

Part I Minutes of the Audit Committee meeting held on Monday 2nd October 2023 at 5pm via Microsoft Teams

Members Present: Liam Butler (Chair)
Wendy Davies (item 10 onwards)
Liz Sithole

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

Committee administrative matters

1 Confirmation of quorum

1.1 The Director of Corporate Governance (DCG) confirmed that the meeting was quorate.

2 Apologies for absence

2.1 There were no apologies for absence.

3 Declarations of interest

3.1 There were no declarations of interest.

4 Approve minutes of previous meeting held 12th June 2023

4.1 The minutes and confidential minutes of the meeting held on 12th June 2023 were accepted as an accurate record for signature by the Chair.

5 Matters arising

5.1 There were no matters arising.

6 Committee terms of reference 2023/24

6.1 The DCG advised that it was considered good practice for the audit committee to undertake a periodic review of its terms of reference. The terms of reference for the committee have been reviewed alongside the revised Post 16 Audit Code of Practice (ACOP), published in April 2023. 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.

6.2 Changes had been made to reflect the requirements of Managing Public Money, following the reclassification of colleges and the responsibilities of Corporation arising from this, as well as the committee's responsibility to review the annual Assurance Review of subcontracted provision.

6.3 **It was resolved** to recommend the Committee terms of reference for 2023/24 to the Corporation.

7 Audit Committee's compliance with DfE's good practice guide for audit committees

7.1 The DCG advised that, on behalf of the audit committee, an exercise had been completed to map the Audit Committee's compliance with the DfE Good Practice Guide for Audit

Committees, as had been carried out the previous year. The DfE Good Practice Guide for Audit Committees had been updated in January 2023, but no substantial changes were made to the guidance and in particular, no changes were made to Annex A suggested areas of work for an audit committee, upon which this assessment was based.

- 7.2 The assessment had been updated to include references to all recent sources of assurance including internal audit reports conducted in 2022/23 and those planned for 2023/24. The report was intended to provide a source of assurance which could be taken to the full Corporation for their information and assurance.
- 7.3 In response to a query from the Chair, the CFO confirmed that the monthly financial closedown was reviewed regularly as part of the internal audit plan including the review of key financial controls, and actions identified were followed through the rolling actions tracker.
- 7.4 **It was resolved** to approve the review of the committee's compliance with the DfE good practice guide and recommend it to Corporation.
- 8 **Audit Committee's self assessment of its own performance in 2022/23**
- 8.1 The DCG advised that it was considered good practice for the Audit Committee to undertake a self-evaluation of its performance each year. The attached questionnaire (as produced by CIPFA) had been completed on behalf of the Committee and members were invited to consider whether the answers drafted reflected their own views of the Committee's performance in 2022/23.
- 8.2 **It was resolved** to approve the committee's self-assessment of performance in 2022/23.

External Audit Matters

- 9 **Regularity self assessment questionnaire**
- 9.1 The CFO presented the regularity self assessment questionnaire advising that the Post-16 Audit Code of Practice 2022/23 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.
- 9.2 The regularity self-assessment questionnaire was presented for consideration by the audit committee prior to external auditors commencing the full audit work on site.
- 9.3 The CFO noted that considerations relating to Managing Public Money were incorporated in the questionnaire for the first time. C Sullivan noted that the external audit this year would include checks to ensure that no transactions fell within the MPM criteria, for example novel and contentious transactions, severance payments and write offs. He provided clarification in response to a question from the Chair in relation to the processes colleges were required to follow to gain prior approval from ESFA in relation to relevant transactions.
- 9.4 The committee considered the questionnaire and members were satisfied that the responses were full and complete.

- 9.5 **It was resolved** to approve the regularity self-assessment questionnaire and recommend it to Corporation.

Wendy Davies joined the meeting.

Internal Audit Matters

10 **Internal Audit Progress Report including internal audit reports**

- 10.1 L Tweedie presented the internal Audit Progress Report which set out the work carried out in the 2022/23 academic year. The internal audits were intended to assist College management and Audit Committee in obtaining an overall view of the adequacy and effectiveness of the internal control systems and on risk management.
- 10.2 The summary progress report included the internal audit plan for this year, with the first assignment due to take place shortly.
- 10.3 The following reviews had taken place since the last Audit Committee:
- 10.4 – *Learner Number Systems - Apprenticeships*: This was an advisory piece of work and therefore the report did not provide a level of assurance for the area. Thirty-three requirements or critical factors were reviewed and six were found to be non-compliant. As a result one low priority action, four medium priority actions and one high priority action had been agreed for implementation by January 2024. Seven actions from the learner numbers review in 2021/22 were also followed up: five actions had been fully implemented, one partially implemented and one not yet implemented. The report set out therefore, eight actions that required implementation. Since the audit took place two actions had been fully implemented and five were in progress. Further reviews of progress against identified actions would be included in the follow up audit.
- 10.5 L Tweedie answered queries from members on points of detail relating to the review, and explained that regulatory audits of funding were carried out on a risk basis and also random sample basis by the funding agency.
- 10.6 – *High Level ISO 27001-2022 gap analysis (IT)*. This was also an advisory piece of work and did not provide a level of assurance. The College had requested a gap analysis between its current control environment against the quality standard 27001. Although this was a useful piece of work and some of the suggestions had been adopted, it was felt that the College's current assurance pathway through Cyber Essentials and Cyber Essentials Plus was more suited to the College environment, the first of these being a requirement of the funding agreement with the ESFA. Of the 22 areas for suggestion, the College had agreed to implement 7. It would not be implementing the remainder of these suggestions for the following reasons:
- The suggestion offered little or no value to the improvement of the organisation.
 - The suggestion was directly linked to the implementation of ISO 27001 which the College would not be looking to achieve at the present time.
 - The resource was not available to achieve the control linked to the accreditation.
 - The College had already aligned a control, policy or process to another accreditation or audit recommendation – i.e. CyberEssentials/CyberEssentials Plus
- 10.7 **It was resolved** to note the internal audit report.

