

<p>MINUTES OF THE AUDIT COMMITTEE MEETING HELD REMOTELY ON 16TH OCTOBER 2024</p>
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Present: Lucky Ali, Ali Amirkhalili, Gary Baines (Chair), Penny Haughan, Karen Lowe

In attendance: Kevin Williams (Vice Principal – Finance & Resources), Phil Jones (Vice-Principal – Student Experience), Will Simpson (RSM - Internal Auditor), Gill Banks (Principal – minutes 1 to 48), Jo-Anne Tam (Director of Finance), Lesley Venables (Governance Professional), Joel Harper (Director of IT Services)

PART ONE

APOLOGIES FOR ABSENCE

- 1 Apologies for absence were received from Lisa Randall (RSM – Internal Auditor) and Rory McCall (Wylie & Bissett – External Auditor).

DECLARATIONS OF INTEREST

- 2 There were no declarations of interest.

APPOINTMENT OF CHAIR

- 3 **Resolved -** That Gary Baines be appointed as committee chair until the first meeting of the 2025/2026 academic year

MINUTES OF PREVIOUS MEETING

- 4 **Resolved** That the minutes of the meeting held on 12th June 2024 be approved as a correct record and signed by the Chair

MATTERS ARISING

- 5 Governors received a progress report against the list of actions from the previous meeting.
- 6 Under minutes 105 to 106 it was agreed that relevant risks would be considered by each committee as appropriate and would form part of the summary reports back to the Board, with this action now being transferred from the Audit Committee to the full Board. A risk appetite would be developed over time with different gradings for each area of risk, which would be included in future risk management reports.

- 7 The Board would consider risk and its tolerance level at one of the future Strategy events (with a target date of March/April 2025), with RSM invited to facilitate the session.
- 8 In relation to minute 132 the Vice-Principal Finance & Resources reported that this work had been deferred due to notification being received from the ESFA of a funding audit in the Autumn Term.
- 9 A governor questioned whether there a separate health and safety risk register would be presented to the Committee. Governors were reminded that the previous discussion had related to the level of assurance provided by the College's framework at that time. Since then, a significant amount of work had been undertaken to address some of the issues reported and the Health & Safety Manager was confident that this area was now on track.

INTERNAL AUDIT REPORT –IT SECURITY CONTROLS

- 10 The Internal Auditor presented a report on key controls within the College's IT Systems. This area had been graded as providing 'partial' assurance, with a total of 5 points for further action had been identified, 1 of which was graded as 'high' priority, 2 of which were graded as 'medium' priority and 2 as 'low' priority.
- 11 A number of control gaps needed to be addressed by the College, for example, the testing carried out as part of the audit had highlighted that there was an opportunity for staff to bypass the internal regulations for the purchase of software and the need to ensure that third party IT service providers adhered to the same standards as the College itself.
- 12 Further minor suggestions on the wording of policies and guidelines had been made during the audit, which were easy to rectify.
- 13 The Vice-Principal Finance & Resources had provided a briefing note, setting out contextual information on the issues raised in the Internal Audit report. Management felt that the relative grading of the recommendations was harsh considering the number of process errors identified (3 non-compliances on the purchase of software in the last 4 years) and the robust mitigating actions now in place to minimise any future occurrences.
- 14 The Internal Auditor explained that the assessment was based on the level of risk and the potential/impact of its occurrence and not on a mathematical formula approach. The College's current IT Policy did not set out a minimum standard for new suppliers and the ways in which these were enforced for existing companies on all aspects of IT procurement. The policy required further refinement, particularly on the measures to address non-compliances which would inform all suppliers and users of the consequences of potentially compromising the integrity of the College's IT systems.
- 15 The Audit Committee was keen to see any necessary changes in policy implemented as soon as practicable. The Internal Auditor reported that further contextual information was normally discussed as part of the de-briefing process after any such assignment. The measures suggested to improve the College's systems were considered to provide a reasonable baseline for further development, in line with good practice at RSM's client base.

