Minutes of the Audit Committee Meeting held in the Innovation Centre on Tuesday 28th February 2023 at 4pm

Present:
Laura Bell (Independent Member)*
Alex Gamil (Independent Member)
Diane Hutchinson (Independent Member)
Carla Kennaugh (Associate Member of the Audit Committee)
Mo Kundi (Independent Member and Committee Chair)

In Attendance:
Paris Bonwick (AP MIS and Apprenticeships) (up to item 13)
Michelle Brabner (Principal)
Lisa Farnhill (Clerk to the Corporation)
Clare Parkes (TIAA) (up to item 13)*
Kevin Williams (Vice Principal Finance and Funding)
Andrew Winrow (Head of Finance)

Apologies:
Claire Dalrymple (Wylie and Bisset)
Jane Butterfield (TIAA

Absent:　　　　　**None**

*Indicates attending through videoconferencing facilities

Minute No.	Minutes	Action

A.23.25　ITEM 1: APOLOGIES FOR ABSENCE

The Chair opened the meeting by thanking everyone for their time and attendance, welcoming Clare from TIAA, attending on behalf Jane.

The Principal clarified her reason for attendance, as invited by the Chair and in line with the policy relating to incidents of Fraud, to ensure the Committee was assured of the highest level of accountability and awareness. The Committee Chair confirmed the Principal was welcomed to be in attendance throughout the meeting and did not need to withdraw after the item in question.

The videoconferencing facilities were tested, to ensure all participants could hear and be heard.

Item 1 – Accepted

A.23.26　ITEM 2: DECLARATIONS OF INTEREST

The Clerk declared an interest in relation to her role as the DPO.

Item 2 - Noted: The Committee noted the declaration.

A.23.27　ITEM 3: APPROVAL OF THE MINUTES OF THE AUDIT COMMITTEE HELD ON 30th NOVEMBER 2022

Members reviewed the minutes as circulated and agreed that they were an accurate reflection of

the meeting held on 30th November 2022.

Item 3: Approved: The Committee resolved to approve the minutes of the Audit Committee meeting held on 30th November 2022.

A.23.28   ITEM 4: MATTERS ARISING / ACTIONS SUMMARY

The Clerk summarised the report, highlighting work completed in relation to the anti-fraud pledge, along with an overview of feedback from the post meeting survey. Members noted that the comments following the last meeting had predominantly focused on the hybrid technology and were assured by sector research into alternatives, and agreed that the 'Owl' was working well.

Members confirmed there were no further actions or matters arising requiring further information.

Item 4 - Noted: The Committee noted the update.

A.23.29   ITEM 5: CONFIDENTIAL ITEMS

The Committee confirmed the private conversation between the auditors and governors should be considered confidential; with nothing further needing to be redacted from the approved minutes.

The Committee discussed whether item 11.2 should be reviewed confidentially and maintained as a confidential minute, agreeing to confirm once minutes were drafted and this would be dependent on the conversations held.

Redacted

Item 5 – Approved: The Committee resolved to approve the minutes for publication with the exception of details of discussions from the private meeting between governors and auditors.

A.22.43   ITEM 6: REPORTS OF THE INTERNAL AUDITORS

The AP MIS and Apprenticeships advised the Committee that in addition to the reviews detailed for discussion, the review of Learner Numbers had commenced, with the auditors satisfied with their review of reporting processes, policies, and procedures, with sampling of how learners are tracked to commence the following day.

A.22.44   Item 6.1: Verbal Update on the Progress of the Review of Cyber Security

The VP Finance and Facilities confirmed information had been gathered and sent to the auditor ahead of the auditor falling ill, asking TIAA if there was any update on when the audit work would recommence. The Committee were advised of the expected return date of the auditor, with a member asking if it would have concluded and a report available by the next meeting, with the auditors insisting it would be prioritised and therefore likely available for the next committee meeting.

