

AUDIT COMMITTEE

Minutes of the meeting held on Wednesday, 30th March 2022 at 4.00pm via Teams

- Present:** Mr A Clarkson (in the Chair), Mr S Greener, Mrs H King and Miss L Knapp
- In attendance:** Miss A S Bruce, Mrs C Harris, Mr M Dawes (KPMG), Mrs G M Hulley, Mrs A Rowe (BDO) and Mr M Vince (agenda item 5b) Mathew Ring (BDO – agenda item 5)

SECTION A – ROUTINE AND GOVERNANCE ITEMS:

22/01 Apologies for absence (Agenda item 1)

Apologies for absence were received from Mr D Aarons and Dr P Jones. Mr J Lanes (BDO) had also sent his apologies.

The Committee agreed that in the absence of one independent governor, any decisions that required recommending for approval to the Corporation would be confirmed using a written resolution.

22/02 Declarations of interest (Agenda item 2)

There were no declarations of interest.

22/03 Minutes of the last meeting (Agenda item 3, Paper A)

The minutes of the meeting held on 29th November 2021 had been circulated previously and were approved as a true and accurate record.

22/04 Actions outstanding (Agenda item 4, Paper B)

The Committee agreed that the action had been completed and should now be closed.

SECTION B – CHIEF OPERATING OFFICER'S UPDATE:

22/05 Risk Management (Agenda item 5, Paper C)

The College continued to have 2 of the 8 strategic risks above the College's risk appetite for securing long-term financial viability and reliance on bankers. Current inflationary pressures were having an impact on the College's budget and ability to hold non-pay costs in the short-term and manage staff pay expectations into the future. The College would need to robustly review the curriculum delivery model to ensure efficiency was maximised and that growth targets were realistic and achievable. It was proposed that a new strategic risk was introduced relating to the College's ability to invest in the IT infrastructure. This would have an impact on student and staff experience and further increased pressure on the financial position of the College. The Chief Operating Officer (COO) sought the Committee's view on how to proceed in relation to how the risks were scored. Recent feedback from the Finance and Resources Committee suggested that for those risks which were out of the College's control, for example, numbers 7 and 8; these should be rated as Red. All other risks would then be either Amber or Green.

Due consideration was given to the scoring method. Advice from the internal auditor suggested that the current scoring mechanism was robust with the right principles in place. Further thought should be given by the Committee against making any changes as it was about the narrative that would hold the College to the scorings. Concern was also raised about IT infrastructure which was considered to be the highest risk to the College for the next 12-18 months. A change in scoring would

result in this risk moving to Amber. Members agreed that it would be difficult to justify that some risks could not be resolved. The 9 strategic risks highlighted key areas of concern and gave the College and its Committees focus and drive to mitigate risks. The Committee agreed not to change the scoring system and where the risk register was concerned, to move the 'inherent risk assessment' so that it featured before the column headed 'existing controls, measures, processes to manage or mitigate the risk.

Resolved: To recommend to the Corporation an additional strategic risk in relation to IT infrastructure; to continue with the same scoring system; and, to receive the risk management report.

SECTION C – INTERNAL AUDITOR UPDATE:

22/06 Internal Audit Action Tracker (Agenda item 6, Paper D)

There were only 2 audit recommendations that were outstanding from prior academic years. One related to apprenticeships and the other improving digital skills within the curriculum team. The IT security audit had now been completed and encompassed any outstanding recommendations from the 2020-21 IT general controls audit. Progress had been made in the area with proposals being made to Finance and Resources for funding in this area to improve controls. Overall, 47% of current recommendations had been implemented or partially implemented. A further 31% were in progress or not yet due and 21% no longer relevant.

Resolved: To receive the Internal Audit Action Tracker report.

22/07 Internal Auditor Update (Agenda item 5)

a. Internal Audit Progress Report (Paper I)

The report confirmed the status of the internal audit plan that had previously been agreed for the 2021-22. To date, there had been some positive assurances with some moderate opinions. Members were informed that the management team had requested that the review of Data Quality should be moved to 2022-23. The report included a table showing performance against the annual plan. For the 2 remaining audits which were not yet due, indicative dates had been provided.

The Committee sought clarification about the rationale for changing the Data Quality review. The internal auditor confirmed there had been some staffing changes at the College which had now been resolved; and as a result, the timeline would also be of value to the College if completed next year. Six days from 2021-22 had been moved across to next year's plan. The Committee received assurance that enough days were in the budget in 2022-23 to complete the Data Quality review and the other reviews already identified in the plan. The agreed number of days (50) would not be exceeded. The COO and internal auditor were due to meet to agree next year's priorities. The plan for 2022-23 would be presented to the next meeting of this Committee in June 2022.

