Audit Committee

Wed 08 June 2022, 17:00 - 18:30

MS Teams

Attendees

Katherine Causey

Present: Kath Causey (Independent Governor and Chair), Susan Snape (Independent Governor), Hayley Mercer (Independent Governor), Pauline Hunter (Co-opted Governor)

In attendance: Joanne Platt (Clerk to the Governing Body), Steve Scott (Finance Director), Louise Brown (VP Corporate Services), Dave Harrison (VP Data and Funding), Jonathan Creed (ICCA), Scott Gillon (Wylie and Bisset)

The Clerk confirmed the meeting was quorate.

Meeting minutes

1. CONSULTATION WITH AUDITORS

AC-22-06-01

CONSULTATION WITH AUDITORS: In accordance with the Committee's Terms of Reference, the Committee had a private discussion with the auditors. The main area discussed was the internal audit report also discussed under |Item 5.2 below.

Steve Scott, Louise Brown and Dave Harrison joined the meeting at 5.15pm.

2. Apologies for absence

AC-22-06-02

Apologies for absence had been received from Rory McCall (Wylie and Bisset and Helen Culshaw (ICCA).

3. Declarations of Interests

AC-22-06-03

Jonathan Creed declared an interest in Items 10 and 11. Scott Gillon declared an interest in Item 10. Both left the meeting before these items were considered.

4. Minutes of the previous meeting and matters arising

AC-22-06-04

The Committee reviewed the minutes from the previous meeting and confirmed they were an accurate record.

Resolved: The Committee approved the minutes of the previous meeting for signature by the Chair.

5. Internal Audit Reports

The Committee considered the Internal Audit report in relation to Additional Learning Support and High Needs, noting that the auditors had given a Substantial Assurance rating and confirming that the areas of the control environment tested during the audit are designed and operating effectively with no significant weaknesses.

The report highlighted a significant number of areas of good practice, one low priority recommendation and one advisory recommendation.

The low priority recommendation related to two assessments from the sample audited appearing to be signed and dated after the Learning Support Funding claim date on the ILR. Although this is deemed to be low risk, it is nevertheless not best practice and an action to address this has been agreed and will be implemented.

In response to a question from a Governor, it was confirmed that the assessments had taken place before support was provided, but that the records hadn't been input until after claim had been submitted.

The advisory recommendation related to the sampling showing that the actual cost of delivery of learning support funding was not currently being recorded, although it was noted there was detailed evidence of delivery on file for all five students to support the monthly claims which have been made via the ILR. An action to address this has been agreed and will be implemented.

The Committee noted that both recommendations will be added to the Audit Tracker and progress reported to the next meeting of the Committee.

The Committee noted the report.

The Committee considered the Internal Audit report on IT Data Security and Disaster Recovery, noting that the auditors had given a Reasonable Assurance rating and confirming that the areas of the control environment tested during the audit are designed and operating effectively with no significant weaknesses.

The report contained five medium priority recommendations, three low priority recommendations and one advisory recommendations, all of which have been agreed by management and actions agreed to address them.

Governors noted that the audit had been undertaken by a specialist auditor in this field who had done 12 similar audits this year. The College compared well in the sector and there are no concerns. It was noted that the College's practice was good but that some of the documentation to underpin the practice was not in place or was overdue for review. The internal auditor pointed out that it was very difficult for any organisation to get a substantial assurance rating in the current cyber security climate.

The College has obtained Cyber Essentials certification and aims to obtain Cyber Essentials Plus later this calendar year. Longer-term, it aspires to obtain ISO27001 certification and the Vice Principal (Data and Funding) advised the Committee that the audit had been helpful in guiding it towards achievement of this standard.

One of the medium priority recommendations relates to the designation of the College's Data Protection Officer and it was confirmed to the Committee that this has already been addressed by the College.

Another medium priority relates to the need to review existing documents for the management of information security and, where appropriate, formally define the process for managing these as policies, with formal periodic review and the need for approval by senior College management to be included. An action to address this has been agreed by management and will be implemented over the summer.

In relation to the third medium priority recommendation, it was noted that good practice standards and guidelines relating to business continuity and IT Disaster Recovery set out the requirements for establishing robust IT Disaster Recovery arrangements which include ensuring that such plans accurately reflect the needs of the organisation and it had been agreed that the College's Emergency Management Plan and its associated documents should be reviewed and updated as necessary to reflect the current needs of the College.