- 16 Governors sought assurance that staff and suppliers were aware of their responsibilities and the regulations on IT cyber security. The Head of IT responded that in future all IT purchases would be undertaken using a formal flowchart to ensure all possible safeguards were in place and software could not be loaded onto the College's systems without the involvement of a member of IT staff. The Finance Team was also aware that all IT purchases needed to be sanctioned by the IT team prior to orders being placed.
- 17 The Chair summarised the discussion, concluding that there were different perspectives between management and the Internal Auditors on the grading of this area of provision. Whilst the former's views had been taken into account, RSM were experts within this area, particularly given the large number of clients with which they dealt in the FE and public sectors. The Principal added that there needed to be an element of proportionality to the recommendations arising from this review.
- 18 In response to questions regarding the adequacy of the action plan resulting from the audit the Internal Auditor reported that a number of the recommendations were already in train. The success of the plan depended on its timely delivery and in some areas there was a need to ensure there was sufficient capacity and ownership.

INTERNAL AUDIT REPORT – PAYROLL & AGENCY STAFFING

- 19 The Committee was advised that work on this review was continuing and that some data analytics had been undertaken. The final report would be presented to the Committee's March 2025 meeting.

INTERNAL AUDIT REPORT – FOLLOW-UP

- 20 Work on the follow-up of recommendations identified in 2022/2023 was still underway. This item had been delayed due to a number of reports (such as Payroll & Agency Staffing) still being outstanding in June 2024 following capacity issues within key areas of the College leadership team.

INTERNAL AUDIT BRIEFING DOCUMENTS

- 21 Governors received for information briefings on emerging issues within the FE sector and a report on common risk themes across various aspects of the public sector and RSM's client base.

CYBER SECURITY RISK APPETITE STATEMENT

- 22 The Vice-Principal Finance & Resources presented a draft Cyber Security Risk Appetite Statement, which had been a recommendation of the Internal Auditors. This would be appended to the Risk Management Policy that was to be submitted for approval by the Board. Governors were advised that there was no immediate intent to introduce similar statements for other areas of provision.
- 23 The proposed risk appetite statements for cyber security was classified as 'low' as addressing any errors was likely to be expensive and the College did not have sufficient resources to be able to finance costly mistakes. It was important that any rating was considered to be affordable. The next step of the process would be to determine what a grading of 'low' equated to in terms of the IT/cyber security

framework.

- 24 The Chair asked where performance against cyber security indicators was monitored and was advised that JISC reviewed the number of cyber attacks suffered by each of its members, including the College. It was agreed that a report would be submitted to the Committee twice each year, with the most appropriate timing to be determined by management
- 25 **Resolved –** That the Board **be RECOMMENDED** to approve the Cyber Security Risk Appetite Statement

REGULARITY SELF-ASSESSMENT QUESTIONNAIRE 2023/2024

- 26 The Governance Professional presented the draft Regularity Self-Assessment Questionnaire for 2023/2024. This was a requirement of the Education & Skills Funding Agency and would be reviewed by the External Auditors when finalising the Financial Statements.
- 27 A number of amendments were suggested, including the addition of measures to prevent and manage fraud (page 13 refers) and introducing a Value for Money Policy (page 22 refers) which could be linked to the risk appetite discussed earlier.
- 28 The Committee was also informed that the Finance & Resources Committee had recently approved the write-off of £60K of debt, which related to laptops loaned to students in previous years that had not been returned to the College. Processes had now been tightened to ensure that there was no recurrence and both students and staff would have a clearer understanding of the expectations of the loan scheme. The size of the write-off fell within the amount that the College could approve internally, without the need to seek approval from the Department for Education.
- 29 **Resolved -** That the Board **be RECOMMENDED** to approve the RSAQ for 2023/2024

RISK MANAGEMENT UPDATE

- 30 The Vice Principal – Finance & Resources provided an update on the College's Risk Register, which detailed the rationale for any amendments to each of the risk scores.
- 31 Governors noted that the score for the potential under-delivery of adult provision had increased from 12 to 16 due to possible clawback of funding. Traditionally the College had not considered the financial value of adult courses as opposed to student numbers and trends in provision and local/regional skills needs. This was now being addressed by the Senior Leadership Team as part of the planning process, with variances over each term reviewed to inform future plans. The College had also been dependent on increasing the amount of taxi provision delivery to make up any shortfall in performance on adult programmes, but this did not serve the needs of the local community.
- 32 A governor asked whether any under-performance on adult courses in 2024/2025 would impact on future years. The Vice-Principal Finance & Resources reported that any clawback would be in-year and affect subsequent years.