Item 6.1 - Resolved: The Committee resolved to note the update.

A.22.45   Item 6.2: Report on the Review of Marketing and Progression

TIAA summarised the information in the circulated report, confirming it provided reasonable assurance with one important and two routine action points detailed.

TIAA confirmed that management had accepted the recommendations, with discussions held around the marketing budget. Members acknowledged that the simplification of the brands and college offer as discussed at the Strategy Event would reduce the cost of promotional materials, with the Committee advised this was expected to significantly reduce costs, making marketing more efficient and prevent overspend in future years. The Committee was informed the budget was reviewed annually and that all previous overspend had been approved. Members considered the available benchmarking information alongside insight available for some local competitors, noting one was ahead of them in terms of their post-merger journey, with the benefit of an 'Outstanding' Ofsted grade to support marketing.

Item 6.2 - Resolved: The Committee resolved to note the report and recommendations.

A.22.46   Item 6.3: Verbal Update on the Progress of the Review of the Apprenticeship Delivery Model

The AP MIS and Apprenticeships confirmed the review concluded on February 25th, with TIAA confirming the review had looked at the implementation of the five recommendations from the previous audit, with three implemented and two outstanding. The Committee noted that considerable progress had been made, with those outstanding only detailed as such because they had not fully concluded, however, were in progress. In response to a question, TIAA confirmed the recommendations marked as complete were considered to have been completed satisfactorily.

TIAA advised the Committee that the improvements were notable, with the previous audit having highlighted areas for improvement, with this only serving to confirm areas already identified for improvement by the college were already being addressed. Members confirmed that the report was in draft and with the Audit Manager for review ahead of being circulated, with it agreed that all reports available ahead of the next meeting could be circulated for information between meetings to ensure timely oversight of recommendations.

TIAA/ VP F&F

Item 6.3 - Resolved: The Committee resolved to accept the verbal update, resolving to circulate reports when available and formally review them at the May meeting.

A.23.47   ITEM 7:   ADDITIONAL AUDITS: PROVIDER MARKET OVERSIGHT FUNDING ASSURANCE REVIEW ADULT EDUCATION BUDGET DEVOLVED PROVISION FUNDING YEAR: 2021 TO 2022**

The AP MIS and Apprenticeships summarised the purpose and scope of the audit, confirming errors equivalent to an error rate of 2.2%, had been identified. It was clarified that this was within the tolerance level set by the ESFA of 5%, however, the SLT, whilst accepting zero tolerance was difficult to achieve, continued to aim for 0%. Members questioned the financial impact of the clawback and were advised the audit concluded ahead of the final ILR and therefore the budget had been adjusted accordingly, with

reassurances the budget had contingencies built in.

Members asked if there was any risk of reputational damage as a result of the errors identified, or if it would result in closer monitoring or withdrawal of funds beyond the clawback sum identified. Members were assured that reputational risk was minimal, particularly as this was well within the tolerance margins and no funding would be withdrawn, with the audit resulting in the opposite, highlighting the College had their allocation increased as a result of the audit.

Members noted the issue with tracking online learning, asking if the withdrawal of online provision was permanent and what alternative provision had been put in place and were informed that the main courses had filled at higher rates therefore there was no financial impact and were a suitable alternative. Members commended the College for the additional support and monitoring for those still progressing with the online courses.

Item 7 – Resolved: The Committee resolved to accept the assurances provided by the audit.

A.23.48   ITEM 8: DATA PROTECTION INCLUDING GDPR

The Clerk as DPO confirmed the retention policy had been drafted to incorporate all statutory requirements and then reviewed from an operational perspective, with a second compliance check on the suggested retention periods. There had also been a thorough overhaul of the Privacy Statements, with only the CCTV policy remaining until the full suite of Data Protection Policies and documents had been reviewed since the appointment of a new DPO. Members noted staff training was planned for summer, to include policy uploads to SmartLog to capture confirmation from staff that they have read and understood the content.

