

AUDIT AND RISK COMMITTEE MEETING

CONFIRMED MINUTES OF THE MEETING HELD ON TUESDAY 13 JUNE 2023 AT 09:00AM VIA MICROSOFT TEAMS

Present:

Jill Lanning (interim Chair), Phil Pearce, Andrea Blanchflower

Attendees:

Jerry White (Principal), Martin Colbourne (Deputy CEO), Paul Goddard (Scrutton Bland), Stuart McKay (MHA), Lana Jackman (Interim Clerk to the Corporation) Barbara Ashby (Governance and Legal Administrator, minutes)

1. **CONFIDENTIAL – Governors Meeting with Auditors**

This item is an opportunity for informal discussion between the governors and auditors and is not formally minuted.

2. **External Audit Plan and Strategy**

SMc presented the External Audit Plan and Strategy report as previously circulated and confirmed the scope of the plan has been agreed by the management team.

Key points highlighted were:

- Revised International Standard of Auditing 315
- ONS Reclassification
- Key executive summary points
- Audits for Grant Funding
- Key Audit Risk Map
- ILR
- Regularity
- Capital Expenditure
- Risks
- Brazel v Harpur Trust
- Fees
- Reserves Policy

Sector update and Accounts Direction:

SMc referred to the Dear Accounting Officer letter and related bite size guides and outlined to Governors that within the Statement of Responsibility, they are charged with disclosing they have awareness of the letter and the guides. In addition, that Governors and the Corporation need to be mindful of the Colleges processes and procedures that have been updated to reflect the requirements in respect of these documents.

SMc noted that KM has been through the financial regulations and managed matters from an internal aspect in terms of the Dear Accounting letter and bitesize guides but asked whether these had been shown to Governors?

It was confirmed that the letter had previously been circulated and also went through Business Committee when the ONS reclassification was set to be presented.

It was agreed that the Dear Accounting Officer letter and bitesize guides would be circulated via Passageways for Governors to confirm they have received and understood them. In addition, it was noted and agreed that this matter should also be taken to Board on 4 July 2023 to show an audit trail. MC confirmed that a special appendix for the financial regulations would be required that will show the changes resulting from the ONS reclassification.

ACTION 1: LJ/MC to circulate the Dear Accounting Letter and ONS reclassification bitesize videos to all Governors via Passageways OnBoard.

ACTION 2: MC to prepare an Appendix to the Financial Regulation document to bring to Board on 4 July 2023 for consideration.

SMc flagged that the Reserves Policy is a growing area of focus within the sector and could be a requirement in 2024/25 for the College. JL confirmed that the Reserves Policy is a current issue being focused on via Business committee and is a work in progress.

3. Apologies for Absence

Apologies were received from Chris Snudden.

4. Declarations of Interest

In the interest of transparency and in accordance with the Standing Orders of the Corporation, all Governors of the Corporation Board are asked to make a written declaration of relevant pecuniary interests on appointment. Governors were 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. No further declarations were made.

5. Unconfirmed Minutes of the Meeting held on 7 March 2023

The unconfirmed minutes of the meeting held on 7 March 2023 were agreed as a true record of the meeting and will be signed by the Interim Chair at the next available opportunity.

6. Matters Arising

22/23 Audit 2 Action 5: CJ to review meeting schedule for next year to allow for an extra Audit and risk Meeting in September 2023. *Tentatively scheduled for 19 September 2023 – Draft meeting calendar to be confirmed. ACTION COMPLETE*

22/23 Audit 3 Action 1: JW to arrange to meet with Phil Pearce to discuss his views regarding risks that need to be included in the risk register as requested by governors. *Meeting arranged for JW and PP to meet on 26 May 2023. ACTION COMPLETE*

22/23 Audit 3 Action 2 JW to meet with LJ to discuss how risks should be categorised in conjunction with governance good practice e.g. Strategic or operational. *ACTION COMPLETE*

22/23 Audit 3 Action 3 JW to speak to SG whether enrolment reports should be sent to C&S committee and Board. To go to C&S and then Board. *ACTION COMPLETE*

22/23 Audit 3 Action 4 JW to review the schedule of business to determine when OfS Tracking would be supplied C&S Committee on 20 June 2023 and to the Board. *This matter needs discussing with ER before presenting at C&S committee. ACTION ON-GOING*

22/23 Audit 3 Action 5 JW to check with SG whether annual agreements are received from awarding bodies and update at next A&R meeting. **ACTION ON-GOING**

22/23 Audit 3 Action 6 JW to update new A&R Chair prior June meeting confirming that agreement reached with Macintyre Hudson or if new proposal required. *ACTION COMPLETE*

22/23 Audit 3 Action 7 Use of AI (e.g. chatGPT) risks and subsequent control measures to be discussed at the next A&R Committee meeting. To be brought to the next A&R meeting.
ACTION ON-GOING

7. Internal Audit Strategy Progress Report 22/23

The report was previously circulated and taken as read with no further comments raised.

