July 2021. The report also confirmed that the College would no longer maintain cover for medical mal practice for the former Chris Moody Centre from 1ˢᵗ August 2021. No claims had been made since the centre closed in 2020-21.

In response to a question about benchmarking, the Committee was informed that following a robust procurement exercise for the latest insurance provider which saved the College c. £70k, evidence from this process would be used to support the same exercise that was needed next year for insurance.

Resolved: To receive the report on Insurance.

21/25   **Internal Audit: IT General Controls (Agenda item 9, Paper G.1)**
The report carried an overall assurance rating of 'Limited' in both design and operational effectiveness. The review highlighted 10 areas of improvement; one of high significance (user access management); six medium priority; and, 3 of low significance.

The report confirmed that the College had some good controls in place over remote access to the network and encryption, anti-virus, multi-factor authentication and good physical and environmental controls for the server room. A number of significant gaps were identified across the other areas of the IT control framework. There was a theme relating to the lack of access control over key business applications, periodic user access reviews and generic/administrator/super user access. The IT Governance Framework had a number of key gaps in policies, procedures, operational IT risk registers and the IT Disaster Recovery Plan and service level agreements were not being monitored for the IT service provider. There was also no change management framework in place. Testing of controls in place found mobile phones and laptops had not been encrypted and a lack of evidence that backup restores were taking place in a timely manner. Only 83% of staff had completed their mandatory cyber security training, increasing the risk of phishing attacks.

The report confirmed the management response which was in agreement with the findings. Actions linked to the high priority recommendation had been implemented. With the exception of 1, all recommendations would be

implemented by the 1ˢᵗ September 2021. The medium priority recommendation in relation to 'mobile device management' would be implemented by the end of December 2021.

The Committee welcomed how thorough the internal audit had been. Some concern was raised that some Windows 7 machines were still present in the College and the CFO explained that the main exposure was with a legacy HR system which would only run on this system. Migration to Windows 10 would soon be completed. For the small number of standalone machines that remained, the CFO actively challenged whether these were still needed. Members queried whether the deadline of 1ˢᵗ September for the number of actions that required completion was achievable. The CFO acknowledged the resource implications and a new Director of IT and Digital Transformation should improve capacity of the team. Staffing would continue to be reviewed over the coming months. In terms of how the effectiveness of network protection was monitored, the CFO outlined a number of procedures that were currently in place as well as the introduction of cultural based practices. The CFO was also in discussion with the IT team to agree how penetration testing could be scheduled in on a regular basis. The Chair confirmed that although the review had highlighted a number of recommendations, the Board had previously recognised that the IT systems were ageing. Due to certain financial constraints at the time, it had not been possible for the College to make the investment that was required.

Resolved: To receive the Internal Audit: IT General Controls report.

21/26   **Internal Audit: Financial Sustainability (Agenda item 10, Paper G.2)**
The report carried an overall assurance rating of 'Moderate' in design and 'Substantial' in operational effectiveness. The review highlighted 3 areas of improvement; 2 of medium significance; and, 1 of low significance. The medium significance findings related to 'formally documenting the budget process' and, 'budget variances'. With the former, the report acknowledged that the financial decision-making process was in the process of being devolved to budget holders. There was currently a period of transition as the existing processes were updated to reflect the changes in the approach. A fully documented procedure would provide clarity to budget holders in terms of process to follow and what assumptions budget holders had used; who was accountable for performance; and, the controls to ensure budgets cannot be amended without further approval. Where budget variances were concerned, accountability for acting on variances needed to be improved at budget holder level. Actions linked to each recommendation were included in the report with everything implemented by October 2021.

The Committee was informed of the ongoing commitment by the College Executive to ensure budgets were devolved. This was something that the CFO had prioritised. Significant staff training was required which would take time to complete.

Resolved: To receive the Internal Audit: Financial Sustainability report.

21/27   **Internal Audit: Follow-up Report 2020-21 (Agenda item 11, Paper G.3)**
The Internal Auditors had completed a review as to the degree of implementation of Internal Audit recommendations made in prior years. This would determine the adequacy, effectiveness and timeliness of actions taken

by management to address the risks within the audit findings. Two findings (ILT Strategy and Employer Engagement Strategy) were outside of the scope.

