

AUDIT AND RISK COMMITTEE MEETING

CONFIRMED MINUTES OF THE MEETING HELD ON TUESDAY 4 JUNE 2024 AT 09:00AM IN THETFORD BUILDING BOARDROOM

Present:

Andrea Blanchflower	ABI	Chair
Jill Lanning	JL	Governor
Phil Pearce	PP	Governor
Sean Green	SG	Governor (until 10:30am)
Marcus Bailey	MB	Governor (via teams from 9:40am)

Attendees:

Jerry White	JW	Principal
Martin Colbourne	MC	Deputy CEO
Karen McIntosh	KM	Finance Manager
Stuart McKay	SMk	External Auditor, MacIntyre Hudson (via Teams)
Paul Goddard	PG	Internal Auditor, Scrutton Bland
Jodie Mitchell	JM	Director of Governance and Legal (via Teams)
Clare Johnson	CJ	Governance and Legal Assistant, minutes

Apologies:

Rakesh Shaunak	RS	External Auditor, MacIntyre Hudson
Leisyen Cox	LC	Internal Auditor, Scrutton Bland

1. Confidential – Governor’s meeting with External Auditors

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

JW, MC, and KM joined the meeting at 9:15am

2. Apologies for Absence

Apologies were received and noted as above.

3. Declarations of Interest

No new declarations were made.

4. UNCONFIRMED Minutes of the Meeting held on 5 March 2024

The draft minutes of the meeting held on 5 March 2024, after minor amendment, were agreed as a true record of the meeting and will be signed by the Chair at the next available opportunity.

5. UNCONFIRMED Confidential minutes of the meeting held on 5 March 2024

The draft confidential minutes of the meeting held on 5 March 2024 were agreed as a true record of the meeting and will be signed by the Chair at the next available opportunity.

6. UNCONFIRMED Confidential minutes of the meeting held on 17 April 2024

The draft confidential minutes of the meeting held on 17 April 2024 were agreed as a true record of the meeting and will be signed by the Chair at the next available opportunity.

7. Matters Arising

23/24 Audit 1 Action 1: ACTION COMPLETE
23/24 Audit 1 Action 3: ACTION COMPLETE
23/24 Audit 3 Action 1: ACTION COMPLETE
23/24 Audit 3 Action 2: ACTION COMPLETE
23/24 Audit 3 Action 3: ACTION COMPLETE

23/24 Audit 3 Action 4: JW to update the timeline in the 'Governance and Risk Roadmap' document for the meeting on 4 June 2024. *Timeline is progressing well.* (Due June 2024)

23/24 Audit 3 Action 5: ACTION COMPLETE
23/24 Audit 3 Action 6: ACTION COMPLETE

23/24 Audit 3 Action 7: Policy Schedule to be reviewed and updated by SMT. (Due June 2024)

23/24 Audit 3 Action 8: ACTION COMPLETE
23/24 Audit 3 Action 9: ACTION COMPLETE
23/24 Audit 3 Action 10: ACTION COMPLETE

23/24 Audit 3 Action 11: ABI to feedback back to the RemGov Committee comments raised by the A&R Committee regarding the Terms of Reference / I&A's. *RemGov meeting on 13 June 2024.* (Due June 2024)

23/24 Audit 3 Action 12: ACTION COMPLETE
23/24 Audit 3 Action 13: ACTION COMPLETE
23/24 Audit 3 Action 14: ACTION COMPLETE
23/24 Audit 4 Action 1: ACTION COMPLETE

Chair's statements

The Board were reassured by the three reports made to the meeting on 26th March 2024 which covered;

- a) the completed internal audits on sub-contracting (additional work (ESFA requirement)) residential provision – significant assurance, treasury management – significant assurance, capital projects – strong assurance
- b) an update on risk management
- c) the extension of the appointment of the External Auditor

At the Board meeting on 21 May 2024 the Board approved two recommendations from the Committee

- a) the Whistleblowing Policy
- b) the re-appointment of the Internal Auditors

Risk Roadmap

The Chair reflected on the agenda and drew attention to the following remaining outstanding steps in relation to the agreed Risk Roadmap:

- a) Identification of the risks arising from the new Strategic Plan (this meeting)
- b) Identification of the strategic risks facing the College (this meeting)
- c) Risk appetite (a subject for a future meeting)
- d) Scheme of delegation (being considered by the Remuneration & Governance Committee)
- e) Assurance framework (within the Risk Policy) (the subject of a future meeting).