Management has also agreed that it will formally establish and test such arrangements in line with these guidelines, will set up a process to formally document testing of the Disaster Recovery process that currently takes place and will create a plan to test aspects of the Disaster Recovery Policy that are not currently tested and formally document them, in response to the fourth medium priority recommendation.

In relation to the fifth medium priority recommendation, management has agreed that it will undertake a Business Impact Assessment and update the Disaster Recovery Policy in light of the outcomes of the Review.

Actions have also been agreed to address the three low priority actions relating to passwords, use of removable USB storage devices and network monitoring, and the advisory recommendation relating to reporting capabilities available within the SCCM utility to produce accurate and timely alerts to any patching or update failures.

Governors expressed concerns about the number of recommendations in the report, but were assured by the internal auditor that the College compares favourably to others in the sector. Many of the recommendations in the report relate to actions that will be needed if the College wishes to achieve the ISO27001 accreditation.

In response to a question from a Governor, it was confirmed that password change requirements are mandatory and that users who fail to change their password at the end of the period are automatically locked out of the College systems. It was noted that the College did previously enforce a 90-day period for changing passwords, but had extended this during the pandemic to accommodate the significant number of staff and students working remotely, due to the difficulty in changing passwords when working off site. However, the period would now revert back to pre-pandemic timescales.

Governors questioned what would happen if key members of IT staff leave the College or are unavailable, if documentation is not up to date, and it was confirmed that expertise is not vested in a single member of staff, that the team all have relevant expertise and knowledge and that policies and procedures are unlikely to be changed, but simply need to evidence that they have been reviewed in a timely way, if the College is to achieve the ISO27001 standard it aspires to.

It was also noted that, whilst not formally documented as being tested, the College's business continuity arrangements had been implemented during the pandemic when it had to close and revert to remote working for all staff and students.

The Chair was reassured that progress in addressing the audit findings was already being made and noted that the recommendations will now be added to the Audit Tracker to enable the Committee to monitor progress.

The Committee noted the report.

5.3. Sub-Contracting Certificate (External Assurance Review)

The Committee considered the Internal Audit report in relation to the Sub-Contracting Certificate external assurance review, noting that this is an advisory piece of work required as the College sub contracts provision to a value of more than £100k. The audit work utilises tests mandated by the ESFA which vary depending on the funding stream.

It was noted that there are no areas on non-compliance and two areas of partial compliance. One of these relates to the change of name of a sub-contractor which had not been updated and the other a contract which had not been returned by a sub-contractor despite the College's best efforts. Both these issues have now been resolved.

The Committee noted that the certificate and action plan has to be submitted to the ESFA by 31 July each year and that the College had submitted its certificate on 12 January 2022. However, the rules are changing next year, and colleges will instead have to achieve a sub-contracting standard.

The Committee noted the report.

5.4. Progress against the Internal Audit Plan - verbal update

Jonathan Creed gave a verbal update to the Committee, confirming that the three remaining audits from the 2021-22 Audit Plan (Mock Funding, a post implementation review of the new financial system and a follow up of previous audit recommendations) would be undertaken in June and would be completed by the end of this academic year in accordance with the Internal Audit Plan.

The Committee noted the update and thanked the Internal Auditors for their work this year.

6. Audit Implementation Tracker

The Committee considered a report on audit recommendations, noting that all actions were compete with nothing outstanding at the time the report was written.

It was noted that the recommendations arising from the reports considered under Items 5.1 - 5.2 above would be added to the Audit Tracker and monitored by the Committee from the next meeting.

The Committee noted the report.

7. Termly Risk Management Report

The Committee considered the Risk Register, noting that it is reviewed regularly by the Executive and has been updated to reflect the current years strategic outlook.

Since the date of the last report to the Committee, there have been no new risks identified. It was noted that the risk score for three risks (risks six, seven and 10) have decreased and that the risk score remains the same for the other risks on the register.

The Committee noted the report which will also be submitted to the Governing Board at its meeting on 5 July 2022.

8. Risk Management Policy and Risk Appetite Statement

The Committee considered the Risk Management Policy and Risk Appetite Statement, noting that comments made in the recent Internal Audit Report on risk had been taken on board and that the Risk Management Policy was now much more comprehensive.

It was noted that best practice in risk management requires that the College sets an overall risk appetite based on four defined categories. Risks arising on the various activities of the College are then assessed as to whether they are consistent with the risk appetite.

The Committee noted that in general, the College, as a publicly funded FE institution, would adopt a 'cautious' approach to risk taking. However, it was noted that the College's risk appetite will not be static, and nor will it be the same in all areas of activity as it is dependent on circumstances at the time. However, the College will ensure that its overall level of risk is balanced, sustainable and appropriate and this balance is likely to be achieved with varying degrees of risk in different areas of the College's activities.

