

Minutes of a Meeting of the AUDIT COMMITTEE held on

Wednesday 1 March 2023 at 16.00 pm

College Business Centre

01/23 APOLOGIES AND WELCOME

An apology was received from Mr Graham Barnetson.

The Chair welcomed members to the meeting. Mr Trevor Nicholas was welcomed to his first meeting as a co-opted member. Thanks were expressed to Mr Peter Thompson attending his last meeting as Assistant Principal (Finance & Resources). The Chair informed members that Dr Nick Sinnamon has resigned as a co-opted member. Thanks were expressed for his contribution and long service as both a Governor and latterly co-opted member.

02/23 DECLARATIONS OF INTEREST

There were no declarations of interest.

03/23 APPROVAL OF THE NON-CONFIDENTIAL MINUTES OF THE MEETING OF 1 DECEMBER 2022

The non-confidential minutes of the meeting of 1 December 2022 were approved as a true record.

04/23 MATTERS ARISING FROM THE MINUTES OF THE MEETING OF 1 DECEMBER 2022

The Director of Governance reported on Matters Arising. The external audit tender was in process and on the agenda of the meeting. The Assistant Principal provided a verbal update regarding queries raised at the meeting on 12 October related to the Risk Register: 1) allocation of responsibilities regarding ownership of Copyright Designs and Patents Act was reported on in the Audit Issues Log; 2) the scoring anomaly regarding risk 1.6 concerning students failing to achieve sufficient progress in English and maths had been amended and the revised Risk Register was on the agenda of the meeting. The Director of Finance provided a verbal update to advise that enquiries regarding a consumer credit license are ongoing. She also advised that guidance in relation to the Office for National Statistics (ONS) reclassification and letters of support was also ongoing. The Director of Governance reported that all other actions were completed.

05/23 GDPR DATA BREACHES

Ms Dawn Smart, Head of Curriculum Planning and Performance, presented the General Data Protection Regulation (GDPR) data breaches report. One data breach had been reported during the period. The issues had been addressed and there had been conversations with those concerned.

The Chair expressed concern at the low volume of breaches reported referring to potential unknown unknowns. He asked Ms Smart how she took comfort, and enquired what the check and test was. Ms Smart responded that there were sufficient numbers of staff reporting comfort and that managers were monitoring.

A Member asked how the safety and security of staff badges was ensured, were there people who had access that shouldn't have access, she enquired. The Principal responded that this was being addressed.

Individual cards and numbers could be locked down. It was important to ensure that the identity could not be compromised through staff badges.

The Chair asked if there should be photographic ID badges for temporary visitors. The Principal responded that this had not been budgeted for.

It was reported that GDPR forms part of the internal audit three year plan. Ms Smart confirmed that data breaches had come from a variety of sources over the years.

In response to a query from a Member, Ms Smart confirmed that the reporting period was from October 2022 to February 2023. The Member was concerned that one reported breach in this period felt low for the size of the entity.

The Committee NOTED the report.

06/23 INTERNAL AUDIT REPORT 2022/23 – VISIT 1

Ms Melanie Weston, Southern Internal Audit Partnership, presented the internal audit report for visit 1. There had been four areas audited: Human Resources (HR), Asset Controls, Contract Management, and Student Support & Welfare. The Contract Management report was in draft and the College were awaiting the report on Asset Controls. It was noted that the reports for HR, and Student Support & Welfare were omitted from the board pack and were to be provided to the Committee.

Ms Weston outlined the areas reviewed for the audit of Contract Management. These included looking at the contract registers, and ensuring that there were appropriate arrangements in place to manage the contracts. She confirmed that contracts were well managed. Ms Weston observed that the non-estates contract register had some information missing that she would like to see, namely, dates of expiry and contract owner. Reasonable assurance was reported.

A Member enquired as to why reasonable assurance was reported given the missing information on the non-estates contract register. She expressed concern at potential impact on value for money, and audit testing. Ms Weston responded that the internal audit had looked at a sample of contracts and discussed them with managers. In questioning managers she was assured that managers were aware of the dates of expiry and it was only on the register that this information was missing. The Director of Finance reported that she had spoken to the person responsible and was ensuring that the additional columns and data were added to the register.

Ms Weston reported on Student Support & Welfare. There were generally good controls she reported. She noted a change in practice relating to bus passes. Previously, the College had been requesting refunds for termly bus passes no longer required. Currently they hadn't been requesting refunds when students leave. Management had looked at this and instead were going to issue half-termly bus passes so that refunds were not required. The free school meals fund was not included in the report sent to management. The management response was that the College was going to ensure regular monitoring of free school meals funds going forward. Reasonable assurance was reported.