8. Progress Report on Current and Outstanding Internal Audit Recommendations

The following reports were circulated prior to the meeting and taken as read:

- Progress Report on Outstanding Internal Audit Recommendations
- Full Internal Audit Recommendations 2022-23

The following was discussed by the Committee:

- On the whole, recommendations are progressing and being updated accordingly
- New deadlines have been set if they required extending. It was unclear whether this was because the original deadline had been unrealistic or whether there was slippage in taking action.
- Governors noted that some due actions did not have updates included.
- SLT confirmed that CCN are developing a new tracking system to assist in managing Internal Audit recommendations
- Themes identified from Internal Audit reports over the last year:
 - Staff non-compliance with core training requirements - highlighted in many audits
 - Policy/processes not being followed - accident reporting process (H&S audit), student attendance register taking (both Funding assurance & student attendance/progress audit), sickness absence reporting policy (HR audit), training policy (HR audit)
 - Policy reviews delayed; this was discussed at the last Board meeting and an action has been raised to review this.

The Committee noted that there is still some work to be done within the College to embed the processes around dissemination of internal audit findings and in taking action in a timely manner. It is important that the management responses made to recommendations have given thought to implementation and the date by which they expect action to have been completed and ensure the findings of audit reports are disseminated to their teams.

9. Internal Audit Reports from 2023/24

The following reports were circulated prior to the meeting and taken as read:

- Internal Audit Progress Report
- Final Report – Human Resources
- Final Report – Curriculum Planning and Development
- Final Report – Budget Setting and Control

The Committee noted that regrettably two audit reports, planned to have been completed in time for the June Committee meeting, would now not be considered until the September meeting of the Committee. It was suggested that the planning of the fieldwork for the 2024/25 audits took better account of College staff availability to support fieldwork and also to provide management responses in time for Committee meetings. It was also suggested that consideration be given to moving the date of the final Audit & Risk Committee to be later in the year to allow more completed audits to come forward.

Each report was discussed with a view to advising the Board on the reports and on control issues included in them and the management's responses to these. The Committee welcomed the assurance provided by the audits and determined to advise the Board as follows:

Final Report – Human Resources

- Assurance Opinion: Significant
- 4 recommendations – 1 Medium and 3 Low
- Responsible Manager(s): Director of HR
- Comments:

The report noted that recruitment processes are working well and decisions made quickly to secure the right candidates. The report contained one medium level recommendation relating to mandatory training as the fieldwork raised concerns about the average time being taken by staff to be trained. Three low level recommendations were made in relation to keeping policies reviewed and updated, in keeping good records of sickness absence and ensuring such records accurately reflected “Fit notes”, and in relation to the undertaking of return to work interviews with staff returning from sick leave. Overall, the Audit finding was one of “significant assurance”.

The Committee were concerned about the scale of “unauthorised” staff absences found in the sickness absence fieldwork and whether this presented a fraud risk. The findings also demonstrated that the processes around mandatory training were not working well.

Following a discussion of the Committee’s concerns the Internal Auditors agreed to reconsider their fieldwork, their report and their assessment.

Final Report – Curriculum Planning and Development

- Assurance Opinion: Significant
- 3 recommendations – 3 Low and one value-added point
- Responsible Manager(s): VP of Curriculum and Quality, Director of Resourcing and Performance / Director of Registry / Director of HR
- Comments:

The purpose of this audit was to review planning processes to confirm they are sufficiently robust to ensure that the Curriculum Plan is relevant, reflects local, learner and employer needs, is financially viable and fundable to enable the College to achieve its objectives. It also included a review of lecturer deployment.

The findings were reassuring. The new curriculum planning process introduced last year is continuing to improve the planning process. A clear and cohesive intent was found across the College to ensure learners are supported and all courses designed with consideration of how the learning aims will allow progression into education, employment or apprenticeships. The Committee noted the difficulties in trying to secure accurate information on the destinations of College leavers to evidence this. The use of RCU vector analysis, and the engagement with local authorities, external organisations, employers and HE providers reflects good practice.