- 33 The risk score for compliance with health and safety procedures had been reduced from 16 (High) to 12 (Medium) to reflect improved confidence that the College was responding in a more timely manner to identifying and following up any issues.; trips and visits arrangements are much more robust; fleet management arrangements are more solid and the Evolve system is capturing more activities and more informed information.
- 34 It was agreed that each committee should focus on the respective risks relating to its terms of reference, for example human resources and health and safety would be reviewed by the Finance & Resources Committee. The summary sheets that accompanied each report would include a section on risks and how these were being mitigated.
- 35 The Committee also recognised that a significant number of risks could not be influenced by the College as they were outside its control.
- 36 Governors commented that it would be prudent for the oversight of risk within the College should be considered by a group with a wider membership than just the SLT. The Vice-Principal reported that this could be undertaken through the half-termly meetings of the full management team.
- 37 On behalf of the Committee the Chair thanked the Vice-Principal for the work that had been carried out in this area, which was a great improvement on previous reports.

MONITORING OF PREVIOUS RECOMMENDATIONS

- 38 The Director of Finance provided a report that monitored progress against previous audit recommendations. It was noted that a further reconciliation was required between this report and the tracking document maintained by RSM. Some actions which were classified as 'overdue' had now been closed and further evidence had been requested from staff to support the sign-off of other recommendations. A further update would be provided to the Committee's next meeting (December 2024).
- 39 The Principal advised that at the previous meeting there had been a discussion about managers attending future Committees to explain any delays in the implementation of recommendations. The RSM system in place for tracking progress issued automatic reminders to action owners.
- 40 It was agreed that a sentence should be added to future versions of the report, namely – "completed, subject to verification by the internal auditors", to provide the Committee with a level of assurance. Questions and issues would be channelled through the Vice-Principal and the Director of Finance.
- 41 The Committee noted that the next iteration of the Internal Auditor's follow-up report would inform the Internal Audit Annual Opinion for 2023/2024.

ANTI-FRAUD ASSESSMENT

- 42 The Governance Professional presented a draft of the Anti-Fraud Assessment for 2023/2024. This formed part of the requirements of the ESFA's Post-16 Audit Code of Practice and set out a number of questions against which colleges are required to assess themselves in terms of the control framework for dealing with fraud.

- 43 There had been no instances of fraud during the year.
- 44 Governors suggested some additional statements/comments to be included in the final version, such as notifications from the bank on common fraud instances, consideration of a bribery risk assessment as part of the College's processes and awareness of the International Fraud Awareness Week.

COMMITTEE SELF-ASSESSMENT 2023/2024

- 45 The Governance Professional presented a draft Committee Self-Assessment for 2023/2024.
- 46 It was suggested that a further strength on the level and robustness of governor challenge should be added to the proforma.
- 47 Resolved - That, subject to the additional strength on governor challenge, the Committee's Self-Assessment for 2023/2024 be approved

WHISTLEBLOWING POLICY

- 48 The Governance Professional presented a revised Whistleblowing Policy, which had been updated to reflect changes to job titles and other minor amendments.

Gill Banks left the meeting.

- 49 The Committee felt that the language in the Policy was perhaps too formal and should be reviewed in line with good practice in FE colleges and other parts of the public sector. It was agreed that a student-friendly version would also be drafted for approval. Alternative names for the policy would be examined, such as a "Speak-Up" Policy.
- 50 Governors also requested that the Policy should be easily accessible both internally and externally. An annual report on any instances of Whistleblowing would be submitted to the Committee.

ITEMS TO BE REPORTED TO THE BOARD

- 51 The Chair summarised the main points of the meeting which would be reported to the Board at its meeting on 23rd October 2024
- Internal Audit - Discussion and challenge on IT Security Controls review. Payroll and Agency Staffing to be undertaken later this term.
 - Cyber Security Risk Appetite Statement and Regularity Self-Assessment Questionnaire recommended for approval by the Board
 - Ongoing improvements in risk management process were noted.
 - Fraud assessment for 2023/2024 was received for information.
 - Committee's Self-Assessment for 2023/2024 was approved.
 - Enhancements to the College's Whistleblowing Policy were suggested to make it more accessible.

DATES OF FUTURE MEETINGS

4th December 2024

5th March 2025

4th June 2025

A handwritten signature in grey ink, appearing to read 'GmL' with a small 'n' above the 'm'.

SIGNED: **Date: ...6th Dec 2024.....**

(Chair)