

## AUDIT AND RISK COMMITTEE MEETING

### CONFIRMED MINUTES OF THE MEETING HELD ON TUESDAY 14 JUNE 2022 AT 9:00AM VIA MICROSOFT TEAMS

**Present:**

Bree Sherwood (Chair), Jill Lanning, Mark Eastwood

**Attendees:**

Corrienne Peasgood (Principal) until 10:25am, Martin Colbourne (Deputy CEO), Leisyen Cox (Scrutton Bland), Karen McIntosh (Finance Manager), Stuart McKay (Macintyre Hudson) until 9:16am, Jodie Mitchell (Director of Governance & Legal) , Minutes), Barbara Ashby (Governance & Legal Administrator, minutes)

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**BS informed Governors of a change in Order of points to be discussed to allow for SMc to present his report first before leaving to attend another meeting.**

BS welcomed Stuart McKay from Macintyre Hudson to present his report for the colleges Audit Plan and Strategy.

**1. External Audit Plan & Strategy**

SMc presented the External Audit Plan and Strategy to committee providing an in-depth overview of their risk assessment and proposed audit work and fees.

BS thanked SMc for his comprehensive report and invited questions from the meeting.

BS asked whether the materiality is the same as last year. SMc confirmed they were. BS asked for confirmation if this was set at 1% (overall) as the threshold which is consistent with market practice for the college. SMc acknowledged this was correct. BS queried whether the Audit Risks classification are consistent and was advised that in the main there would be no change to the set fee of 5%. The exception to this was with the AEB clawback because it was set at a lower threshold last year.

BS queried whether SMc would be the assigned partner instead of RS. SM confirmed that RS will continue supporting the College unless the Corporation requested a change. SMc confirmed that RS would continue to be the assigned partner.

BS thanked SMc for his full and comprehensive report.

SMc left meeting at 09:16am

**2. Apologies for Absence:**

Apologies were received from Rakesh Shaunak and Paul Goddard

**3. 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.

#### 4. **Unconfirmed Minutes of the Meeting held on 08 March 2022**

The unconfirmed minutes of the meeting held on 08 March 2022 were confirmed by the committee members as a true record of the meeting. The minutes will be signed by the Chair at the next available opportunity.

#### 5. **Matters Arising**

Audit 2 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. **ACTION COMPLETED**

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

Audit 2 Action 3: HE Audit Report to be shared with C&S Committee for noting of recommendations. **ACTION COMPLETED**

Audit 2 Action 4: LC to include information relating to Declarations of Interests in the Anti-Fraud and Whistleblowing Framework audit report. *Report was updated and a copy to be provided by LC to Governors after this meeting.* **ACTION COMPLETE**

Audit 2 Action 5: CP to confirm with the Board at what point and how often we review risk appetite. *CP informed Governors that at Board it was decided that an update would be provided on the matter in the 2023 January Strategy Day and not July.* **ACTION ONGOING**

Audit 2 Action 6: JM/CJ to ensure impropriety and whistleblowing policies are included in the A&R Schedule of Business. *JM stated that both policies will be going to RemGov meeting on 1 July 2022 for approval.* **ACTION ONGOING**

Audit 2 Action 7: JM/CJ to review the draft A&R Terms of Reference and provide an update to the committee. **ACTION COMPLETE**

Audit 2 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. **ACTION COMPLETE**

#### 6. **SECTION A**

##### 6.1 **Risk Management Update**

CP provided an overview of the live NES and CNN Risk Register as at today and noted the following:

- The data is now all in one place but yet to be finalised
- CP noted for Governors the mitigation scores and categories for each risk
- The 3 key areas of focus as highlighted in the internal audit are Cyber Security, finance and funding

- CP stated the governors risk appetite level for these areas is unlikely to change even allowing for mitigation and that it will be an ongoing management process

BS queried what the timescale for updating mitigations were? CP stated these would be considered at the strategy meeting on 12 July 2022. CP also added that within this register there is provision for external assurance which can be provide to Governors.

BS thanked CP for the updated report and the content was noted.

## 6.2 IAS Progress Report Update

### 6.2.1 CCN IAS Reports 2021/22

LC provided an update for each IAS report to date which had been distributed to the committee.

LC stated we are on track of completing the audits in line with the agreed schedule, leaving the final 3 audits being brought to the next meeting.

