

Minutes of the Audit Committee meeting held on 14 June 2022, online by Teams
starting at 5.30pm

Present	Amirun Nehar (Chair/External Member) Geraldine Swanton Sarah Horton-Walsh
In Attendance	Lindsey Stewart (Acting Principal) Rebecca Gater (Vice Principal Curriculum and Quality) Heather Evans (Vice Principal Finance) Pete Haynes (Vice Principal HR and Student Services) Sam Bromwich (Director Control & Compliance) Theresa Lynch (Clerk) Louise Tweedie (RSM) Mark Dawson (KPMG)

The meeting was recorded.

1 Apologies for Absence

Apologies for absence were received from Lucy Lee and Tony Worth.

2 Declarations of Interest in relation to this agenda

There were no new declarations of interest.

3 Minutes of the Audit/Corporation Meeting held on 14th March 2022

The minutes of the meeting held on 14th March 2022 were **agreed** as a true and accurate record and will be signed with the acting Chair's signature.

3.1 Matters Arising - there were no matters arising.

3.2 Actions – the actions list was received.

4 Sector Update - KPMG

Mark Dawson, KPMG, presented a sector update regarding audit matters, including:

- Cross sector information
- College Accounts Direction 2021-22
- Post-16 Audit Code of Practice
- Other financial reporting and audit updates
- Pensions
- IT Security
- Audit Committee Agenda for 2022/23

Q. Given the large amount of change in the sector, is the college comfortable that they can adhere to policy changes?

A. The Acting Principal confirmed that the college was very good at planning and adapting to change. Where advice is required RSM are very helpful, as well as external mentors and networks. The success of the college over the last 8 years demonstrates it's ability to adapt and change in an ever-changing environment.

5 Key Projects and External Funding

The Vice Principal Finance presented the presentation that had been requested by the Chair of the Corporation and Chair of the Audit Committee. It provided an update on risks relating to funding streams and key projects. It covered:

Funding Streams

- ESFA Funding - £32m
- WMCA Funding (Adult Education) - £5.5m
- Office for Students for HE - £2.6m

Projects

- ESF – Business Elevator - £5m over 6 years (lead college)
- ESF – STEM UP – c£700k over 3 years (partner college)
- ESF – Collaborate to Train £502k (partner college)
- Skills Accelerator Development Fund – Stratford
- Construction - £775k
- Digital and Creative - £730k
- GBSLEP Projects
- Construction Skills - £275k
- Creative Outpost - £295k
- Hybrid Vehicle Technology Training Centre - £246k (plus match funding)
- CWLEP Project at Stratford upon Avon – Culture, Media and Construction Assets - £760k, plus match funding
- Higher Technical Growth Fund – funding allocated to GBS IoT to co-ordinate Higher Technical Growth fund with SCUC, BCU and UoB (SCUC lead) - £1.2m
- FE Capital Transformation Fund – Phase 4 and 5 of Stratford Campus Re-development - £2.5m over 2 years.

Q. Are there any immediate risks of clawback and if so what would be the cost?

A. There is no clawback at the current time. Controls are designed to manage projects very closely and funding is only paid to partners once evidence of expenditure is shown. The ESF projects are most high risk at the current time, as DWP can change rules or interpretation of the rules at any time. External support is in place to provide advice and support.

Q. How are future risks managed as there are such a variety of projects with a range of start and end dates and rules in place?

A. There is a lot of detailed monitoring that is done weekly to keep a track of each of the projects and to manage any potential future risks. The process for monitoring is very rigorous.

6 Risk Management and Board Assurance Update

The Director of Risk, Control & Compliance present the report and confirmed that the risk register had been reviewed and updated, particularly in relation to Ofsted. Top Key Risks continue to be monitored. Ofsted in relation safeguarding and the risk of a cyber attack were top 2 risks, with the addition of the risks relating to the changes of senior management roles. A key risk for the Corporation was also being monitored in relation to the change of Principal and Clerk.

Independent board assurance had been provided by the Ofsted inspection and 2 pieces of work by Hettle Andrews (insurance provider) relating to a review of health and safety policies and support in creating the cyber incident contingency plan. Quarterly audits were undertaken by ESF Business Elevator, separate to the main contract to provide external assurance with regard to claims. A review was also underway to establish what external assurance was required with regard to the increased risks of the ESF projects, due to the changes in conditions and in interpretation of conditions being applied by the DWP.