11 **Rolling schedule of audit recommendations**

- 11.1 The CFO presented a report which summarised the progress made in implementing the recommendations contained in the audit reports submitted by internal auditors as well as the auditors who had undertaken the review of sub-contract controls. The report identified those recommendations that remained in progress and highlighted those that had been completed.
- 11.2 Key points were noted as:
- Of the 18 follow up recommendations, RSM had found that 14 had been implemented, with 4 still in progress. Since the follow up report, 3 had been fully implemented with one that was ongoing.
 - 13 of the outstanding recommendations were not yet due.
 - 6 were in progress.
- 11.3 Two recommendations were subject to delay (partnership framework) and this was due to a change in job roles within the partnership team. It was expected that these actions would be back on track shortly.
- 11.4 **It was resolved** to note the rolling schedule of audit recommendations.

12 **Annual Internal Audit Report**

- 12.1 L Tweedie presented the annual Internal Audit Report which set out the work carried out by RSM Risk Assurance Services LLP in the 2022/23 academic year, including recommendations made in each category, and RSM's performance against plan. The internal audits were intended to assist College management and Audit Committee in obtaining an overall view of adequacy and effectiveness of the College's risk management, control and governance processes.
- 12.2 The summary of internal audit work completed in 2022/23 was:
- Partnership Framework – Contract Management
 - HE Framework – Arrangements for meeting the Regulatory Framework and Terms & Conditions
 - Marketing Arrangements – Adult Students
 - Human Resources Control – Appraisals & Performance Management
 - Learner Number systems – Post 1 May 2017 Apprenticeships
 - Follow-up
 - High Level ISO 27001:2022 Gap Analysis
- 12.3 Based on their 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. The green/yellow opinion was consistent with that provided in 2021/22 and also the opinion awarded to most FE Colleges. Benchmarking would be provided when all college clients had concluded their meeting cycles.
- 12.4 During the year, RSM undertook five assurance audits, three receiving substantial assurance and two reasonable assurance. There were also two advisory assignments. As a result of this work two advisory, two high, 14 medium and 7 low priority actions were agreed.

- 12.5 **It was resolved** to note the Annual Internal Audit Report and recommend it to the Corporation.

Risk Management Matters

13 **Risk Management Annual Report**

- 13.1 The CFO presented the Risk Management Annual Report, noting that the College had proactively engaged with the revised risk management strategy. The senior leadership group had revised and updated the risk plan on a monthly basis with reports being regularly provided to all sub-committees and the Corporation. All risks had been effectively managed, with two risks (changes in government policy and IoT delivery plan) increasing their score through the year. Recognition and management of these risks had meant that key performance indicators had not been impacted.
- 13.2 The internal follow up audit on risk management confirmed that the recommendations had been implemented and the College's regularity assessment provided the Corporation with assurance that risk was being managed appropriately.
- 13.3 The CFO noted that student recruitment was identified as the highest risk and this had been effectively mitigated through tight controls on finances so there was no impact on financial stability.
- 13.4 The risk register for 2023/24 was also presented which showed an additional risk in respect of the sustainability strategy.
- 13.5 Members also noted the RSM Risk Radar Briefing which identified emerging risk considerations and provided assurance that the College's risk register had covered all identified areas.
- 13.6 The CFO provided further clarification on points of detail in response to questions from members.
- 13.7 **It was resolved** to recommend the Risk Management Annual Report to Corporation.
- 14 **COMMERCIALLY SENSITIVE - Business Continuity Plan 2023/24**
This matter is the subject of a separate and confidential minute.

15 Data protection and freedom of information annual report

15.1 The CFO presented the report which provided a summary of Data Protection activity through the 2022/23 year, which included staff training, details of 8 data breaches, disclosure to third parties, erasure requests, Freedom of Information requests and subject access requests.

15.2 The College would continue to adhere to ICO, ESFA and other regulatory bodies in relation to Data Protection, ensuring policies, procedures and documentation was up-to-date and compliant. It would also continue to monitor Data Protection and Freedom of Information activity through a central system, reporting regularly to the senior team throughout the year and annually to the Corporation. Training through staff induction and CPD had made staff more aware of their responsibilities to protect personal data, take appropriate action, reduce risk and given clarity to policy, procedure and points of contact for advice.

15.3 **It was resolved** to note the Data Protection and Freedom of Information Annual Report.

16 COMMERCIALY SENSITIVE - Cybersecurity annual report

This matter is the subject of a separate and confidential minute.

17 Any Other Business

17.1 *It was agreed that a meeting be arranged from L Sithole with the CEP and CFO to familiarise her with audit committee matters.*

17.2 There were no further items of any other business.

18 Date of next meeting

18.1 The next meeting of the committee would be held on Monday 27th November 2023 at 5pm.

L Tweedie and C Sullivan left the meeting.

The part 2 meeting is the subject of a separate confidential minute.

The part 2 meeting closed at 17.47 hours.

Approved by committee members at the meeting held on 27th November 2023