LC informed governors that she had reports on the following areas, Governance, ALS, Cyber Security and Income and Debtors which were discussed as follows:

#### **Income & Debtors**

##### **Assurance Opinion – Strong**

#### **Income**

The audit looked at how outstanding debts were being dealt with by inspecting 2 cash handling departments in relation to whether CCN policy and procedures were being followed. No concerns were raised with the college systems in place.

#### **Debts**

Strong control measures are in place to chase debts and were in line with CCN policy and carried out in a timely manner. Supporting evidence was also in place for the actions taken for recovery. Strong monitoring with aged debt, demonstrating good reporting of bad debts to the business committee and then to Board for approval.

Recommendations: None raised.

BS thanked everyone involved for their efforts in producing a strong result.

#### **Cyber Security Audit**

##### **Assurance Opinion - Significant**

LC stated that the framework into how cyber attacks are detected was investigated and the following was noted:

CCN has a robust system in place and is well enforced. No errors were found after a file scan was carried out on CCN web and DNS servers.

Areas for Improvement Identified as follows:

1. Timely completion of cyber security staff training
2. The need for improvement to documentation for patch management and third-party access to college systems

Recommendations: 1 medium and 4 low

LC referred governors to the action plan to discuss the recommendations as follows:

1. Medium – For staff to complete their cyber training as soon as possible by setting a deadline date. Management Response: Positive and Tracked
2. Low – Develop a Patch Management Policy and for IT to ensure these are carried out properly. Management Response: Positive: Develop and be included as an Appendix to CCN Information Security Policy.
3. Low - To have an Assessment regarding the need to enable the auditing feature on the critical folders on the college network. Storage capacity will need to be revisited after new ones in place. Management Response: Received and under review.
4. Low - To update CCN Security Policy in respect of password requirements for staff, including recognition about the 2 factor authentication requirement embedded in the college. Management Response: None
5. Low - CCN to develop a policy on the granting and monitoring of third party access and control measures. Management Response: None

**1 Added Value point raised: CCN Fire Wall**

LC noted that the College are considering developing a knowledge base in respect of this and that any amendments to the configuration are being tracked with the IT team being able to identify these.

After discussion LC invited any comments and questions and the following were noted:

JL raised a question on third party access and the 2 step verification process stating she had not received any cyber security training. JL queried whether Governors should be given a reminder to do this and asked where Governors sit in relation to CCN access policy.

JM advised that she could ask JP about this matter and see whether all policies and other relevant document can be sent to governors.

**ACTION 1: JM to investigate if Governors are required to undertake any cyber security training and to distribute any relevant documents to Governors relating to the 2 step verification process.**

CP stated that the College would check group access, adding it is done for external examiners. CP commented that CCN have a robust system in place to protect all and CCN are reassured by the positive Audit result, which notes that the College has the relevant security and relative policies in place.

JL stated that she had not had a prompt to change her password but CP confirmed there would be one.

BS commented that the significance of a cyber breach would be on the risk register and felt it would be good to have an update next time.

**ACTION 2: A cyber security / risk register update to be provided at the next A&R meeting, on 22 November 2022.**

JL asked which committee would report on breaches and CP confirmed it would be dealt with at Business Committee.

LC shared examples with the committee regarding recent cyber incidents. BS asked how CCN would deal with these incidents? CP confirmed that staff and governors should follow the basics of not clicking on any link if it is not expected and report it to IT. MC noted that in each incident the CCN fire wall is the first line of defence, However, as each incident becomes more sophisticated the fire walls are less effective. Staff need to be vigilant and remember not to click on any attachments they don't recognise

**Governance – Processes**

**Assurance Opinion - Significant**

LC discussed changes to processes and stated that no concerns had been raised. CCN is compliant to Principle 10 and amendments are coming into force Sept 22. LC confirmed that CCN has a good level of compliance in place against the code adhering to 46 of the required elements leaving only 7 partially compliant. This was due to the role of the vice chair, the clerks reporting lines and policies and procedures around recruitment and succession planning for Governors. LC referred Governors to the action plan on page 4 to discuss the recommendations as follows:

**Recommendations: 1 medium and 1 low**

1 Medium - to develop a policy or procedure for recruitment and appointment of new Governors. This policy should also include the approach to succession planning for Governors and details of the Terms of Office for members and circumstances which Governors might be appointed for a third term.  
Management Response: Positive

Low - To produce and have in place a Governor role description. Update the role description for Director of Governance and Legal to demonstrate reporting lines up to the board regarding the role of the Clerk. To confirm that the role of Clerk is to be seen as an independent role.

