

AUDIT AND RISK COMMITTEE MEETING

CONFIRMED MINUTES OF THE MEETING HELD ON TUESDAY 8 MARCH 2022 AT 9:00AM VIA MICROSOFT TEAMS

Present:

Bree Sherwood (Chair), Jill Lanning, Andrea Blanchflower

Attendees:

Corrienne Peasgood (Principal), Martin Colbourne (Deputy CEO), Leisyen Cox (Scrutton Bland), Karen McIntosh (Finance Manager), Clare Johnson (Governance and Legal Assistant, Minutes)

1. Apologies for Absence:

Apologies were received from Jodie Mitchell, Mark Eastwood and Paul Goddard. To ensure quoracy Andrea Blanchflower attended to support the committee.

2. Declarations of Interest

Governors and Committee members are requested to make known any relevant pecuniary interests relating to any items on the agenda and it was noted that all declarations will be recorded.

There were no new declarations of interest given at the meeting.

3. Unconfirmed Confidential Minutes of the Meeting held on 30 November 2021

The unconfirmed confidential minutes of the meeting held on 30 November 2021 were confirmed by the committee members (excluding ABI) as a true record of the meeting. The minutes will be signed by the Chair at the next available opportunity.

4. Matters Arising

Audit 4 Action 3 - The revised Committee's Terms of Reference to be circulated to all committee members for information and feedback. To be discussed at the Remuneration Committee meeting in December 2021. ACTION COMPLETE

Audit 4 Action 4 - A&R Committee to review their Terms of Reference at the next A&R Committee Meeting taking place in November 2021. To be discussed at the Remuneration Committee meeting in December 2021. ACTION COMPLETE

Audit 1 Action 1 - MC / KMc to update pages 6/7 of the Annual Report to condense the information in the Financial Results section. ACTION COMPLETE

Audit 1 Action 2 - MC to confirm the December 2021 Finance record outcome, for inclusion in the Annual Statement for Board on 14 December 2021. ACTION COMPLETE

Audit 1 Action 3 - CP to include details on 'Sector Uncertainty' in section 3, Page 15 of the annual report, referencing the levelling up agenda, LEPs, role Chamber of Commerce etc. ACTION COMPLETE

Audit 1 Action 4 - MC to provide 'assurance on subsidiaries' via a short report to the Audit committee members before 14 December 2021. ACTION COMPLETE

Audit 1 Action 5 - JM / CJ to add the CCN Accounting Estimates to the schedule of business going forward. ACTION COMPLETE

Audit 1 Action 6 - KMc to distribute the CCN Covid Regularity Assessment to the A&R committee and JM/CJ to add to the Board agenda for 14 December 2021. ACTION COMPLETE

Audit 1 Action 7 – KMc to update subcontracting section (Page 8) of the regularity questionnaire. ACTION COMPLETE

Audit 1 Action 8 – KMc to included any risks relating to manual processes i.e. excel spreadsheets, in the CCN Fraud Risk Assessment. ACTION COMPLETE

Audit 1 Action 9 – JM/CJ to arrange for CCN Going Concern to be presented to Board on 14 December 2021. ACTION COMPLETE

Audit 1 Action 10 – JM/CJ to review final paragraph of the Audit Committee Annual Report to include the ‘assurances’ requirement, as mentioned by Paul Goddard. ACTION COMPLETE

Audit 1 Action 11 – CP to present the combined risk CCN and NES risk register to the A&R committee on 8 March 2022. ACTION COMPLETE

Audit 1 Action 12 - CP to demonstrate the merged interactive risk register to the A&R committee on 8 March 2022. ACTION COMPLETE

5. SECTION A

5.1. IAS Progress Report Update

5.1.1. CCN IAS Reports 2021/22

LC provided an update for each IAS report to date:

Higher Education – Recruitment, Retention and Satisfaction
Assurance Opinion – Significant

This area was reviewed previously, and significant improvements have been noted since the last audit, particularly around student satisfaction with the implementation of the end of course survey which is aligned with the NSS.

Recommendations – 1 medium and 4 low level recommendations have been raised.

Medium recommendation:

1. the progression from FE to HE and the consideration of the strategic impact of that progression with a more formalised progression route and monitoring.

Low recommendations:

2. undertaking analysis of the effective marketing relating to HE
3. Enhancing the feedback from potential HE students at HE Open Events and undertaking an analysis of those who attend and then go onto enrol at the College.