There were 6 findings arising from assurance reviews marked as completed and therefore in scope for follow up. The report confirmed that 'Moderate' progress had been made by the College in implementing the Internal Audit recommendations with 50% fully implemented. The report recommended that management should take prompt action to ensure that the recommendations were fully implemented in accordance with timescales agreed with the Audit Committee and that those recommendations due for completion continue to be actively tracked.

Resolved: To receive the Internal Audit: Follow-up 2020-21 report.

21/28   **Internal Audit Annual Report 2020-21 (Agenda item 12, Paper G.4)**
A requirement of the Internal Audit process was to provide the Corporation, via the Audit Committee with an opinion on the adequacy and effectiveness of the College's risk management, governance and internal control processes. The report confirmed that, based on the work undertaken in 2020-21 (where a substantial or moderate assurance was provided for the reports issued), in the context of materiality and subject to management addressing the recommendations raised during the year in a timely manner:
a. Governance, risk management and internal controls arrangements in the areas reviewed were found to be suitably designed to achieve the specific risk management, control and governance objectives.
b. Based on sample testing, risk management, control and governance arrangements were operating effectively to provide reasonable but not absolute assurance that the related risk management, control and governance objectives were achieved subject to management addressing the recommendations raised during the year.

Both opinions were made with the exception of design of IT General Controls as this area was provided with Limited Assurance over the design of controls and over the operating effectiveness of controls due to the nature and significance of the findings.

The Committee sought assurance that the College's position would have improved by the year-end. The CFO confirmed that good progress had already been made and by the time new Director of IT and Digital Transformation had started, the majority of the recommendations would be implemented. The Chair requested that the Committee needed an update on progress with implementing the recommendations in time for the next meeting. The report on the Board Assurance Framework confirmed that an action plan and IT risk register had been developed in response to the audit and would be included in the final version of this report in the autumn. This would provide further assurance that would be needed for the Audit Committee Annual Report.

Resolved: To receive the Internal Audit Annual Report 2020-21.

21/29   **Internal Audit Annual Plan 2021-22 (Agenda item 13, Paper H)**
The report had been shared with the SLT and Chair of Audit Committee. The proposed internal audit plan was planned around 7 identified areas including follow-up of previous internal audit recommendations. The internal auditor outlined the rationale for the areas that had been identified. The Chair

confirmed that depending on the outcome of the Risk Management workshop with Governors later in the week, findings from that session may impact on this plan. The Committee agreed to recommend the plan for approval by the Board.

Resolved: To recommend the Internal Audit Plan 2021-22 to the Corporation for approval.

21/30   **External Audit Plan 2020-21 (Agenda item 14, Paper I)**
Bethany Wheatcroft was introduced as the manager responsible for the audit and would be responsible for overseeing delivery. The strategy was outlined and discussed. The key areas of focus for the period would be around four areas of risk: 'valuation of pension liabilities', 'revenue recognition', 'management override of controls' and 'going concern'. Following the introduction of additional reporting requirements by the Office for Students (OfS), an additional area for consideration was 'access and participation expenditure'. Risk areas were consistent with the previous year apart from 'revenue recognition' where the risk had increased. The change in the post-16 Audit Code of Practice (ACOP) and removal of assurance from the ESFA over the College's grant funding meant that it was no longer possible to rebut the fraudulent revenue recognition risk in respect of funding body income and this risk was increased accordingly. The materiality was set at a higher level to the previous year with individual differences over £13,000 being reported. The Group no longer existed as it did in 2019-20. Over the past year, the College had dissolved its subsidiary operations. There was a slight increase in the fees compared to the previous year. The external audit action plan and strategy were recommended to the Corporation for approval.

Resolved: To recommend the External Audit Plan 2021-22 to the Corporation for approval.

21/31   **Governance 2021-22 (Agenda item 15, Paper J)**
   a. **Meeting dates 2021-22:** Meeting dates were agreed with all meetings starting at 4.00 pm
   b. **Terms of reference:** As part of the annual review, the terms of reference had been updated and had taken into account the post-16 ACOP and recommendations from an equality, diversity and inclusion review completed by the Corporation's Link Governor. The terms of reference were recommended for Board approval.
   c. **Cycle of business 2021-21:** The report was outlined and discussed and the proposed business planner for 2021-22 was approved.

21/32   **Any other business (Agenda item 16)**
There was no other business.

21/33   **Date of next meeting (Agenda item 17)**
Monday, 29th November 2021 at 4.00 pm.

Mr M Dawson, Mr J Lanes and Miss B Wheatcroft left the meeting.