JL noted the importance of the Director of Governance and Legal role, being an independent position and was concerned about the accountability of this role.

## ALS

### Assurance Opinion - Significant

LC confirmed that CCN have a good framework in place for high needs provision and clear procedures for identifying learners with additional needs. It was noted that CCN also have transparent documentation in place supporting these requirements. LC confirmed there is regular reporting through up to Senior Leadership Team in place. But the report identified an error in the data spreadsheet used to create the funding forms resulting in minor errors for the tests carried out.

Previous recommendations had been started Summer 2019 but not completed as planned to due several factors being Covid, Easton merger, embedding of new policies and procedures and system changes.

LC stated the implementation of the new framework has been positive and so no follow up has been made with the previous recommendations as they are superseded.

### Recommendations: 2 Low

LC referred Governors to the action plan to discuss the recommendations as follows:

1. To carry out annual review of the ALS data spreadsheet so all formulas are correct. Identify any errors before inputting data.
2. To carry out a benchmarking exercise to identify whether the rates for ALS learners remain accurate and sufficient for service provision.

LC provided a comparison of rates with other providers, detailing the undercharges. A review is needed to make sure CCN claims the full funding amount against costs they have incurred.

CP stated there will be an investigation as a benchmarking exercise. Overall claims are similar compared with other providing but was not sure if CCN are including same things as other Colleges.

JL queried whether the college is comparing like with like regarding these rates? JL also commented on whether the August due date was feasible for providing benchmark outcome due to the complex nature.

CP confirmed the ALS report will be discussed at C&S.

MC added that College need to get the rates correct to receive the maximum claim entitlement amount but added there is a restrictor/cap with what funding the Local Authority holds.

BS questioned whether the spreadsheet is best method for presenting data or if an alternative way should be used because spreadsheets are prone to errors emerging. CP advised this is unlikely to be an issue going forward as there is currently a

national consultation taking place about having a national funding formula incorporating bands.

### 6.3 Draft IAS Audit Plan for 2022/23

LC presented the proposed Strategy for next year. CP informed the committee that the areas chosen were because they were suitable for adopting a different approach to managing the scope of risk. This had also been determined from key matters that had been discussed in detail in committee meetings. CP stated this approach would also be used for subsequent years. This proposal was shared with the College Leadership Team as well for their comments and the team agreed with the proposed choices.

BS commented that it was good the recommended areas are specific which provides a clearer understanding for committees of what is being covered in these audits. BS asked if there was any plan for this information to be shared with other Committees and had no concerns if it was.

CP confirmed the report is going to Board and the A&R committee but could also be shared with the other 2 committees. BS wanted to make sure that other committees were given the option to have a say about these matters.

**ACTION 3: JM to add 'Draft IAS Audit Plan for 2022/23' to the upcoming committee and Board meetings for June and July 2022.**

JL had no concerns about the areas chosen for review but queried about some of the wording used in relation to the attendance and retention area. JL queried if the wording should be 'degree' regarding compliance, instead of 'how' they. JL queried if the word 'new' regarding strategic planning should be used or whether changing it to 'current' instead. CP stated this was an area that was due to be reviewed two years ago but has been moved again so it can monitor the implementation of the framework and look at the annual priorities of the five-year plan.

JL queried why marketing process had been selected for internal auditing and suggested it being changed to 16-18 Recruitment instead.

ME questions how Governors are made aware of changes to agree them before this goes to Board?

BS responded and confirmed if an item were removed or added then this would need to be referred back to the committee before final approval at Board.

JL added that recommendations could be made for further discussion at a committee then go to Board for a decision. BS supported this suggestion.

### 6.4 Whistleblowing Procedure

JM presented the report and advised the following:

- The Policy has recently been updated and considered by HR and Unions with no further comments
- There were minor amendments relating to NES being removed from the policy and job titles being updated

JM asked for approval for recommendation for policy to go to the Board on 5 July 2022.