Ms Weston reported on HR. The audit had focused on recruitment and termination. There were good controls with a few issues of non-compliance identified. Ms Weston had raised an issue on recruitment documentation, as on some records there were a few pieces of documentation missing, namely, signatures and dates. On one record there was no evidence of qualifications. This report was still in draft form and therefore there were no management responses to report at this stage. It was expected that the final report would be issued soon. Reasonable assurance was reported.

The Asset Controls report had been issued in draft but the College had not had time to consider at the time of the meeting.

The Chair expressed concern regarding the recruitment process. The Director of Finance confirmed that there had been boxes unticked in a number of instances in the sample. Ms Weston reported that there were one or two instances where documentation was missing leading to non-compliance but that overall the system was working well. The Chair said that he would await the full report and management response.

The Chair asked if the audit had looked at exit interviews. Ms Weston responded that this had been the case and it was considered that the exit interviews added value. There was limited data for the College to use to analyse trends, and consideration should be given to encourage more leavers to complete the leavers questionnaire, she concluded.

A Member asked how this impacted the integrity of the Single Central Record (SCR) if there was an instance of qualifications not being checked. Ms Weston responded that this would be recorded as a weakness in the SCR. The SCR had been looked at as part of last year's internal audit. It would be reviewed again in visit 3. Ms Weston reported that when follow up work was undertaken the SCR would be joined up with recruitment.

The Chair noted that the internal audit was not compulsory and expressed praise for the added value and assurance that the internal audit provided.

The Committee NOTED the report.

07/23 COLLEGE RISK REGISTER

The Chair noted that the board pack included an abridged version of the report. The Director of Finance confirmed that the full version would be uploaded.

The Director of Finance presented the Risk Register report. The recent review had focused on new and emerging risks and any amendments to risks already established. Four risks were identified for removal as the risk was either fully mitigated, or incorporated into an existing risk: 1.12 Retention of learning support staff; 2.10 High teaching staff turnover due to low satisfaction; 4.22 Building refit activity causing disruption; 4.24 Changes in executive personnel disrupting the management of the College. Two new risks had been added: 4.26 The risk of Reinforced Autoclaved Aerated Concrete (RAAC) being used on the site (following Department for Education (DfE) guidance published in 2022); and 4.27 Oversight and contract management of the sub-contract provision.

A Member asked for a briefing on RAAC. The Assistant Principal (Finance & Resources) reported that the DfE had issued guidance in December 2022 on the concrete that had caused the ceiling collapse in some other institutions. This type of concrete declines in quality over the period of use and is largely used in flat roofs and buildings built between the 1930s and 1960s. The DfE guidance issued requested that a questionnaire be completed, subsequent follow up may include a surveyor assessment. If it was found that RAAC were present at the College it would require substantial work to ensure the safety of the buildings. No assessments to date have indicated the presence of RAAC on the College estate but the College has reported to the DfE that RAAC may be present as it has not been possible for the surveyor to access all roof spaces

A Member asked if this would affect the insurance. The Assistant Principal confirmed that this would be the case. The Health & Safety and Campus Manager, has updated the insurance company on the findings of the survey.

A Member commented that this may be a time-limited problem as the rebuild would resolve however the Assistant Principal responded that this was not necessarily the case as potentially affected parts of the estate may not be those being rebuilt. He added the Governors need assurance from the surveys commissioned that

there is no RAAC present. Surveys so far have indicated that it is not present but at this time it cannot be ruled out and hence this is reporting as a risk on the Risk Register.

A Member asked what the financial impact would be if RAAC was found to be present. The Assistant Principal responded that costs would be significant.

It was noted that Risk 1.13 Ofsted non-compliance was still marked red and scored 20 though it was considered resolved. The Principal suggested that it remain marked red and scored 20 because it could continue to represent an emerging risk from a safeguarding perspective. Compliance was in place but the safeguarding risk remained high. A Member suggested that the wording required amendment to reflect this.

It was reported that there had been a significant review of risk ownership due to staff changes.

A Member noted the previous item on the internal audit of HR and asked if there was a plan to include the issues raised in the Risk Register. The Assistant Principal responded that reasonable assurance was reported and the issues highlighted reflected high staff turnover in the HR department. He was confident that the Deputy Principal and HR Manager were capable of resolving the issues raised. The Member acknowledged the Assistant Principal's assurance but considered that this still presented a general risk that she suggested should be added to the Risk Register in relation to recruitment documentation. The Assistant Principal considered that the Committee would have confidence when management responses were reported. The Member reiterated her view that this presented a general risk.