A general update on GDPR was provided, with the significant complexities of the recent SAR and contradictory rules and exemptions detailed. Members agreed that in this instance, the College should pay the legal fee to ensure that the data provided to the data subject was compliant, whilst protecting the vulnerable learner. The Principal added she fully supported this recommendation, with her priority being to ensure the DPO feels fully supported in her new role.

Item 8 – Resolved: The Committee resolved to accept the updae.

A.23.49   Item 8.1: Retention Policy

The DPO summarised the updates, completed in consultation with the AP MIS and Apprenticeships, HR, estates safeguarding and student records staff.   Members asked for clarification about 'normal pension age' with the DPO confirming the wording had been taken from KCSIE to ensure it aligned with safeguarding requirements, and was expected to mean state pension age, which varied dependant on an employees date of birth. The Committee was reassured that the 'or ten year', whichever is longer, should ensure any records of concern would be maintained for the relevant length of time.

Item 7 – Resolved: The Committee resolved to recommend the Corporation approve the new retention policy.

A.23.50 **Item 8.2: Privacy Statements**

The Committee members noted the significant overhaul, with standardised formatting and layout, with the introduction of separate statements for staff, students and those accessing the website.

A member noted the requirement on data subjects to ensure their data was up to date, asking, considering the issues with emailing updates, how staff or students should do this and whether this should be detailed within the privacy statement. The DPO confirmed that was beyond the scope of the privacy statement, stating the process for updating information would depend on what it was they were changing, with that detail found in the relevant staff or student handbook/policy. Members noted that there was a risk processes or systems could change, meaning the privacy statement could become outdated as well as too lengthy if it listed all the processes for updating different information types, agreeing that the clause within the privacy statement was sufficient as a 'catch all' phrase to ensure staff and students were aware of their obligations in relation to maintaining accurate and up to date records.

Item 8.2 – Resolved: The Committee resolved to recommend the privacy statements to the Corporation for approval.

A.23.51 **Item 9: IMPLEMENTATION OF AUDIT RECOMMENDATIONS**

The Head of Finance summarised the report, including the recommendations completed, not yet due and overdue. Members noted that a number of the recommendations had been discussed and challenged under other items within the meeting, discussing the rationale for revised dates, including the data destruction/deletion schedule and the external availability of kitemarks and awards.

Item 9 - Resolved: The Committee resolved to note the update and supported the format inclusive of revised dates and milestones.

ITEM 10: RISK MANAGEMENT

A.23.52 **Item 10.1: Review of High Risks**

The VP. Finance and Facilities summarised the report, noting a number of high risks were influenced by the current climate with uncertainty around pay and energy costs.

Members attention was drawn to one downgraded risk as well as three risks with increased scores that meant they had moved from medium to high, discussing details around connectivity and system issues. Members noted there had been improvements since the paper was drafted, with a loose wire considered to have been the cause for some connection issues, however, this couldn't be confirmed.

Members noted the updates to the overall risk register and commented on the cycle and payroll issues, highlighting the wider impact and risks more broadly around payment risks and policies in place to address payroll, asking if there were similar protective measures in place for purchases and invoicing, with assurances from the Head of Finance, who

confirmed dual checks had always been in place, with the issues experienced being a one off human error, with further mitigations now in place to prevent recurrence.

Members discussed increased national and international incidences of cyber-attacks, noting the impact on companies was also increasing in severity. Members accepted assurance that this was already detailed as a risk within the register, with the imminent audit on cyber security to be used to consider any necessary updates to the scoring and mitigating actions. Cyber security training, support and testing processes, particularly to support staff and students were discussed, with a suggestion information could be included in the next all staff newsletter, including resources provided by the College bank. Members noted that whilst cyber security training was not completed as a stand-alone module, it was embedded into the induction and threaded through other policies and training, including fraud awareness, online safety and safeguarding.