4. Ascertain what 'keep warm' activities are undertaken across the College and HE departments and implementing a 'standardised' approach and sharing of good practice.
5. A feedback survey should be development for HE students for their feedback on the application and enrolment process, including the quality of communication.

LC noted the useful management responses throughout the report for the Committee's review.

JL noted that progression and recruitment has been discussed previously and is a focus of the HE team. It was noted on Page 2 of the report that the average conversion rate from application to enrolment is 43.7%.

JL queried if we have an idea of the conversion rate nationally and how do we compare to this? CP confirmed this could be provided from UCAS.

ABI noted comparisons can be made for similar institutions but initials review of the number would suggest they are low.

JL suggested further to the management response quoted for recommendation 5 'priorities in determining the drivers behind conversion rates from application at a programme level', it would be good to have a further understanding of conversion rates.

ACTION 1: CP to investigate the HE application to enrolment conversion rate and provide an update through the HE Report to C&S on 10 May 2022.

ABI noted that for recommendation 3, a short feedback survey post open events, might not be beneficial but an opportunity for immediate feedback at open events as they leave could provide more detail. CP noted that we do not hold specific HE events at present due to Covid, but the team are reviewing the requirements for an HE event. JL noted that once the 'drivers behind conversion rates' are reviewed could help support requirements for open events.

BS noted there has been quite a delay in this report being finalised and queried why this had happened? CP noted that it was the process for providing the management feedback that held up the report and it was used as a development and discussion tool with area managers.

ABI raised some concerns relating to gaps within the audit and the management responses. Some of the management responses gave an appearance of complacency, although governors are aware this is not the case.

ABI felt there were gaps around the process of advertising, how marketing is scrutinised and ensuring CMA compliance which is an OfS commitment. Ultimately the CMA will impact student satisfaction, which is an area that was reviewed. CP noted that these were not noted in the audit brief for review (Audit Areas Reviewed, Page 12 of report).

It was highlighted that the A&R Committee do not see the audit briefs at present. ABI felt that it would be useful for Committees/Board to see the briefs in advance to offer suggestions.

ABI highlighted that although the mechanisms of obtaining student feedback was reviewed and NSS scores are improving, the results of the surveys were not emphasised enough within the report.

ABI felt that student should have been interviewed as part of the audit to support 'student voice' on processes such as application, enrolment, marketing etc.

The C&S Committee have had a strong focus on HE and the content of this audit is very much linked to the work the C&S Committee undertaking.

ABI raised concerns regarding the management response to recommendation 5; although it is appropriate to state what we are doing as an alternative to a recommendation, but further explanation may be needed as to why we are not undertaking certain actions.

It would be useful to see the briefs the audits are undertaking.

BS asked for further details on how the audit areas are decided?

CP confirmed that herself and MC meet with Scrutton Bland to review the risk register and historical audit areas and determine the areas to be reviewed and when the audits are being held in the academic year. These are then shared at Board to ensure that Committee Chairs are aware what audits are taking place.

Briefs are then drafted based upon requirements, i.e. cyber audit focusing on staff training, risks highlighted in the sector and areas that can audited against a framework. The briefs are then reviewed by the lead audit manager, CP, MC and Karen McIntosh. A programme of staff meetings is recommended but can be adapted as the audit takes place.

CP and MC always attend the opening and closing meetings of the audits. A draft report is provided by SB to which the college provide management responses. This then generates a finalised report which is presented to the A&R Committee.

A draft audit plan for the following academic year is provided to the A&R Committee at the June meeting. The final audit plan is reviewed at the November A&R Meeting and approved at Board in the December meeting.

MC noted that audit plans are discussed internally but would question if we do allow enough time at board to discuss the potential requirements of briefs. Should briefs be relevant to a committee, briefs could be shared in advance of the audit taking place. However, we do need to be vigilant of the scope of requirements for an audit as these are normally limited to 2-3 days.

KMc joined 9:28am.

JL felt that a brief that includes satisfaction is a large task and needs refining, giving a specific area of focus. When relevant, briefs could be discussed at Committee level and share thoughts with Exec members to help determine the brief.

CP noted that briefs are at times driven by past audit recommendations and are not stand alone. Auditors may be reviewing the impact of certain processes that have been implemented to ensure they are effective.

LC thanked the committee for their feedback and discussion and noted the clients all tend to scope very differently. Changes to scoops and schedules are possible if required to ensure we are giving the best coverage and assurances.

ABI queried what the next steps are relating to the HE Audit? CP confirmed that all recommendations are reviewed at a follow-up audit in May each year and all recommendations are discussed.

