

AUDIT COMMITTEE

Minutes of the meeting held on Monday, 27th June 2022 at 4.00pm in the IT Suite

Present: Mr A Clarkson (in the Chair), Mr S Greener, Mr N Inge, Dr P Jones (via Teams), Mrs H King and Miss L Knapp

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

SECTION A – ROUTINE AND GOVERNANCE ITEMS:

22/16 Apologies for absence (Agenda item 1)

Apologies were received from Mr D Aarons and Mr J Lanes (BDO).

Noel Inge was welcomed to his first meeting of the Committee as a recently appointed co-optee.

22/17 Declarations of interest (Agenda item 2)

There were no declarations of interest.

22/18 Minutes of the last meeting (Agenda item 3, Paper A)

The minutes of the meeting held on the 30th March 2022 had been circulated previously and were approved as a true and accurate record.

22/19 Actions outstanding (Agenda item 4, Paper A)

Action 24 – The internal audit tracker had been updated and would be subject to discussion in agenda item 7. (Closed)

SECTION B – CHIEF OPERATING OFFICER'S UPDATE:

22/20 Risk management (Agenda item 5, Paper B)

The College continued to have three of the eight strategic risks above the College's risk appetite for securing long-term financial viability, reliance on bankers and aging IT infrastructure. The 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 and improve the financial health score. The College was robustly reviewing the curriculum delivery model to ensure efficiency was maximised and that growth targets were realistic and achievable. The relationship with the College's banker remained positive. There was ongoing support for working capital; management of bank covenant compliance; and, options to restructure the debt was being explored with them. Positive interest in land for housing had been received with a range of options for the College to consider.

In response to questions raised by the Committee, confirmation was received that the outcome of the RoATP application would be in mid-July 2022. There was a good understanding within the team of the parameters for funding generated by apprenticeships. The number of IT risks had increased but these would soon be reviewed. A review of the staffing structure for that area was under way to identify the expertise required. A review of the IT area would be completed and this would provide a long-term view of what was needed.

Resolved: To receive the risk management report.

22/21 Board assurance framework (Agenda item 6, Paper C)

The College had significantly improved the level and range of assurances available to governors relating to how effectively risks were being managed. Risks that were reviewed as part of the process exceeded the College's risk appetite which included eight strategic risks, six corporate risks plus one for safeguarding. In the last 12 months, the College had continued to provide governors with high quality data rich information which had increased confidence in management reporting, internally and externally.

The Chair outlined the importance of this document in terms of it being the main source of assurance for the Committee when considering how well risks were being managed by the Executive. The report would be updated for the next meeting in November 2022 to include supporting evidence. Members were invited to inform the COO of any gaps that remained. The Committee asked that additional evidence was required to support the amber rating that had been applied to IT (**Action 25a – COO**). The COO also agreed to explore what other independent sources of assurance could be obtained for GDPR general controls audit (**Action 25b – COO**).

Resolved: To receive the Board Assurance Framework report.

22/22 Internal Audit action tracker (Agenda item 7, Paper D)

There was only one audit recommendation outstanding from prior academic years relating to apprenticeships which cannot be completed until the College returned to the RoATP. The completed IT security audit encompassed any outstanding recommendations from the 2020-21 IT general controls audit. Some progress had been made in the area with proposals being made to the Finance and Resources Committee for funding in this area to improve controls. This would need to be reviewed to ensure the College had the skills and capacity to implement the recommendations as agreed. Overall, 50% of current recommendations had been implemented or partially implemented with a further 18% in progress or not yet due; 18% no longer relevant or not accepted. There were 13% IT related recommendations on hold pending review of resources and funding.

The Committee was updated on some progress that would be made by the end of the summer with implementing some of the IT actions. Such progress and direction of travel needed to be captured fully in the audit tracker. Other works would be incorporated into a longer-term plan. A peer review had already been completed of the IT plan and this had provided a steer on further developments required. Further expertise from a neighbouring college would be obtained to ensure the plan was fit for purpose.

Resolved: To receive the report on the internal audit action tracker.

22/23 Insurance report 2021-22 (Agenda item 8, Paper E)

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 2022-23 was underway with terms expected during late July 2022. The contract with the current insurance broker was due to expire at the end of July 2022. Clarification was provided about changes to the insurance policy due to changes in curriculum delivery.