Resolved: The Committee agreed to recommend the Risk Management Policy and Risk Appetite Statement for 2022-24 to the Governing Board for approval at its meeting on 5 July 2022.

9. Financial Statements Audit Planning Memorandum

The Committee considered the Financial Statements Audit Planning Memorandum for the current year, noting that the process and timescales were broadly in line with the previous year.

It was noted that the audit will start in October, with the outcome being reported to the Audit Committee at its meeting in November and to the Governing Board at its meeting in December.

The work will be done remotely as it had been for the last two years and it was noted that this approach was a more efficient way of working for both the auditors and the College.

In response to a question from a Governor, it was confirmed that the approach could easily be switched to on site working if issues arose during the audit that require an on site presence.

Governors queried the risk matrix which referred to there being no new systems, in light of the new financial system implemented by the College. It was agreed that this was a very low risk, especially in light of the work being undertaken by the internal auditors in June to review implementation of the system. However, the risk matrix in the audit planning memorandum should nevertheless be updated from 'not applicable' to low risk before it is presented to the Governing Board for approval.

In response to a question from a Governor, it was noted that the dates for the provision of information to the auditors (the Wish List) were broadly in line with previous years and there are no expected delays in starting the audit work.

Resolved: The Committee agreed to recommend the Financial Statements Audit Plan to the Governing Board for approval at its meeting on 5 July 2022.

Jonathan Creed and Scott Gillon left the meeting at 6.23pm.

10. Review performance of Internal and External Auditors and confirmation of re-appointment of the External Auditors

The Committee considered a report on the performance of the internal and external auditors, assessed against the agreed key performance indicators (KPIs) for each.

It was noted that all KPIs had been met and performance of both was good.

As the internal audit contract is due for renewal this year, it was noted that no recommendation was being made in relation to their re-appointment. However, the Committee agreed to recommend to the Governing Board that the external auditors be re-appointed for a further two years.

Resolved: The Committee agreed to recommend to the Governing Board, the re-appointment of Wylie and Bisset as

the College's Financial Statements Auditors for a further two years.

11. Appointment of Internal Auditors   AC-22-06-14

The Committee considered a report on the outcome of the tendering process for the Internal Audit Service, noting that four tenders had been received and evaluated by Tenet.

It was noted that although the existing auditors had submitted a tender, this did not score the highest in the tender evaluation. In any event, the existing auditors have been in place for a number of years and it is best practice to routinely change auditors to provide a fresh perspective.

The Committee noted that some additional due diligence had been undertaken by the Clerk in relation to the auditors recommended for appointment by Tenet, which had confirmed that they were experienced auditors with excellent feedback from other colleges.

Resolved: The Committee agreed to recommend to the Governing Board, the appointment of TIAA as the College's Internal Auditors for an initial contract period of three years from 1 August 2022.

12. Format of future meetings   AC-22-06-15

The Committee discussed if future meetings should be held face to face or online as in the current year. It was noted that face to face meetings provided opportunities for Governors to interact with each other, which was especially important for newly appointed Governors. However, it was also noted that online meetings were more convenient for some and often contributed to better attendance.

The Committee agreed that it would hold its first meeting of the 2022-23 academic year as a face to face meeting, and the second and third meetings online. It was agreed that the Committee would decide at the end of the second meeting if it wished to change the final meeting of the year to a face to face meeting.

The Committee also noted that a proposal was to be submitted to the Governing Board in July, that each Committee holds an additional informal meeting in September or October as a face to face meeting to provide the Governors with the opportunity to get to know each other.

Resolved:
That the Committee will hold its first meeting of the 2022-23 academic year as a face to face meeting, and the second and third meetings online (subject to a review at the end of the second meeting).

13. Any other business   AC-22-06-16

The Clerk advised the Committee of a revised approach to Committees reporting back to the Governing Board. It was noted that this would in future be done via a Chair's report to provide a consistent approach. Each Committee will agree at the end of each meeting, the items that should be reported back to the Governing Board for information. This will be in addition to items requiring a decision from Governing Board, which will be subject to separate reports to the Governing Board.

It was agreed that the items from this meeting to be reported back to the Governing Board for information are the draft minutes, the outcome of the IT Data Security Infrastructure audit and the format of future meetings.

The Chair thanked everyone for their attendance and their contributions to the meeting.

14. Date of next meeting: TBC   AC-22-06-17

The meeting ended at 6.50pm.