A Member noted that Risk 3.3 The Covid-19 pandemic and changes to the AEB (adult education budget) funding landscape had risen in the register to 2020 levels. She enquired what had triggered this. The Assistant Principal responded that it reflected the funding stream of the AEB. It was fixed in that some monies the College could claim against the style of curriculum. The College has a significant programme of distance learning which fulfils this budget line. However the College is behind profile at present and if this continued to fall further behind profile there would be a funding clawback. Governors acknowledged the explanation and suggested that the reference to COVID-19 was removed from the wording of the risk. The Principal added that the College was addressing the risk through the 'free' adult education courses being offered from which there had been 258 enrolments. She was ensuring that the College was optimising funding and fully utilising staff.

A Member noted that the number of enrolments was hugely positive and enquired if the College expected this to continue next year. The Principal responded that she hoped that adults would continue into further study. The Member noted that this was positive for the Accountability Framework and could potentially impact on full cost recovery courses. The Principal acknowledged this whilst reiterating that the priority was to safeguard the AEB.

A Member noted that there appear to be a large number of courses offered on neurodiversity. The Principal responded that these courses represent value in partnerships and that the College were positively tapping into this market.

The Chair asked if there was any further clarity on utility costs. The Director of Finance responded that this analysis was currently being undertaken.

The Committee NOTED the updated Risk Register.

08/23 ANNUAL REVIEW OF RISK MANAGEMENT POLICY

The Director of Finance presented the Annual Review of the Risk Management Policy. She reported that the Risk Register undergoes regular review and the attached Risk Policy had been reviewed and is presented for annual review with no amendments.

A Member asked that a schedule of amendments is added to the Policy. The Director of Finance confirmed that she would add this.

The Committee APPROVED the Risk Management Policy.

09/23 UPDATES TO FINANCIAL REGULATION AND FINANCIAL PROCEDURES

The Director of Finance reported that the Financial Regulations and Procedures are subject to annual review and approval by Corporation. An interim revision of the Financial Regulations has been undertaken and is presented to Audit Committee. In addition, the Expenses Policy has been reviewed and amended due to substantial changes concerning subsistence rates, accommodation rates and relocation expenses which have not been reviewed for some time.

A Member enquired whether reference to Managing Public Money should be included in the procedures. The Director of Finance confirmed that she would add this.

The Director of Governance reported that she was liaising with the Director of Finance for two items to be included in the Financial Regulations and Procedures: 1) a request from Capital Committee for the wording of the Institute of Technology (IoT) agreement related to asset disposal to be replicated in the Financial Regulations; and 2) External Audit Tender requirements to be added as per the Post-16 Audit Code of Practice, September 2022.

The Committee REVIEWED the Financial Regulations and Financial Procedures and RECOMMENDED them for APPROVAL by Corporation.

The Committee REVIEWED the Expenses Policy and RECOMMENDED it for APPROVAL by Corporation.

10/23 AUDIT ISSUES LOG

The Director of Finance reported on the Audit Issues Log. This provides a review of progress in resolving action points arising from all audits. Actions from internal audit visit 1 have been added but at the time of issue management responses were not available. There was one action related to copyright. The Director of Finance had received a management response that all staff were responsible for copyright compliance. The Director of Finance had reiterated that one person must have overall responsibility. Governors requested that this is followed up and cascaded with action ensured by one overall person. The Director of Finance responded that this was captured on the Risk Register and marked red, and action taken to resolve would be reported to the Audit Committee.

A Member enquired regarding staff utilisation. The Director of Finance responded that this is ongoing. A report has been generated and is due for completion with some amendments remaining.

The Committee NOTED the report.

11/23 ONS RECLASSIFICATION: IMPACTS AND RELEVANCE OF MANAGING PUBLIC MONEY

The Director of Finance presented a report on Office for National Statistics (ONS) reclassification and the impact of Managing Public Money. It was very early days following the reclassification announcement in November 2022. She would be attending a webinar the following week. The report presented summarises information available currently. She outlined the key impacts concerning borrowings; finance leases; financial transactions; and special responsibilities of accounting officers. Subsidiaries are subject to the same controls

as the main College. A new Financial Handbook is to be published, and when available the Director of Finance would summarise the key points for Governors.

A Member commented that most points would align fairly well with the Financial Regulations.

The Chair requested that an update be provided to Corporation and added to the agenda for the April meeting.

The Committee NOTED the report.