Resolved: To receive the report on Insurance.

SECTION C – INTERNAL AUDITOR UPDATE:

22/24 Internal audit reports 2021-22 (Agenda item 9):

a. Human Resources (Paper G.1)

The report carried an assurance rating of 'Moderate' for design and 'Limited' for operational effectiveness. The report highlighted 6 areas of improvement: four of medium significance; and, 1 of low significance.

The report confirmed a number of areas of good practice in relation to: people plan; Smartlog training; recruitment process; performance and development review; and, capability and disciplinary. Areas for improvement were identified around: documentation of succession plans for senior post holders and the absence of a documented agile working policy to aid the College's competitiveness for the attraction and retention of staff; evidence of recent training being provided to managers regarding performance management and probation reviews; and, examples of instances when compliance with controls was not evident relating to incomplete attendance to the corporate induction programme.

The report confirmed the management response which was in agreement with the findings. Two actions had already been implemented; the remaining two would be completed by December 2022. An updated version of the report to include the correct dates should be submitted (**Action 26** – BDO).

Resolved: To receive the Internal Audit: Human Resources report.

b. Follow up report (Paper G.2)

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. There were nine findings arising from assurance reviews marked as completed and therefore in scope for follow up. The report confirmed that four of the recommendations were fully implemented and two were being implemented. Of the remaining three recommendations, management had accepted the risks and did not intend to take any further action. The Committee agreed that evidence from other independent external agencies had confirmed that the College had effective systems and procedures in place for the three areas. As a result, the Committee accepted the management's decision and the three recommendations could be removed from the College audit recommendation tracker.

Resolved: To approve the removal of three recommendations (contingency planning; learning walks; and, staff and student surveys) from the College audit recommendation tracker; and, to receive the Internal Audit: Follow-up 2021-22 report.

c. Annual report (Paper G.3)

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 2021-22 (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. The opinion was made with the exception of the design of IT Security and Payroll and HR as these areas were provided with limited assurance over the design of controls.

- 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 in a timely manner. The operational effectiveness opinion was made with the exception of the audit of IT Security and Human Resources as limited assurance was provided over the operating effectiveness of controls due to the nature and significance of the findings.
- c. The annual opinion does not include Data Quality which was in the agreed annual plan but later postponed to 2022-23.

The report on the Board Assurance Framework would provide further assurance that would be needed for the Audit Committee Annual Report.

Resolved: To receive the Internal Audit Annual Report 2021-22.

22/25 Internal audit plan and strategy 2022-23 (Agenda item 10, Paper H)

The proposed internal audit plan was planned around 7 identified areas including follow-up of previous internal audit recommendations. A total of 50 days was proposed. The internal auditor outlined the rationale for the areas that had been identified. The Committee recommended that the audit of Information Learning Technology should be an advisory report focusing on what improvements were still required from a staff, student and curriculum perspective. The internal auditor agreed to liaise with the team and confirm if this was possible (**Action 27** – BDO) and if agreed, resubmit an updated audit plan.

Resolved: Subject to Information Learning Technology audit being changed to an advisory, to recommend the Internal Audit Plan 2022-23 to the Corporation for approval.

SECTION D – FINANCIAL STATEMENTS AUDITOR UPDATE:

22/25 External audit action plan and strategy 2021-22 (Agenda item 11, Paper I)

The strategy was outlined and discussed. The external auditor confirmed a stable year in terms of standards with no substantive changes. 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'. 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.

SECTION E – GOVERNANCE:

22/26 Governance 2022-23 (Agenda item 12, Paper J)

- a. **Meeting dates:** Meeting dates were agreed with all meetings starting at 4.00 pm
- b. **Terms of reference:** As part of the annual process, the terms of reference had been reviewed. No changes were recommended apart from updates to the dates when policies were due for submission. The terms of reference were recommended for Board approval

- c. Cycle of business:** The report was outlined and discussed. With the addition of 3-yearly external governance reviews, the proposed business planner for 2022-23 was approved.

22/27 Any other business (Agenda item 13)

There was no other business.

22/28 Date of next meeting

Monday, 28th November 2022 at 4.00pm

Meeting closed at 5.30pm