

Minutes of a Meeting of the AUDIT & RISK COMMITTEE held on Wednesday 16 October at 1.30pm Online Via Teams

46/24 APOLOGIES AND WELCOME

Apologies were received from Dr Angela Buckley; Ms Frances Miller and Mr Chris Cook, RSM UK Audit LLP; and Ms Karen Shaw, Southern Internal Audit Partnership.

The Chair welcomed Mr Paul Goddard and Mr Ryan Pearce of Scrutton Bland, and Mr Michael Norton, Interim Director of Finance to their first meeting.

47/24 DECLARATIONS OF INTEREST

There were no declarations of interest.

48/24 APPROVAL OF THE NON-CONFIDENTIAL MINUTES OF THE MEETING OF 12 JUNE 2024

The non-confidential minutes of the meeting of 12 June 2024 were approved as a true record.

49/24 APPROVAL OF THE CONFIDENTIAL MINUTES OF THE MEETING OF 12 JUNE 2024

The confidential minutes of the meeting of 12 June 2024 were approved as a true record.

50/24 MATTERS ARISING FROM THE MEETING OF 12 JUNE 2024

The Director of Governance reported on Matters Arising and actions were completed or ongoing as detailed in the report. There were no questions.

The Committee NOTED the report for ASSURANCE to the Corporation.

With the agreement of the Chair the agenda was taken out of order.

51/24 INTERNAL AUDIT REPORT 2023/24: VISITS 1 AND 3

The Chair expressed formal thanks to Ms Melanie Weston at Southern Internal Audit Partnership's last meeting for their work over the years.

Ms Weston presented the final reports from visits 1 and 3 during 2023/24. These were Performance management from visit 1 and Staff utilisation from visit 3.

Performance management had received Limited assurance. She confirmed that the report had been completed over the past year with the purpose of assessing the processes for performance management including appraisals, and objective setting. Testing found some non-compliance with performance management processes. The processes were flagged within the report and referenced that some of the targets were not SMART, and with some staff missing annual objectives or not having had an annual appraisal. There was also some non-compliance with the probation process and timescales not being complied with.

The Chair questioned whether this was included within the Audit Issues Log and the Director of Governance confirmed that it was. The Chief Operating Officer and Deputy CEO confirmed that the report itself was being presented today and that all observations, recommendations and actions had been seen by the Audit Committee.

Staff utilisation has received Reasonable assurance. There had been one area identified for improvement: there was no evidence or formal documented evidence to confirm the actions the College had taken to deploy underutilised staff.

The Committee NOTED the report to be ALERTED to the Corporation.

52/24 INTERNAL AUDIT SERVICE ANNUAL REPORT 2023/24

Ms Weston presented the Internal Audit Annual Report for 2023/24 which was developed in consultation with the College senior management to ensure its alignment to key risks and the plan considered by the Audit Committee in June 2023. A change was made to the plan to replace the annual subcontracting audit with a review of the Single Central Record (SCR).

There were 12 audits undertaken across the year: 5 received Substantial assurance, 6 received Reasonable assurance and one received Limited assurance. There had also been a follow up report to follow up on actions raised at previous audits. Ms Weston confirmed that good progress had been made to implement some of the management actions with work still ongoing for other actions. Ms Weston confirmed that the annual opinion concluded overall adequacy and effectiveness of the framework of governance, risk management and control. The audit opinion was that sufficient work had been carried out to conclude that reasonable assurance could be provided and that controls were in place and working in practice.

A Member thanked Ms Weston and her team for the follow up of the recommendations and highlighted that it had been good to see that there had been progress made in closing some of the gaps. The Member raised that the cover paper contained an error in reference to Limited assurance. This would be amended by the Chief Operating Officer and Deputy CEO.

Ms Weston thanked the College for a positive working relationship over the last 10 years and wished the College well for the future.

The Chair noted the effort made by staff to achieve Reasonable assurance. He enquired of the information flow between the outgoing and incoming internal auditors. Mr Paul Goddard of Scrutton Bland confirmed that he had been provided with all previous reports.

The Committee NOTED the report for ASSURANCE to the Corporation.

Melanie Weston left the meeting.