Head of Finance

Members discussed at length the risks and issues relating to pay and the unresolved pay award. The Principal and VP Finance and Facilities summarised the next steps in the process, with a meeting scheduled with the Unions on March 13th 2023, supported by ACAS, with both sides required to bring an updated offer. Examples of what was being considered was detailed along with what was expected to be the updated Union offer.

Members asked if reclassification would impact what was available or could be offered, with the Committee informed that this had no impact at present on the all staff pay negotiations, however, this could change in the future.

The Committee was informed that while negotiations were ongoing, strike action should not be encouraged, and activity in relation to this should be suspended, however, the College had been made aware of some discussions relating to the 15th and 16th March, however, this remained speculative.

Members confirmed that the pay offer incorporated the National Living Wage, with the College's offer backdating the increase to August 2022, in line with the proposal to back date all pay awards. Members highlighted the implications of the delay in making the award and the impact of receiving back-pay in a single payment, which would impact universal credit, student loans and pension payments. It was highlighted that as this now moved into the next tax year, it also had the potential to have a detrimental impact on those close to paying higher rate tax. The College confirmed that the Unions intended to advise staff on these issues and had recommended staggered payments to support staff where a one off payment was an issue, however, the tax year implication had not been discussed or addressed.

Other incentives and ideas to support staff wellbeing were being considered, noting the complexities and benefit in kind implications making many unviable or overly complicated, with the Committee asking for an update in May.

Item 10.1 - Resolved: The Committee resolved to accept the update.

A.23.53 **Item 10.2: Risk Appetite Statement**

The VP. Finance and Facilities summarised the feedback from the Strategy Event, confirming that the statements would be formulated and incorporated into the Risk

Framework and policy due to be presented for review and approval in May.

Item 10.2 - Resolved: The Committee resolved to note the update.

Item 11: WHISTLEBLOWING AND FRAUD REPORTING AND POLICIES

A.23.54   **Item 11.1 – Policy Review – Whistle Blowing and Fraud**

The VP Finance and Facilities provided reassurance to the Committee that the policy had been reviewed in line with requirements and Unions consulted with ahead of confirming no updates were necessary.

Members discussed the phrase around anonymity and the impact this would have on whistle-blowers. It was noted this was a 'standard' clause and not intended to put off whistle-blowers, but to explain that in remaining anonymous, they may not receive an update on the outcome of the investigation, and information gathering may be hampered by this.

A suggestion was made to include email addresses alongside roles in the process flow chart. To prevent issues with the policy becoming outdated when staff change roles, or risking unanswered emails, it was decided a bespoke email address would be set up that was linked to the inbox of the Clerk to the Corporation, with a note added that whistle-blowers should contact the Principal in the event the issue related to Governance.

Members also discussed concerns over contractors and dual obligations, consideration was given to asking for key policies to be shared with contractors, however, it was agreed this could not be made mandatory, with it considered that the wide publication of the policy meant current processes were compliant and accessible to contractors, should they want to use pour policy and process as opposed to their own.

The Committee was assured that there had been no incidences of whistle blowing in the reporting period.

Item 11.1 - Approved: The Committee resolved to recommend the policies to the Corporation for approval.

A.23.55   *Redacted*

A.23.56   **Item 11.3 – Reporting in 2023/2024**

The Clerk advised that at present, the policies are reviewed in Spring, with an annual report in November, asking if the Committee would prefer for them to be reviewed together, allowing assurance that the policy had been adhered to alongside receiving the policy. The benefits would be more coherence; however, the drawback would be additional papers in an already heavy November meeting. Members agreed that they would prefer to receive the policy alongside the report, with it agreed this would be done in November from 2023/2024 onwards.

Item 11.3 - Resolved: The Committee resolved to move the policy review to November.