12/23 ANNUAL REPORT ON POLICY RENEWAL AND PROGRESS

The Principal presented the Annual Report on Policy Renewal and Progress. There had been a robust review of all policies and the procedures for monitoring, updating and approval. Senior management team (SMT) leads had been allocated to policies and processes had been agreed. There had also been a rationalisation of policies.

A Member enquired regarding the recording and monitoring of policies due for review. The Principal confirmed that the Executive Assistant to the Principal maintains a central record, which she tracks and assigns RAG (red, amber, green) status for each policy. There were some deliberately awaiting review due to the impact of ONS reclassification. A number of changes had also been following a review of the intervals for review. Challenge and review was built in as part of the process.

A Member asked if there was a person responsible to look at legal changes and feedback where there may be potential impact. The Director of Finance responded that this was the responsibility of the individual policy leads and owners. The Principal confirmed that compliance with legislation was a criteria for check at review, and SMT consider this prior to sign off as part of the review process.

The Chair noted that at a previous meeting there had been a discussion regarding GDPR and it had been agreed that the policy should come to Corporation for review. He requested that this be added to the list of policies coming to Corporation accordingly.

The Committee CONSIDERED the report.

13/23 ANY OTHER BUSINESS

The Chair announced that he would be stepping down from the Committee at the end of the current academic year. His term of office as a Governor would be concluding in January 2025 and he wished to take a break from the Audit Committee in order to ensure an independent view should a vacancy arise for a co-opted Member in the future.

14/23 DISCUSSION WITH AUDITORS WITHOUT MANAGEMENT PRESENT (IF REQUIRED)

No discussion required.

15/23 REVIEW OF PERFORMANCE OF THE FINANCIAL STATEMENTS AUDITORS (CONFIDENTIAL)

16/23 TENDERING OF EXTERNAL AUDIT SERVICES FOR THE COLLEGE

The Director of Governance presented the report proposing a timetable and process for the tendering of the External Audit Services for the College, and provided an update on progress to date. She asked Members to consider the appointment of a Selection Panel.

The Committee tasked the Director of Governance with implementing the timetable and overseeing the arrangements for the Presentation to Panel.

The Committee CONSIDERED and RATIFIED their APPROVAL of the timetable for re-tender of External Audit Services.

The Committee CONSIDERED the appointment of a Selection Panel and APPOINTED: Mr Graham Cooper, Chair of Audit Committee; Mrs Christine Palmer, Vice Chair of Corporation and Vice Chair of Audit Committee; Mrs Charmian Messenger, Governor and Member of Audit Committee, the Principal, Director of Finance, and Director of Governance (serving as Clerk).

17/23 ANNUAL REVIEW OF CONTRACTS

The Director of Finance presented the report of the Annual Review of Service Contracts. There had been a detailed review of contracts and expiry. Contracts nearing expiry were for catering and cleaning services. It was recommended that the contracts for the current providers of these services were extended.

The Chair asked if the College was happy with the cleaning contract provider. The Assistant Principal (Finance & Resources) responded that the company were doing an excellent job and there were very few complaints. There was visible daily cleaning in light of the COVID-19 pandemic. The Cleaning Manager's performance was good, he said.

A Member acknowledged the positive assessment of performance and enquired how Corporation could be assured that the contract demonstrated value for money particularly in light of ONS reclassification and the requirements of Managing Public Money and compliance with procurement requirements. The Assistant Principal responded that value for money could be assured by going out to tender. The Member asked if it was possible to test the market through benchmarking with Colleges of a similar size. The Committee agreed that this action would ensure there had been due diligence.

The Assistant Principal reported that the catering company had agreed to retain the current price to ensure students from deprived backgrounds were able to obtain a high quality dinner at the lowest price possible. Tariff increases had been implemented at their request.

A Member enquired regarding subsidy. The Assistant Principal responded that the subsidy was being reduced over the life of the contract and that it is regularly assessed. The Member noted the impact of Managing Public Money following reclassification and asked that this be considered and compliance assured regards obtaining value for money. It was agreed that the Director of Finance would ensure due diligence and test the market through benchmarking with other Colleges of a similar size.

It was noted that there was good student survey data and feedback on the cleaning and catering at the College.

The Committee tasked the Director of Finance with undertaking due diligence comparison with Colleges of a similar size regards contracts for cleaning and catering to ensure value for money, compliance with Managing Public Money and Financial Regulations, and circulate with recommendations for approval.

The Committee NOTED the report.

18/23

DATE OF NEXT MEETING

Wednesday 21 June 2023, 16.00, College Business Centre.