53/24 STRATEGIC INTERNAL AUDIT PLAN 2024/25 AND THREE YEAR INTERNAL AUDIT PLAN 2024-2027

Mr Goddard presented the draft Internal Audit Plan. He stated that he wanted members of the Committee to feel that they have the chance to contribute to it and that it was healthy to view this as flexible and that other risks may arise. Mr Goddard mentioned that they had discussed at the tender presentation that they would be happy to engage with Governors regarding the planning process for the year 2025/26. Paul explained that the plan is mapping against the Risk Register and the College Strategic Plan, with prior assurances from previous auditors and management engagement with feedback having been received, balancing the coverage of focus during the year to find a balance of the key financial controls and different areas under review across the college. Mr Goddard ran through the report structure.

The Chief Operating Officer and Deputy CEO confirmed that there had been a meeting to discuss the proposed audit plan and that there had been a slight downturn on the Risk Register scoring in English and maths and looking at areas not covered before such as examinations and the timeline for the audits to ensure that College sponsors for those audits would be available.

A Member confirmed that she felt it was a really good approach to take a broad view of business across the College and look at areas not previously considered. Another Member agreed that later into 2025/26 would give a good opportunity to see how the plan is working. Mr Goddard confirmed that this was not a 'boiler plated' plan but was flexible and he welcomed input from the Committee to 'fine tune'.

The Chair welcomed the offer for additional training and suggested this was reviewed and bought back at a later date.

The Committee APPROVED the Strategic Internal Audit Plan 2024/25 and Three Year Internal Audit Plan 2024-2027

54/24 GDPR DATA BREACHES REPORT

The Chief Operating Officer and Deputy CEO presented the General Data Protection Regulation (GDPR) breaches report in the absence of Mr Steve Violaris, Data Protection Officer (DPO). She alerted the Committee to one minor data breach reported since the Committee met in June 2024.

The Committee NOTED the report to be ALERTED to the Corporation.

55/24 FREEDOM OF INFORMATION REPORT

The Chief Operating Officer and Deputy CEO presented the Freedom of Information (FOI) report in the absence of Mr Violaris. She confirmed that there had been 12 FOI requests and explained that the report predominantly indicated that the majority of requests were received from recruitment agencies, suppliers and people from research bodies undertaking projects. There were three subject access requests: one former student and two staff members requesting access to files held.

The Chair enquired whether there had been any requests from the local press. The Chief Operating Officer and Deputy CEO responded that this happened occasionally but had not occurred during the reporting period in question.

The Committee NOTED the report to be ALERTED to the Corporation.

56/24 BOARD ASSURANCE FRAMEWORK: RISK MANAGEMENT ANNUAL REPORT

The Chief Operating Officer and Deputy CEO presented the Board Assurance Framework: Risk Management Annual Report. She reminded Governors that this had previously been worked on with Southern Internal Audit Partnership using best practice from RSM UK. Risk management was subject to review by Southern Internal Audit Partnership as part of the three year Internal Audit Plan and during 2023/24 had been given Substantial assurance. In 2023/24 two risks were added to the Register: Delamite Ltd – potential financial liabilities (reported in October 2023); and potential change of government and impact on Capital Projects (reported in June 2024). It was also noted that there was one risk RAG rated red in relation to drainage. Looking forward to the next year there would be an exercise to ensure that risks are aligned to the correct owner and a review of the risk scores would be completed incorporating a risk owner peer review.

The Chair commended the approach incorporating peer review.

A Member commented that it would be a useful exercise moving forward for managers to review the risks against the new strategy. The Chief Operating Officer and Deputy CEO agreed and confirmed that there would be remodelling.

In response to a query from a Member regarding mitigations, attention was drawn to where these are noted in the spreadsheet.

The Committee NOTED the report for ASSURANCE to the Corporation.

57/24 RISK REGISTER

The Chief Operating Officer and Deputy CEO presented the termly update to the Risk Register and confirmed the senior management team (SMT) had carried out a full review and made changes, adjusting two risk scores for Maths and English and the failure to redesign the Pathways space, for which there was now a plan. A series of additional controls had been added.

Mr Goddard mentioned that the new employment law legislation coming into effect may need to sit inside one of the risks along with digital disruption. The Chief Operating Officer and Deputy CEO confirmed that once new regulations come into effect the College would be building those into the plan.

The Committee NOTED the report to be ALERTED to the Corporation.

58/24 AUDIT CODE OF PRACTICE

The Interim Director of Finance presented the report detailing minor changes to the Post-16 Audit Code of Practice. He had also provided Members with a guide summarising requirements from The College Financial Handbook 2024; Managing Public Money 2023 and Bite Sized Guides; Management Accounts: Good Practice Guide for College; The Financial Planning Handbook 2024; The Post-16 Audit Code of Practice; and The Measures and Stages for ESFA Intervention.