JL noted that it would be useful for C&S Committee to see pertinent audit reports, not for further debate, but to note the recommendations made that are relevant to a Governors curriculum scrutiny area.

ACTION 2: CJ to update the Schedule of Business to determine if any audit reports are to be shared with Committees.

ACTION 3: HE Audit Report to be shared with C&S Committee for noting of recommendations.

Anti-Fraud and Whistleblowing Framework

Assurance Opinion – Significant

The audit found that CCN has developed and implemented robust processes regarding the anti-fraud framework. This include development and implementation on the following documents:

- Fraud Policy Statement, Procedure and Response Plan
- Whistleblowing Policy
- Code of Conduct
- Anti-bribery Policy and Procedure

During the audit SB met with members of staff from various departments and found that staff demonstrated a good level of awareness regarding the risks of fraud and mitigating controls in their area of work. They confirmed that they could locate key policies if necessary.

The risk register was reviewed as part of the audit, and this is currently being realigned to the new structure. The risk register currently includes a risk relating to fraud, however, this has been reviewed and updated in recent years. The merger of the risk registers will include a review and update to this risk therefore no recommendations have been raised in this regard.

Recommendations – 2 low level recommendations have been raised.

Low recommendations:

1. Improvements to the gift and hospitality guidance relating to the finance regulations and staff induction training materials.
2. Enhance the gifts and hospitality register to capture the decision made regarding whether a gift was accepted or declined and any authorisations for acceptances.

Both risks were accepted by management and templates were provided by SB.

ABI queried how the conflicts of interests policy is monitored? LC confirmed these are reviewed under separate audits. For example, Governors Declarations of Interests (DoI) are reviewed under Governance audits. MC confirmed that Governor declarations are handled annually and at each meetings. Budget holders are required to provide a detailed operational DoI. ABI felt this should be included in the audit information for completeness.

ACTION 4: LC to include information relating to Declarations of Interests in the Anti-Fraud and Whistleblowing Framework audit report.

5.1.2. NES IAS Reports 2021/22
Cash Flow Forecasting
Assurance Opinion – Strong

A strong framework is place relating to cash flow and forecasts were considered reasonable. The reporting of the management accounts was transparent and consistent. Two cash flow models are in place (ESFA and CFFR) which are being completed to a good standard and we are not in risk of breaching any covenants at the time of the audit.

Recommendations: None raised.

Cyber Security

The audit has been completed and the draft report has been issued. The final report has been delayed until June 2022.

CP confirmed the Governance and Debtors audits are currently taking place.

5.2. Annual Review of Risk Register

CP confirmed that separate registers had been running, for CCN, NES and Covid-19. Therefore, some risks were duplicated.

The Covid-19 register has now been archived. The NES register was reviewed for any relevant risks to CCN and then remaining risk were archived. The CCN register was then comprehensively reviewed, and any out-of-date risks were archived. Headline strategic risks have now been input but require further detail regarding mitigation etc.

CP tabled the current risk register and demonstrated the online system.

The risks with a current risk score will appear in the heat map displayed within the register. CP highlighted the new risks to Governors.

CP confirmed that the risk appetite for new risks is to be set by Governors, and planned actions can then be input into the register. Risks that are over the risk appetite can be highlighted to Governors.

As part of the current review all mitigations will be added for Governors to review. CP noted that for each of the mitigations, assurances (internal and external) can be evidence. Each assurance might support a number of mitigations.

CP confirmed that risks cannot be deleted only archived.

CP noted that at what point and how often we review risk appetite needs further discussion with the Board.

ACTION 5: CP to confirm with the Board at what point and how often we review risk appetite.

CP noted that at every SMT C&S and SMT Business meeting (alternating fortnights) an agenda item is included to ascertain if anything discussed within the meeting changes, alters, mitigates etc. any risk. This is minuted and can be included in annual updates.

BS noted that we need to ensure that risk is reviewed at every A&R meeting. CP noted that due to Covid this has not been strict over the last two years but does remain within the Schedule of Business of each A&R Committee meeting and will be picked up going forward. Alongside this, all other Committees have an annual review of the risk register relating to their ToR.

5.3. Governance Matters

5.3.1. A&R Committee Terms of Reference

CJ confirmed the draft ToR are presented to the committee for approval following some changes recommended as part of last year's Governance Internal Audit and further to JM's review of the new Code of Good Governance.