Staff deployment was considered as part of this audit as the risk of permanent teaching staff not being optimised and hourly paid staff being used unnecessarily could result in increased costs and poor value for money. This work highlighted some data issues.

The level of assurance provided by the audit was judged to be significant. Three low risk recommendations were made to improve the performance of the system of internal controls, two of which relate to staff deployment, and one value-added point was raised.

Final Report – Budget Setting and Control

- Assurance Opinion: Significant
- 3 recommendations – 3 Low with one value added point
- Responsible Manager(s): Deputy CEO
- Comments:

The purpose of this audit was to ensure that the budget monitoring framework is appropriate and fit for purpose to achieve the objectives of the College and that budgets are adequately controlled and managed in year.

Overall, the audit found that the College has appropriate controls in place regarding the setting of budgets and a good level of justification was in place for proposed budgets.

The Committee noted that more senior staff were now being involved in the budget setting process and this was having positive benefits.

The Committee robustly questioned the evidence upon which the Internal Auditor had judged the level of assurance to be significant. Following discussion, the Committee were reassured that the evidence was present and that the judgement had been made objectively and solely on the basis of the evidence found.

The assurance level given by the audit was “significant” and there were three low risk recommendations and one value added point made.

The Committee suggested that the deadline date for recommendation 1, the training of budget holders and others, was brought forward to allow the training to happen ahead of next year’s budget setting round.

ACTION 1: JM to review if meeting for 24 September 2024 requires extending to allow for the review of the delayed Internal Audits.

ACTION 2: JM to consider the pattern of Committee meetings across the year to see if the summer meeting could be pushed back to allow more time for Internal Audits to be completed during the academic year.

ACTION 3: The Internal Auditors to review Human Resources final report and the management process of staff sickness due to risk of fraud, reconsider their fieldwork, their report and their assessment and resubmit the report to the Committee on 24 September 2024.

ACTION 4: MC to reconsider the implementation date of recommendation 1 from the budget setting audit.

10. Internal Audit – Areas for Consideration for future IA Plans

The report was circulated prior to the meeting and taken as read.

The normal approach to developing the plan has been impacted this year by the Internal Audit procurement exercise. Now this has been concluded work can get underway in developing the strategy and the plan. The next steps are to seek input from the College Management team, cross reference the plans against the strategic and other risks on the register and to seek input from the Internal Auditors who will bring their sector knowledge into the discussion.

The Committee discussed potential audit areas for 2024/25 and suggested that the following areas might be prioritised:

- Cyber security (asset management, devices and equipment, patching, starters, movers, leavers, admin rights and 3rd parties).
- Adult Education - towards the end of the cycle to aid the preparation for devolution
- Business continuity
- Exams and registry

that more thought be given to

- Risk – potentially undertaking an audit towards the end of 2024/25 to review whether new the new approach and measures have embedded and are beneficial
- Mental health and well-being – with the scope being carefully designed and the following areas pushed back to future years
 - Governance – as the external review has only just been finalised
 - Marketing – as there are higher priorities

ACTION 5: MC to review the 'Areas for Consideration for future IA Plans', consult with the CMT, cross reference against the risk register and work with Scrutton Bland to develop a plan for 2024/25 and future years for the next Committee meeting on 24 September 2024.

SG left the meeting 10:29am.

11. MHA (External Auditor's) Audit Planning Memorandum

The report was circulated prior to the meeting and taken as read. The External Auditors Audit Planning Memorandum covered:

- 1) Details of the key elements of the External Auditors proposed audit strategy for the year ending 31 July 2024.
- 2) The additional services provided by the External Auditor and the assurances provided about how independence and objectivity are safeguarded.
- 3) Whether or not there is anything we need to inform the Auditors about (see list)
- 4) The newly published College Financial Handbook which comes into effect 1 August 2024
- 5) Updates to the Post-16 Audit Code of Practice 2024
- 6) A change in practice by the DfE who will no longer require an audited "Annex G" return in respect of discrete areas of DfE funding.
- 7) the remuneration of the External Auditors

The remuneration was considered in a closed confidential session and minuted separately.

The Committee noted that the Memorandum confirmed the External Auditors independence, the scope and timetable for the audit, key audit risk areas, and materiality, considering our audit risk map, and set out their fee levels for this year's audit.