The following comments were raised:

- ME asked whether Audit matters could be included at other committee meetings as standard practice.
- CP noted the report had yet to be reviewed by CLT but queried the reporting line process suggesting it needs to be revisited
- JL commented on the wording in point 8.5 regarding the use of an independent third party that 'may' should be changed to 'is'. In addition, JL queried other wording omissions/changes in relation to the assessment and appeal stages that should be revisited

JL and JM agreed to amend and check through the procedure with the recommendations made and then refer to BS if needed.

**ACTION 4: JL and JM to review and amend the Whistleblowing Policy prior to the Board meeting on 5 July 2022.**

## 6.5 Governance matters

### 6.5.1 Terms of Reference

JM informed the committee that the Terms of Reference had been updated following recommendations made by the Audit committee. The original amendments have been made following recommendations from Scrutton Bland and the wording is now clearer regarding responsibilities of the committee.

JL queried the list relating to the type of members that can sit on this committee and if it was standard practice? JM responded that it does limit who we use but it is a standard list which are referred to.

CP stated it is normal to have co-opted members to other committees and JL agreed maybe this was an option to consider.

ME stated it is traditional to have a staff member as a board member as well and suggested co-option is the easiest method to do this.

BS raised concerns about the available skills set with those on committees and using co-opting which will reduce the pool of people to choose from with a range of expertise. This was an important consideration to be aware of when considering this option.

### CP left meeting at 10:25am

BS raised 2 points relating to items that the committee should do explicitly during the year, in particular point 9 and point 12, is there a policy on the engagement of external auditors to supply services in addition to those stated. BS asked MC if there was a formal policy in place? MC confirmed there was not. BS asked MC if he could put one together. BS queried point 17 on fraud asking whether this should be positioned higher on the agenda. BS asked for other views concerning this point.

**ACTION 5: MC to provide a Policy relating to services supplied by an External auditor other than what has already been planned for in the Audit Plan**

JL stated it is an item that should either be included for discussion or dropped completely, not an ad hoc item. And confirmed the former would be preferable.



ME raised a query concerning the private meeting between auditors and audit committee and was concerned we did not do this and stated it would be best practice. ME suggested it could be an item discussed at the end of the main meeting.

BS confirmed meetings had occurred in the past and stated that it is something that should be done as standard practice going forward and suggested this should be included in the Terms of Reference.

JL asked for clarity whether these meetings would be once a year with the audit report or at other suitable meetings.

ME said for best practice this should be at every meeting. BS confirmed she was in agreement with this proposal and asked ME how this would be presented at the meeting. ME advised it would be listed as a standard item on the agenda.

LC confirmed that 75% of colleges have this type of meeting with auditors and governors and also ones without them just managers present. LC confirmed they are generally held at the start of the meeting to provide an opportunity to raise any issues but mostly it will be stating everything is working to plan. In addition, holding these meetings at the beginning does not conflict with any confidential business to be discussed near the end.

**ACTION 6: JM to update the Terms of Reference to include meetings between the Audits and Governors to present to Board on 5 July 2022.**

## 7. SECTION B

### 7.1 Significant Recommendations Update

MC confirmed there had been a delay in updating the relevant financial policies and procedures due to a number of influencing factors. MC confirmed there are no gaps in control measures but he is aware the updates will need to be dealt as soon as possible.

### 7.2 Sector Updates

LC provided an update regarding changes from ESFA as follows:

#### Apprenticeships

The 20% off job has been scrapped and from 2023 there will be a 6 hour per week flat rate across the job representing the 20% of a 30 hour working week. There is no requirement for complicated calculations on the individual going forward so simplifying things. This does not apply however to 2022-23 apprentices.

#### English and Maths

There are some minor changes relating to the L2 Apprenticeship. The requirement to take a test has been removed but still need to work towards L1. The College can claim back the initial assessment costs incurred as an eligible cost that is included within the cost of the courses.

### 7.3 Fraud Update

Please see confidential minutes.

## 8. SECTION C

No items were discussed under this section.

**9 Other Urgent Business**

No items were discussed under this section.

**10 Confidentiality**

Item 7.3 was noted as confidential. Please see confidential minutes.

**11 Confidential Items**

**11.1 Review of SPH Expenses Claims**

It was confirmed no expenses have been claimed since the last Audit and Risk meeting in March 2022.

**12 Date of Next Meeting**

The next Audit and Risk committee meeting will take place on 21 November 2022.

All business having been concluded; the meeting closed at 10:52am.

**Signed** ..... **Date** .....  
**(Chair)**