A.23.57 Item 12: COMMITTEE IMPROVEMENT UPDATE

The Clerk summarised the two key reconditions from the review of 2021/22 and progress to date. Members acknowledged that good progress was being made by maintaining tight oversight of the implementation of internal audit recommendations and the final improvement was scheduled to be completed under item 13.

Item 12 - Resolved: The Committee resolved to note improvements to date, concluding that the improvement plan would be considered complete by the end of the meeting.

Ahead of leaving before item 13, the representative from the internal auditors was thanked for their work and support.

A.23.58 ITEM 13: A REVIEW OF HOW THE COMMIITTEE REVIEWS THE EFFECTIVENESS OF AUDITORS INCLUDING KPI'S

Members were asked to review examples alongside the current process, in doing so, they reflected on what was important to the auditors as well as the college, noting the shift in focus on quality over cost, which ensured value for money and meaningful recommendations leading to improvements, noting this was as important for the non-statutory review of the internal audit service as the statutory requirement to review the external audit service.

Members reflected on the reasons for evaluating effectiveness, noting the service cost was relatively low when compared to some higher cost services that were not evaluated in the same way. Members considered the need to ensure the service, statutory in the case of external audit, was effective, objective and adding value. Reflecting on changes in the College, sector, and audit environment, members agreed this could result in the evaluation form and KPI's becoming outdated, with it considered appropriate to regularly review them to ensure they remained relevant.

Members considered the shorter examples concise and easy to follow, effective in considering statutory requirements, but less effective in ascertaining value in relation to quality of service. The lengthy ones were considered too long, with focus on key priorities lost in the detail, possibly beneficial from an operational perspective, but not strategic enough for Committee oversight.

Following considerable discussion, four key themes emerged as priorities for evaluating the performance of the audit firms, these being knowledge, value/cost, flexibility and quality, noting these were equally relevant for both internal and external audit services. When reviewing the current evaluation form, it was agreed all themes were adequately covered by the questions, with the Committee resolving to continue to use the existing form, which their review found also captured the areas of focus recommended by the ACOP.

In reflecting on the points raised in the post-meeting survey relating to the introduction of a requirement for auditors to attend meetings onsite, it was considered that this may drive up costs and there was concern over reduced availability, particularly around the November meetings. Members concluded the issue with hybrid attendance had been as a result of the College not having previously had the technology to facilitate them effectively, which now resolved, should mean auditors could attend virtually and this be as effective as attending onsite.

Item 13 - Resolved: The Committee resolved to continue to use the existing evaluation form and

KPI's for the audit firms, concluding they remained relevant and effective in ascertaining value for money in reviewing both audit services.

A.23.59 ITEM 14: REVIEW OF PERFORMANCE OF EXTERNAL AUDITORS

Redacted

Item 14 - Resolved: *The Committee resolved to accept the evaluation of the External Audit Service.*

A.23.60 Item 15: OUTCOME OF THE TENDERING FOR AN EXTERNAL AUDIT SERVICE/ APPOINTMENT OF THE EXTERNAL AUDITORS INCLUDING FEES

Redacted

Item 15 - Resolved: *The Committee resolved to recommend the appointment including the proposed fees to the Corporation for approval.*

A.23.61 ITEM 16: ITEMS TO BE REPORTED TO THE CORPORATION

The Committee agreed to summarise the work of the committee through the circulation of the minutes.

The Committee agreed to circulate to the Corporation the following reports for approval:
- Whistleblowing and Fraud Policies
- Appointment of the External Auditors (including fees)
- Retention policy and privacy statements

The Committee agreed that through their update, the Corporation should be made aware of concerns raised and actions undertaken to address the increased risks relating to the recent incidence of fraud.

Item 16 – Approved: *The Committee resolved to recommend the information as outlined above to the Corporation and at the meeting of 29rd March 2023 .*

Next Meeting of the Committee and Closing Comments

Members and attendees were thanked for their time and contributions with the next meeting confirmed as Monday 22nd May 2023.

The meeting closed at 6pm.