

**MINUTES OF AUDIT COMMITTEE MEETING HELD ON 20TH JUNE 2022 AT THE
KINGSWAY CAMPUS**

Present:	Karen Banks	External Governor (Chair)
	Jayne Edwards	External Governor
	Andrew Macmanus	External Governor
In attendance:	Patrick Clark	ICCA (Internal Auditor)
	Julie Holland	Deputy Principal (Finance & Resources)
	Sue Hutchinson	Beever & Struthers (Financial Statements Auditor)
	Lesley Venables	Clerk to the Governors

APOLOGIES FOR ABSENCE

136 There were no apologies for absence.

DECLARATION OF INTERESTS

137 No declarations of interest were received in respect of any agenda item.

MEETING WITH AUDITORS

138 Governors asked whether there were any matters the auditors wished to raise in the absence of management. Both firms responded that this was not necessary and that they had had open, productive discussions with College officers, who had been receptive to any points raised for further action.

MINUTES OF MEETING HELD ON 3RD MAY 2022

139 **Resolved** - That the minutes of the meeting held on 3rd May 2022 be approved as a correct record and signed by the Chair.

MATTERS ARISING

140 The Committee received a list of actions resulting from the previous meeting and noted that all items were either in progress or had been completed.

141 Under minute 100 the Deputy Principal reported that a draft presentation on risk management was included in the papers for this meeting and that some further, face-to-face training would be arranged for governors in 2022/2023.

INTERNAL AUDIT

Internal Audit Report – Safeguarding & Prevent

142 The Internal Auditor presented a report on the College's Safeguarding and Prevent arrangements. This had been assessed as providing a 'substantial' level of assurance with no recommendations being made for further improvement. The College's processes compared favourably to other further education establishments.

143 A good level of oversight by governors and management had been evident as part of the review and it was noted that Ofsted had graded safeguarding as 'outstanding' in March 2020. Appropriate checks were undertaken by the College's HR department and mandatory training was seen to have taken place by all staff.

144 A governor suggested that the Board should receive training on safer recruitment practices and it was agreed that this should form part of the training plan for 2022/2023.

145 In response to a question from a governor on the Smoothwall software in use at the College the Deputy Principal reported that this was tailored to the College's requirements and included a set of additional security firewalls.

Internal Audit Report – IT Data Security

146 Governors received an Internal Audit Report on IT Data Security, which had graded this area as providing a 'substantial' level of assurance. A total of 4 recommendations had been made, one of which was 'medium' priority, 2 of which were 'low' priority and 1 of which was 'advisory'. The Internal Auditor commented that the number and grading of the recommendations was in line with audits undertaken at other clients.

147 A governor questioned the limit on the longevity of staff and student passwords and whether there was a standard period after which they needed to be changed. The Deputy Principal advised that this was set by the College and that the maximum period for staff was 3 months, however, the longevity of passwords varied between groups of staff.

148 Following a question on the potential impact on learning of restricting access to data on USB devices, the Deputy Principal responded that some examination access arrangements required their use by students but that this was strictly controlled and administered. The College was moving towards only using USB devices on a ring-fenced network, rather than across all areas. A governor asked about the frequency of network monitoring and was informed that daily checks were undertaken and that the software packages in use enabled the identification of any abnormal events.

149 Governors thanked the staff in the safeguarding and IT teams for their contributions to the success of the College.

Internal Audit Progress Report 2021/2022

150 The Internal Auditor presented a progress report on work undertaken in 2021/2022. From a total of 7 audits, 6 had been completed and assurance opinions issued for each of these. As there were no follow-up recommendations (with the exception of one 'advisory' point) it had been agreed with management that the Plan had been delivered.

151 Governors received information on performance against the key performance indicators in relation to the delivery of the audit plan, all of which had been met.

Internal Audit Plan 2022/2023

152 The Committee received the draft Internal Audit Plan for 2022/2023, which had been compiled in discussion with management. All proposed areas of work had been mapped to the College's Risk Register and it was noted that none of these had been graded as high risk.

153 The Plan was based on a total of 32 days (compared to 29 in 2021/2022) and covered the areas of lesson observations, corporate governance, risk management, HR and payroll additional learning support and high needs provision, health and safety and key financial controls. It was felt that this provided an appropriate level of cover of the College's operations.

154 The Chair commented that the work on corporate governance should provide a suitable foundation for the 3 year external reviews that had to be undertaken by all further education colleges. It was felt that all governors would benefit from further understanding of the College's risk management arrangements, particularly around the strategic risks. The Internal Auditor was asked to provide some examples of good practice in risk management to inform the review of this area.

155 A governor asked whether the plan should include sub-contracting provision as this formed one of the key strategic risks. The Deputy Principal responded that work on this area was undertaken separately each year by the External Auditor and that any issues with sub-contracting arrangements would be picked up through other internal audits. As a result of a previous audit the College had strengthened its due diligence processes for sub-contractors and governors were reminded that the overall monetary amount of sub-contracting provision would be reducing in future years in line with the ESFA's latest regulations, which should lower the risk further.

156 Following a query about the frequency of IT audits, the Committee received an assurance from the Internal Auditor that once every three years was standard practice in further education. Governors also sought confirmation that the maximum timescale for the follow-up of recommendations was 18 months. The Internal Auditor responded that the timing would depend on the seriousness of the recommendations. All action points were added to the Risk Management Action Plan, progress against which was monitored at each Audit Committee meeting.