It was also noted that the scope of audit has narrowed slightly due to the changes with subsidiary companies and separate audits were not required of EOC SPV and ELC JV LLP as both were dormant during the financial year.

The Committee noted the requirement upon the College to keep the External Auditors informed of anything that would impact the audit, such as: Scope and timetable, Audit risks, Materiality, Deadlines, Required communications and Independence.

The Memorandum also contained a useful summary of the new College Financial Handbook 2024 and some actions that the College might wish to take. The Handbook has six sections and the External Auditor highlighted

- *Part 2 – cross referencing exercise to ensure the financial procedures manual and scheme of financial delegation cover all of these "musts"*
- *Part 3 – governance – lots of "musts" here which will need to be reviewed*
- *Part 5 – delegated authorities lots of "musts" here which will need to be reviewed*
- *Part 6 – the regulator and intervention - cross referencing task required*

The Committee resolved

that work in progress to cross reference the requirements of the new College Financial Handbook 2024 against current practice and identify areas where enhancement in process, policy or regulation may be required, should be completed.

The Committee recommended approval of:

- a) the External Auditor's proposed audit strategy for the year ending 31 July 2024 as set out in the Memorandum
- b) the additional services provided by the External Auditor with the Committee's assurance about how independence and objectivity are safeguarded as set out in the Memorandum.

ACTION 6: MC to complete the assessment of the College's current practice against the requirements of the new College Handbook and determine what, if any, changes were necessary.

ACTION 7: ABI to forward the recommendations relating to the External Auditors Audit Planning Memorandum to the Board for approval on 2 July 2024.

12. Financial Handbook – Compliance Summary

The report was circulated prior to the meeting and taken as read.

The Committee noted that the publication of the College Handbook was a significant development for the sector and had been well received. The Handbook now usefully included guidance on meeting Charity Commission requirements. The Committee considered:

- 1) The summary feedback from the Deputy CEO on an initial assessment of the Handbook against College Finance Regulations
- 2) That the College will be using the External Auditors' e- self assessment tool to determine areas of potential non-compliance such that these can be remedied. This will be reported directly to the Board in July.

The Committee also noted that the work to update the Committee's Terms of Reference needed to take the requirements of the Handbook into account.

ACTION 9: MC to complete the assessment of the Handbook against College practice and identify areas where enhancement in process, policy or regulation may be required and report on this directly to the Board.

13. Strategic Plan Update with Risk Assessment

The Committee received a tabled paper which extended the analysis of the 10 Strategic risks proposed in the previous March 2024 meeting, cross referencing them with the risks identified associated with the new College Strategic Plan and/or the merging Accountability Agreement Strategic Targets for 2024/25.

The Committee noted that an initial assessment created an appearance of close alignment of 4 of the Strategic Risks (and therefore a recommendation that they remain carefully monitored), in the case of the 6 others the alignment appeared less pronounced and required discussion. The Committee noted the likelihood that not all the risks associated with the Strategic Plan would in of themselves be considered strategic risks.

As there had been no opportunity for Committee members to read and digest the paper ahead of the meeting the Committee agreed to submit comments on the paper to the Principal such

that the work could progress over the summer and an updated report presented to the September Committee meeting.

ACTION 10: A&R Committee members to provide feedback to JW on his observations on the 10 currently proposed strategic risks and the risks identified with the Strategic Plan and Accountability agreement

ACTION 11: JW to re-present the Strategic Risk papers to the September Committee meeting.

SMc left the meeting at 10:55am.

14. **Annual Review of the Risk Management Policy**

The report was circulated prior to the meeting and taken as read; it was confirmed that comments from the previous meeting have been incorporated into the draft revised policy.

The changes to the policy reflect the current sector guidance, including in particular the Audit Code of Practice, and the Governors discussion on management of strategic risk.

The Committee noted that further work was required to

- a) clarify reporting arrangements and being explicit about which risks strategic, operational or both are presented and discussed in Committee meetings and what gets presented to the Board (para 6.3)
- b) include a reference to the external environment
- c) insert diagrams presenting an overview of the College's assurance framework

The Committee resolved that they needed to see a final draft before they could recommend it to the Board.

ACTION 12: MC to present the amend 'Risk Management Policy' for review to the A&R Committee on 24 September 2024.

15. **Governing with AI**

The report was circulated prior to the meeting and taken as read.