All areas of the college have risk registers that are updated annually. Where this a specific project or high-risk area, a specific risk register will be set up. Two area risk registers were included for information:

- IoT Area Risk Register in relation to risks to the college
- Stratford Campus Re-development.

Risk Appetite had been considered at Corporation during a development session on 26th May 2022. It had been **agreed** that it was a useful tool for informing decisions. The matrix that had been provided was useful in considering issues. It was felt that each key decision should be assessed in terms of risk appetite individually, rather than having a corporate approach to risk appetite overall. A framework for assessing risk appetite was suggested as part of the governance reports. It was **agreed** to recommend this to Corporation.

7 Internal Audit Plan for 2022/23

The Internal Auditor presented the Internal Audit Plan for 2022/23 and described the process for producing the plan, including a review of the college key objectives and risks to ascertain the most appropriate areas for review. It was noted that risks and changes across the sector were considered as well as emerging issues. Consideration is given to forthcoming legislative changes, core business areas and detailed discussion with management. The following audits would take place in 2022/23:

- Review of HE framework
- Learner Number Systems – area for focus to be decided
- Review of PREVENT and PROTECT – to confirm compliance
- Financial Controls – focus on cash and cash equivalence, banking and treasury management
- Governance – requirements of new Code of Good Governance in relation to sustainability and equality, diversity and inclusion
- Follow Up

Q. Seems a bit light in terms of the number of reviews happening – is there anything missing that should be in the review?

A. No, a robust discussion with the management team has taken place and a practical, balanced portfolio has been **agreed**. This is also part of the 3 year cycle to provide a balanced perspective and provide overall assurance.

Q. Anything from a risk perspective that could be covered or should be covered?

A. The process is through and the is underpinned by the college's risk register, so tends to cover all areas adequately and ensures full coverage in terms of assurance with other independent board assurance. Built into the plan is a future view of potential changes, to incorporate issues that may be on the horizon. There is also potential for flexibility and to adapt as necessary as things change in the sector. The Director of Risk, Control & Compliance confirmed that

Discussion took place regarding the increasing, widening net of power being exercised by the OfS into areas of HE that would previously have been off limits, like academic judgement. It is difficult to address the risk of increasing regulatory requires. It was noted that it will be necessary to keep abreast of changing HE environment and the impact on universities autonomy and power to assess the likely impact on the college. It will be necessary to protect the college, as appropriate and work closely with university partners.

Clarity was sought regarding why cyber security was not included in the 2022/23 plan, as this remained high-risk. The Vice Principal Finance explained that this was a priority area for the college, but a lot of work had been done to mitigate the risk, including the introduction of the managed threat response that would provide 24/7 coverage, as well as work with the college's insurers regarding development of the cyber incident contingency plan. She also noted that penetration testing took place, as was required by the Cyber Essentials and Cyber Essentials Plus scheme, which provided additional assurance. It was suggested that data on cyber risk and particularly where attacks have been stopped – to see how many potential attacks there are would be useful. The Vice Principal Finance explained that the managed threat response would be able to provide increased data. She also noted that the

Director of IT could provide a presentation in the Autumn Term to provide an update for the Committee in terms of the extensive work that has been taking place, as well as the extent of the threat.

It was noted that it was anticipated that there would be legislative changes relating to data protection in the future and that once changes were known action would be taken to address new requirements and this would be reviewed as part of the legal compliance audit in a future year. Until detailed changes were known, it was difficult to undertake any action. There had been a recent audit that provided strong assurance in relation to data protection.

The Principal Designate noted that the current clerk was due to leave the college on 6th July 2022 and the Director of Risk, Control and Compliance would be changing her role to incorporate Governance. Discussion took place regarding the new role and the extent of the work and how the role fitted well together.

The Internal Auditor noted that other colleges did have a similar role where governance was incorporated, however, it was very important for the college to have structures in place to maintain and promote the independence of the governance function. She noted that there was synergy between the roles, but the independence role was fundamental and needed a robust structure in place. The Principal Designate noted that the management were cognizant of this and had considered it extensively during discussion of the job description and in relation to implementation of the role.