JL queried where impropriety and whistleblowing policies are seen? Fraud and irregularity are often discussed but not impropriety and whistleblowing. Should we be expecting any reports to review?

ACTION 6: JM/CJ to ensure impropriety and whistleblowing policies are included in the A&R Schedule of Business.

ABI felt the ToR needs to be clearer on what is the delegated authority from the Board and what the A&R committee is required to do i.e. consider, review, make recommendations etc.

Both ABI and JL felt the ToR need to be concise and the draft is currently too long.

MC noted that the structure of defining the responsibilities between Audit, Fraud and Risk is useful but the responsibilities could be clearer.

MC highlighted that:

- we are clear on the requirements of Audit and when we review activities
- we are working on risk management and reviews are underway
- some work needs to be done on the presentation of Fraud details to the committee. This is monitored as part of the annual accounts with additional papers being collated annually by Karen McIntosh. However, how do we manage this in-year? Any incidences of fraud would be reported to the ESFA and verbally updated to the committee. We are aware of different risk avenues (i.e. supplier change requests etc). However, is there more that could be provided to the committee to

support fraud discussions. CP noted that a majority of these discussions will take place within the Business Committee as well.

BS noted that as a Committee we are 'less confident' in being able to demonstrate fraud management.

ABI noted that the responsibilities of the Committee and those of the Executive team need to be clearer. For example, '20. To ensure that all allegations of fraud and irregularity are appropriately investigated.' ABI felt this is the responsibility of the Executive team but requires reporting to the Committee.

BS asked for clarity on where the wording of the recommendations have been obtained from and confirmation on the responsibilities of the committee. Once we have determined the responsibilities we can confirm how these are to be carried out.

JL noted that the 'Core responsibilities' within the ToR do not appear in other committee ToR and seem to be relevant to the Board and not the committee.

CJ confirmed the ToR would be discussed with JM and an update provided to the Committee.

ACTION 7: JM/CJ to review the draft A&R Terms of Reference and provide an update to the committee.

6. SECTION B

6.1. Significant Recommendations Update

MC noted that there have been a few advisory points raised following recent external audit work:

- Finance notes are to be consolidated into one
- Payroll reconciliations are completed monthly however, recommended to complete one annually as well
- Review if we can further document and support the work of any quarterly checks and sampling that is carried out on the ILR system, through the registry team

BS queried how the relationship with MHA was? KMc and MC confirmed they are very responsive and helpful, having good conversation and now focussing on the NES Stub accounts.

6.2. Sector Updates

LC noted that the guidance 'The scope of work of the Audit Committee and Internal Auditors in College Corporations.' From the ESFA was updated on 12 January 2022 and may be pertinent to this committee's Terms of Reference.

It aims to provide them with guidance as to how they can implement audit committee arrangements that meet the requirements of the [post-16 audit code of practice](#) (P16ACOP) and also enable them to better discharge their responsibilities for the effective stewardship and oversight of their organisation.

ACTION 8: CJ to share the guidance ‘The scope of work of the Audit Committee and Internal Auditors in College Corporations’ with all members of the Committee.

LC noted that Cyber Risk is very high on risk agendas at present and a very sophisticated cyber-attack happened at Milton Keynes College Group which copied data and gave access to college systems. Due to the robust nature of their system security, they were able to restrict access early. However, some data loss still occurred.

It was noted that due to current world events the risk of cyber attacks has been raised in many firms and it has been discussed with the CMT recently.

6.3. Fraud discussions

MC confirmed there were no whistleblowing or fraud incidences to be brought to the attention of CMT or the committee.

We are aware of the heightened risk of cyber security and the infrastructure team are constantly alert to this.

There have been a number of phishing emails received that have been reported through Microsoft. Particularly, where they are impersonating a previous or current member of staff. Staff remain vigilant and training is shared with staff as regularly as possible. Networking groups also share incidences of attempted fraud for awareness.

CP noted that new college mobiles phones are being distributed and access to apps will be restricted.

7. SECTION C

No items were discussed under this section.

8. Other Urgent Business

No items were discussed under this section.

9. Confidentiality

No items were deemed confidential from today’s meeting.

10. Confidential Items

10.1. Review of SPH Expenses Claims including Credit Card Data

It was confirmed no expenses have been claimed to date for 2021/22 by SPH.

11. Date of Next Meeting

The next Audit and Risk committee meeting will take place on 14 June 2022.

All business having been concluded; the meeting closed at 10:41am.

Signed **Date**
(Chair)