157 **Resolved -** That the Board **be RECOMMENDED** to approve the draft Internal Audit Plan for 2022/2023

AUDIT STRATEGY & PLANNING MEMORANDUM FOR FINANCIAL STATEMENTS 2021/2022 FINANCIAL STATEMENTS AUDIT

158 The External Auditor presented a draft Strategy & Planning Memorandum for the 2021/2022 Financial Statements.

159 The plan had been prepared following discussions with management on the key risks facing the College. The main areas of risk in the sector had been identified as: revenue recognition, management override of internal controls, financial performance against strategic targets and colleges continuing to exist as 'going concerns', the use of funds for higher education provision (in line with the Office for Students' guidelines), pension assets/liabilities

and the College's property strategy. Work would also be carried out during the audit to test whether the College had used the funds provided by Government in accordance with the principles of regularity and it was noted that the reporting requirements had increased in relation to anti-fraud measures.

160 The total fees for the audit would be £25,775 plus VAT (which included the separate audit of the Teachers' Pension Scheme). Additional work was also required to satisfy the Education & Skills Funding Agency on Office for Students regulations on access and participation.

161 It was noted that the level of materiality was set at £492k (2% of total expenditure), with a reporting threshold of £24.6k (5% of the materiality figure).

162 The Committee was advised that a substantial amount of the audit work would take place in July/August, with a second tranche in October/November. Any issues arising from the first part of the audit would be reported to the Committee's September meeting.

163 A governor asked whether the deficit on the Local Government Pension Scheme (LGPS) was likely to increase for 2021/2022. The External Auditor responded that their work reviewed for actual deficit at the year end and was based on assumptions relating to contribution rates and the College's ability to maintain its payments to the scheme. All of this was linked to the work on 'going concern' status. A pensions specialist from Beever & Struthers was available to brief governors on the implications for the LGPS. The Deputy Principal added that the situation continued to be monitored closely by management.

164 In response to a question regarding the capacity to deliver the financial statements work within the proposed timetable the External Auditor reported that initial work would commence next week and that an expanded team would be available this year.

165 **Resolved** - That the Board **be RECOMMENDED** to approve the Audit Plan for the Financial Statements for the 2021/2022 financial year

RISK MANAGEMENT UPDATE

166 The Deputy Principal presented an update on risk management issues that had occurred since May 2022. The Risk Assessment was reviewed at each meeting of the Risk Management Group of key College managers.

167 Governors also received a presentation on the evolution of risk management at the College and how the strategic risks aligned to the strategy of Quality-Efficiency-Growth. The scores on the Risk Register reflected the impact of changes to the external environment (such as the increase in energy costs). It was noted that the draft Financial Plan for 2022/2023 contained additional contingency to take account of any unpredictable expenditure.

168 The Chair suggested that a single risk owner should be identified for each of the 10 strategic risks and that progress against the risk register was not easy for governors to monitor.

169 In response to a question about T Level recruitment rates and whether this was a risk for the College the Deputy Principal advised that, currently it was difficult to assess which Level 3 qualifications would be de-funded and discontinued compared to the introduction of T Levels. It was acknowledged that the management of T Levels continued to be a risk, together with other new curriculum developments.

170 Additionally, the provision of work placements with employers (which needed to be between 45 and 60 days in duration) was problematic for all colleges. Riverside College had met the target of T Level offers for 2022/2023 but the profile between curriculum areas had yet to be finalised.

171 A governor questioned whether a T Level student would have the necessary skills to progress to a more academic higher level qualification. The Deputy Principal advised that this however this was dependent on the individual HE institution, the course, and the parity placed on the technical as opposed to the academic route.

172 Following a question about the increase in the score of risk 10b from 10 to 18 (the maximum) governors were informed that this was due to evidence of cyber attacks within the FE sector. Governors also asked whether the risk register included a risk on recruiting staff in areas where there were national shortages, such as Construction. The Deputy Principal reported that recruitment remained healthy for all vacancies but the overall market continued to be difficult for both lecturing and business support staff in some disciplines.

173 Governors recognised that all actions resulting from audit work were being implemented and that progress was regularly monitored.

TERMS OF REFERENCE

174 The Committee was reminded that at the May 2022 meeting, the Clerk had presented a report on the main changes resulting from the revised Audit Code of Practice and a copy of the latest ESFA Guidance for Audit Committees.

175 The terms of reference had now been updated to take account of the requirements of both documents and a revised drafted was received.

176 **Resolved -** That the Board **be RECOMMENDED** to approve the revised Terms of Reference

POLICIES

177 The Deputy Principal and the Clerk reported that the College's policies that related to the Audit Committee's terms of reference had been reviewed and some amendments suggested.

178 **Resolved -** That the Board **be RECOMMENDED** to approve policies on:

Whistleblowing
Anti-Bribery
Anti-Fraud & Corruption
Anti-Money Laundering

ITEMS TO BE REPORTED TO THE BOARD

179 The Chair summarised the key points that would be reported to the full Board at its meeting on 4th July 2022:

- Risk Management update received for information
- Two Internal Audit reports received for information, with 4 recommendations received overall (one of which was advisory)
- Internal Audit Plan for 2022/2023, Financial Statements Audit Plan for 2021/2022, terms of reference and a number of policies recommended for approval by the Board

DATE OF NEXT MEETING

26th September 2022, 5.00 p.m.

Signed:...Office Copy signed by Karen Banks (Chair).....

Chair of Audit Committee

Date: ...26th September 2022.....