7.1. CCN 22/23 Reports

PG presented the three final reports that were previously circulated and taken as read.

Cyber Security Health Check

A full Audit was carried out in 2021/22 but was considered for re-visiting to check progress on the implementation of the previous recommendations and also to have some coverage in 2022/23 year given the prevalence of cyber crime. A health check does not result in a Scrutton Bland opinion, unlike an audit. Instead, the report identified that::

- 4 out of 5 low risk recommendations had been fully implemented
- The medium risk around training has seen some improvement with the introduction of new training but the completion rates require attention which the college are aware of and JL confirmed has been a focus for other committees and the Board.

It was suggested that a target of around 95% is desirable giving margins for things such as sickness absence, maternity and paternity leave.

A query was raised about having mandatory training as a potential area for audit. It was noted and further consideration would be made at item 8 in the Audit Plan.

PG noted the importance of phishing tests and that it is not uncommon for between 7% and 10% of staff across the sector to fall victim to the phishing. However, there is no benchmark for this type of test due to its nature.

PG confirmed that CCN have a good IT framework in place and training is a key line of defence but also having an updated disaster recovery plan is as important and is something for CCN to address. In particular, carrying out a new scenario test is a priority after the document has been updated.

ACTION 3: MC to provide a copy of the business continuity and disaster recovery plan to PP.

Estates Management: Assurance Opinion - Strong

PG noted that the assurance opinion was warranted because of the college's rigorous level of reporting processes and high performance in this area. However, it was

recognised that this is ongoing work to reflect changing requirements as needed. The Chair thanked MC and his team for the efforts to accomplish this rating.

Fixed Asset:

Assurance Opinion - Significant with 3 low recommendations raised.

General Ledger:

Assurance Opinion - Strong with no recommendations raised.

These areas were selected as they had either not been reviewed at all or not for a while but gave assurance to governors that these high ratings demonstrated the level of work being made in these areas.

PG highlighted a fixed asset register recommendation around the process of disposal of items stating, in the audit, they had found a case where the required form had not been completed. It had been suggested that the items being disposed of were replaced so filling out a form was not deemed necessary by management and as the previous form filled out would act as approval of purchase. PG suggested that a category for 'valid exceptions' should be added to the current financial regulations to cover this type of disposal process.

The Chair thanked PG and team for the concise reports and acknowledged the College team effort in this matter. PG echoed his thanks to the College team involved in the audit process.

8. Draft IAS Audit Plan for 2023/24

The report was previously circulated and taken as read. The following items were raised by the committee:

- How were the subjects for the 2023/24 audit selected - the transparency around the rationale for choosing the audit areas was raised by Governors and noted by the Principal who agreed to demonstrate this going forward.
- Areas suggested for audit by the committee were 'HR – Sickness Absence Management' instead of 'HR - and 'Recruitment, Retention and satisfaction' as this has been an on-going theme throughout 2022/23 and is less influenced by external factors.
- It was also proposed that 'Core/Mandatory Training' could be audited in this coming year.
- Governors agreed 'Staff Satisfaction' could be included in 2024/25 audit as a separate focus from staff recruitment and retention..
- Governors agreed 'Student Satisfaction and Experience' should be amended to 'Learner Voice'.
- It was queried why Curriculum Planning and Development was on the list as this a large area and whether the allocated time given would achieve the desired outcome for the college. It was confirmed that the aim of this audit will be to assess the process being used to plan and develop the curriculum, including the financial contribution, rather than an audit of the delivery of the curriculum..
- Governors queried regarding the necessity of having 'Complaints' as an audit area as reports are provided to governors for assessment. However, it was noted that not enough information is supplied in the reports in terms of the handling of the complaints and timelines.