Resolved: To receive the Internal Audit Progress report.

Marc Vince and Mathew Ring joined the meeting.

b. IT Security (Paper E)

The report carried a level of assurance of 'limited' design and 'limited' operational effectiveness. The report included a number of areas of good practice, for example, introduction of an IT risk management process; and, monthly vulnerabilities scans. Risks had changed in the pandemic with people working from home and working remotely. This was first end to end review of IT security

therefore a high number of findings wasn't unusual. There were 4 priority recommendations of high significance. These related to: unsupported network devices, desktop and server operation system; governance of information security; network security; and, backup and IT disaster recovery. There were 10 priority recommendations of medium significance and 1 of low significance.

The Chair confirmed that the College's IT systems required further development and investment. As a result, the findings were in line with expectations. The Director of IT and Digital Transformation was invited to update the Committee on current progress with the IT plan. A detailed plan had been produced and shared with the Investment Appraisals Advisory Group in February 2022. Attention was currently focused on the immediate risks and actions required between now and the end of July 2022 that needed to be completed. Terry Neville OBE had agreed to be the link governor for IT and was providing ongoing feedback about the proposals. A meeting was planned for the 12th April 2022 to discuss what options were available to fund the investment. The Chair reminded the Committee of the annual Audit Committee report that would be produced and the need to report that IT controls were robust. At the next meeting, there was an expectation that the short-term actions would have been completed. The internal auditor outlined a number of immediate actions that could be completed which would have a positive impact. The Committee recommended that the internal audit tracker required more detail to reflect the current position (**Action 24 – COO**).

Marc Vince and Mathew Ring left the meeting.

c. Payroll and HR (Paper F)

The report carried a level of assurance of 'limited' design and 'substantial' operational effectiveness. There were 3 medium priority recommendations in relation to: month-end processes – segregation of duties and evidence of checks performed; casual workers not recorded on the HR system; and, additional reporting checks prior to submission. There was also 1 low priority recommendation in relation to lack of a regular review of those who had access to the HR shared drive to confirm that this was in line with expectations. The report confirmed the management response and where applicable, the actions that would be taken by the management team. One or two recommendations confirmed agreement in principle due to resourcing or no current capacity to make the proposed changes.

Clarification was sought in relation to contractors coming to the College and the need to meet safeguarding requirements. The COO confirmed that the single central register had been subject to extensive audit. Anyone that needed to be captured on the SCR, would be. Robust systems were in place and were working effectively

d. Curriculum Planning (Paper G)

The report carried a level of assurance of 'substantial' design and 'moderate' operational effectiveness. Good practice was identified with: primary research; market analysis; staff involvement, course viability; and, uncertainties. There were 2 medium priority recommendations in relation to: documentation of Curriculum Plan assumptions; and, spreadsheet integrity. There was also 1 low priority recommendation in relation to challenge, scrutiny and decision-making not being recorded within the relevant SLT minutes. The management responses and actions that would be taken in response to the recommendations were included in the report. The Principal confirmed that the Curriculum Planning process was extremely robust.

e. Key Financial Systems (Paper H)

The report carried a level of assurance of 'moderate' design and 'moderate' operational effectiveness. There were 4 medium priority recommendations in relation to: month-end processes – segregation of duties and evidence of checks performed; credit notes – documentation / evidence of processes performed; aged debtors – monitoring; and, access and editing rights – spreadsheets. There were 2 low priority recommendation in relation to the process for write-offs below £1,000 not being formally defined within the Financial Regulations; and, data analytics – system extracts. Management responses confirmed agreement with all of the recommendations and detailed actions were outlined in the report.

Resolved: To receive the Internal Auditor reports.

SECTION D – POLICIES:

22/08 Public Interest Disclosure (Whistleblowing) (Agenda item 6, Paper J)

The policy had been updated in line with recent legislation. This involved minor changes highlighted in yellow for ease of reference. The policy would be published on the College website. The Committee advised that for those complaints which were outside of this policy shown in paragraph 8, the policy should confirm which policy would be relevant.

Resolved: To recommend approval of the Public Interest Disclosure (Whistleblowing) policy to the Corporation for approval.

SECTION E – CLOSING ITEMS:

22/09 Any other business (Agenda item 7)

There was no other business.

22/10 Date of next meeting (Agenda item 8)

Monday, 27th June 2022 at 4.00 pm.