It was **agreed** to recommend approval of the Internal Audit Plan for 2022/23 to the Corporation.

8 Internal Audit Reports

8.1 Safeguarding Framework

The Internal Auditor presented the report and explained that it focussed on harassment and sexual misconduct. She noted that a number of clients were having this audit in response to media attention, the recent Ofsted investigation and the OfS published guidance regarding expectations of organisations. The audit had reviewed training, policies and procedures and how these were being implemented. Assurance was provided in relation to a core framework being in place. Two medium priority recommendations had been identified in relation to new guidance from the OfS that needed to be incorporated into college systems and closer monitoring of a self-assessment action plan produced by the college. Overall, it had been a good outcome and demonstrated significant work and robust processes in place.

Q. In terms of deadlines for actions, are these on-track for completion?

A. The Vice Principal HR and Student Services confirmed that the completion dates were on target and actions identified were relatively straight-forward to address.

8.2 Learner Number Systems

The Internal Auditor presented the report and explained that the audit had focused on testing of ILR fields for HE data returns. She explained that the OfS were undertaking audits and the aim had been to replicate an OfS audit as closely as possible. However, she noted that unlike ESFA, OfS had not provided any detail regarding their approach. There had been 3 low priority outcomes relating to inclusion of middle name of students, term time accommodation and coding areas that HESA encourages colleges to use. The outcome of the audit was satisfactory, but it was noted that OfS would rate these findings as significant, so it was important to address them.

Q. What is the actual impact of not including a middle name?

A. The Internal Auditor explained that there was no financial implications of omitting a middle name, but that it did provide a way of confirming identity and OfS seemed to prefer that the information was included on ILR records.

8.3 Follow Up Report

The Internal Auditor presented the report and confirmed that 10 actions from 2020/21 had been completed, one superseded and one had been deferred to 2021/22.

8.4 Progress Report

The Internal Auditor presented the report outlining progress against the internal audit plan for 2021/22. She noted that there was one further advisory audit to take place relating to WMCA funding with RMF.

The briefing provided relating to the ESFA guidance regarding the scope of the Audit Committee was highlighted as useful to members. The Internal Auditor noted that she could provide an update on the guidance at a later meeting.

9 Financial Statements Audit Plan for 2021/22

The FSA Auditor presented the Audit Plan for year ended 31st July 2022. He confirmed that a similar approach would be adopted as 2020/21 and that there had been no significant changes to the scope or in relation to regulation or guidance. He highlighted the summary risk assessment that underpinned the Plan and noted that, although the college was relatively financial stable a thorough review of going concern and materiality would take place in line with audit requirements.

It was **agreed** to recommend approval of the Financial Statements Audit Plan for 2021/22 to the Corporation.

The FSA Auditor noted that he was still awaiting a response from the KPMG Head of Risk in relation to whether he would be able to continue to act as the Audit Engagement Director for the college. He confirmed that he would provide a response as soon as possible.

10 Health and Safety Termly Update

The Vice Principal Finance presented the report and confirmed that the number of accidents had increased since the pandemic, however, had not increased to pre-COVID rates. She highlighted the introduction of deep dive health and safety checks that were being conducted in areas of the college and confirmed that lessons learned were being shared across the college.

Q. Do you record near misses?

A. There have been 14 in 2021/22. This is lower than previously reported and staff would be reminded about the need to record near misses.

11 Additional Audit Work

This item was deemed confidential.

12 Management Report on Implementation of Recommendations

The Management Report on Implementation of Recommendations was received for information.

13 Dates of meetings for 2022/23

The dates of meetings for 2022/23 were noted.

The Chair thanked Members and Staff for their attendance and contributions to the meeting. It was noted that the 17th October 2022 Audit Committee clashed with Graduation and an alternative date would be identified. **Action.**

Signed 
e-signature of Acting Chair of the Audit Committee

Date **18 October 2022**

The meeting ended at 8.05pm

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starting at 6.00 pm

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Heather Evans (Vice Principal Finance)
Pete Haynes (Vice Principal HR and Student Services)
Sam Bromwich (Director of Risk, Control & Compliance)
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Auditor and Governor Closed Session