Governors agreed that some of the proposed areas on the plan required amending before going to Board for final approval and requested a revised plan. PG agreed to reword some of the audit areas and then share the revised list with Governors post meeting.

Governors approved the recommendation for the audit plan to go to Board for final approval subject to the discussed changes.

ACTION 4: PG to prepare a revised draft of proposed areas for the 2023/24.

ACTION 5: JW / MC to present the revised IAS Audit Plan for 2023/24 to Board on 4 July 2023 for final approval.

9. Sector Updates

PG provided a verbal update noting that within the sector on an operational level there has been a rise of errors occurring due to workload pressures. In some instances, there has been a financial impact and it is thought that this is a result of time management issues and workloads. However, PG was pleased to reassure Governors that this is not evident at CCN but wanted to raise awareness of the situation.

SMc echoed PG point adding that there has also been a significant number of Heads of Finance posts being vacated due to operational pressures.

MC confirmed that there are a lot of challenges that the sector is facing currently, particularly in terms of ONS regulations which for the college means a shift in operation and staff are also managing numerous capital bids and resulting projects.

10. Fraud Update

This item is recorded within the confidential minutes.

11. Risk Register and Management Update

The report was previously circulated and taken as read. MC noted that the reports provide a broad review of Risk following the meeting with PP on 26 May. Discussed at this meeting was CCN policy, systems and software that is used to present the data. Along with, the current position of risk and how to make the register more visible to the Audit and Risk committee and improved alignment with the other committees and assurance to the Board.

PP highlighted that the Risk system in place is excellent and well-reviewed making it easy to understand. The A&R Terms of Reference presented a lack of clarity about how governors should oversee the risk register. In addition, it is difficult to determine which of the other committees should oversee and respond to which risk. PP suggested that the risks could be reviewed and perhaps reduced and then aligned with the relevant committee.

JL acknowledged this was a way of providing risk visibility that has not been made possible before and acknowledged there is a link with the governance papers on Terms of Reference that could be taken under advisement to the Board.

ABI agreed with the approach PP has taken regarding this matter, adding the risks could be identified on the cover sheets for papers being prepared for committees going forward.

It was noted that none of the risks already in place are strategic (e.g. the impact of devolution on adult funding) and it was proposed that this could be reviewed after the Strategy Day and the review of risks identified above.

MC suggested the risks could be reviewed and discussed at a forum of the committee Chairs with some executive representation that could include himself, JW and JP and could include LJ / JM. The sub analysis showcasing six category types could also be reviewed at the proposed forum and feedback could be obtained around what is working and what is missing.

The outcome of this meeting could then be fed into the committees for their comments/views and the Board with a view to making any necessary changes in their Terms of Reference.

ACTION 6: MC to arrange a forum meeting with JW and JP and committee chairs to review the alignment of the current risks and possible addition of strategic risks.

JL asked LJ whether her papers under Item 13 were also addressing similar issues and it was confirmed they were. JL then asked if these papers could be taken on advisement to Board as part of this process and LJ was in agreement confirming the proposed papers were in the development stages to assist JM.

MC provided a summary of risk management prepared by JP stating that several of these risks are self-evident in the current climate, with energy, the draft budget and staff pay being the most prominent challenges. In addition, there is a back log with estates maintenance at Easton which highlights a level of risk due to the nature of the courses delivered.

MC referred Governors to the risk diagram within the report commenting that this provides risk transparency for the items noted above.

12. Risk Management approach.

This item was covered in item 11 and no further comments were raised.

13. Governance Matters

13.1. Statutory Guidance and A&R Terms of Reference –

It was agreed with governors that theses relating papers would be taken on advisement to the Board and be incorporated as part of the risk management approach going forward.

13.2. Annual Review of Committee Terms of Reference

This item was not discussed and is on hold until changes have been made to Risk Management as discussed earlier.

14. Significant Recommendations

MC provided a verbal update and informed the committee that in terms of the recommendations, the impairment review and ILR are currently being dealt by KMc. No other matters were noted.

15. Other urgent business

No matters were raised under this item.

16. Confidential items

16.1. Review of SPH Expenses Claims

This item is recorded within the confidential minutes.

17. Date of Next Meeting

LJ wanted to note that the discussion around risk had been very useful and the Chair acknowledged that this would be LJ's last A&R committee and thanked her for her contribution.

The next Audit and Risk committee date is to be confirmed.

All business having been concluded; the meeting closed at 11:14am

Signed Date
(Chair)