The Committee considered a summary of the present current use of AI at the College, focusing both on Teaching, Learning and Assessment (TLA) use and implications and those associated with business services. The report provided an overview of the College's current engagement with AI developments, highlighting opportunities, challenges and risks. Different areas of the College are at different stages in the development of AI use.

The report arose from discussions at the Committee meeting in March 2024 when the Committee considered a paper produced following an AoC seminar which talked about bringing Boards up to speed with AI and listed lots of questions it thought Boards should be asking to develop their understanding in order to inform a discussion about the governance of and governing with AI.

The Committee welcomed the paper and noted that the College has established a Joint Data Governance Group reporting to Jon Pollitt, Executive Director IT Services.

The Committee recommended the Board consider

- 1) the summary
- 2) how best the Board might develop an oversight of AI governance capability?
- 3) what topics and in which order the Board would wish to see covered in future reports?
- 4) how the Board might best explore developments that might enhance the Board's functionality by governing with AI assistance?

ACTION 13: JW to present the 'Governing with AI' to the Board on 2 July 2024.

16. Sector Updates

PG provided a verbal update to the Committee, noting:

- There is much discussion in the sector relating to the DfE remuneration approvals, what is required, and the implications if retrospective approvals are not given.
- External Board Reviews of governance are being undertaken across the sector, with the quality of the final reporting, and so satisfaction with the process, widely differing.
- There has been a sector-wide significant rise in the costs associated with running exams.
- There is considerable discussion in the sector regarding the administrative complexity relating to the management of bursaries and compliance with DfE policy. Given the budget involved the DfE focus was understandable but a simpler system would be beneficial.
- The sector had seen a number of successful fraud attempts in early 2024, however this has progressively decreased in the last six months. Attempts to defraud using deep fake AI have been made.

17. Fraud Discussions

MC reported that there had been no incidences of fraud or alleged fraud since the last meeting.

18. Significant Recommendations Update

No matters were raised under this item.

19. Governance Matters

19.1. Annual Review of Committee Terms of Reference and Annual Evaluation

The report was circulated prior to the meeting and taken as read. The Committee discussed the following:

- 1) a response to the questions about membership
- 2) proposed revised and updated Terms of Reference for recommending to RemGov
- 3) membership of the Committee in 2024/25 and options available
- 4) that the question about voting by proxy or by post was still being researched.

The Committee considered that independent governors were capable of taking on different roles in different Board sub-committees and could exercise the necessary objectivity and independence on the Audit & Risk Committee regardless of their other sub-committee responsibilities and as such there should be no restriction on membership.

The Committee noted the approved increase in Committee membership to six members for 2024/25 and the work being undertaken with new governors to assign roles. The appointment of a co-opted Committee member remained an option.

The Committee were content with the updates to the terms of Reference, noting that a final cross checking to ensure compliance with the new College Handbook was required, and content to recommend them with any such changes required.

Recommended to the Remuneration & Governance Committee

- 1) that all independent governors should be eligible for membership of the Audit & Risk Committee regardless of their membership of other Board sub-committees.
- 2) changes proposed to the A&R ToR.

ACTION 14: ABI to forward the A&R Committee Terms of Reference recommendations to RemGov.

The Committee noted the Board's commitment that all sub-committees should undertake a reflective annual self evaluation. It is also an ESFA requirement for the Audit & Risk Committee that it reviews "its own effectiveness and how it has fulfilled its Terms of Reference".

The Committee agreed to conduct the exercise via correspondence with the Director of Governance and for a synthesis of their views to be brought forward to the next meeting.

ACTION 15: JM to devise a short questionnaire regarding the A&R Committees Annual Self-Assessment and distribute to members accordingly and synthesize the results into a paper for the next meeting.

JW left the meeting at 11:29am

20. Review of SPH Expenses Claims and Credit Card Data

The discussion was confidential and is recorded within the confidential minutes.

21. Updates from the National Audit Office and/or the Funding Agency

No matters were raised under this item.

22. Other Urgent Business

No matters were raised under this item.

23. Meeting Review and Summary

The discussion was confidential and is recorded within the confidential minutes.

24. Date of Next Meeting

The next Audit and Risk Committee meeting will take place on 24 September 2024.

All business having been concluded; the meeting closed at 11:40am.

Signed Date
(Vice Chair)