The Committee NOTED the report to be ALERTED to the Corporation.

59/24 AUDIT ISSUES LOG

The Chief Operating Officer and Deputy CEO confirmed that she continues to maintain the Log following the internal audit visits and that the chronology had been edited to show the last three academic years only, explaining that there had been a lot of actions that had come from the Performance management internal audit and they were now complete. She confirmed that Mr Violaris had been appointed as DPO following the management restructure, and targets had been moved to allow Mr Violaris to focus on this new role. The Chief Operating Officer and Deputy CEO also confirmed the transition to a new HR/Payroll system (CIPHER). She sought the approval of the Committee for the removal from the Log of tracking spending on small consumables and non-capitalised items within departments. It had been reviewed by the Interim Director of Finance and was not considered a practical control.

A Member commented that she considered this a reasonable proposal but enquired of any GDPR impact. The Interim Director of Finance responded that the IT department maintains a fixed asset register and data was wiped prior to disposal of any items. The Committee agreed to this deletion from the Log.

The Chief Operating Officer and Deputy CEO expressed a desire for the College to start working towards the international standard in information management and information governance. The Chair considered this admirable but urged the College to look deeply into the effort required to achieve this. He also shared that he was familiar with CIPHR, using it in his own organisation and would be happy to connect the College with his colleagues working on CIPHR.

The Committee NOTED the report for ASSURANCE to the Corporation.

60/24 ANNUAL FRAUD REPORT

The Chief Operating Officer and Deputy CEO presented the Annual Fraud Report. She confirmed that the report was maintained within the Finance department for the whole academic year. This was presented as the Annual Report with three instances of potential fraud logged. She also confirmed that there was ongoing training for staff regarding phishing emails.

The Chair asked whether there was validation with third parties and the Chief Operating Officer and Deputy CEO confirmed that there was and this would have prevented fraud.

The Committee NOTED the report to be ALERTED to the Corporation.

61/24 ANNUAL REVIEW: REGISTER OF INTERESTS/DECLARATION OF ELIGIBILITY

The Director of Governance confirmed the annual process with a maintained register. This had been reviewed and there were no material conflicts of interest. There was one Governor noted as still having to complete the declaration and this would be followed up.

The Committee NOTED the report for ASSURANCE to the Corporation.

62/24 DELAMITE LIMITED: FUTURE OPTIONS AND RECOMMENDATIONS

The Interim Director of Finance presented a report on Delamite Ltd: future options and recommendations and Annual VAT report. He outlined the origins of Delamite which had been set up as a subsidiary company of the College in 1995. He had discussed with the auditors. There had been consideration as to whether this would trigger a VAT issue. There was potential for challenge. He advised that it was necessary for this to be unpicked by a VAT expert and his recommendation was for RSM UK to be engaged to unwind the Delamite tax position in the most effective manner possible.

Mr Goddard left the meeting at this point.

A Member enquired as to the impact on the Annual Financial Statements. The Interim Director of Finance responded that there would be some time before any impact which would relate to the 2024/25 accounts. The Member said she was relieved to hear that. She asked if Delamite had any staff and the Interim Director of Finance responded that there were not any staff. There was a knock on impact for Multiskills but this was no longer registered with Companies House.

A Member thanked the Interim Director of Finance for bringing clarity. She asked if there were any implications for Managing Public Money and the Interim Director of Finance responded that there were not.

The Chair asked for the cost implications for engagement. The Interim Director of Finance responded that these had not been sought yet as he wished to bring options to the Committee first. The Chair commented that the Committee wanted clarity and certainty and firm advice. The Interim Director of Finance stated that he did not believe the Committee would receive this but he did believe that a degree of certainty would be given that the course of action was reasonable.

The Committee NOTED the report for ASSURANCE to Corporation and to ALERT Corporation to potential risks should the scheme be challenged.

The Committee RECOMMENDED to Corporation to APPROVE engaging RSM to unwind the Delamite tax position in the most effective manner possible subject to confirmation of costs.

63/24 MPM ASSURANCE REPORT

The Interim Director of Finance presented the Managing Public Money (MPM) assurance report. He outlined two points of note since the last report to Committee. There had been a settlement agreement which was compliant with the rules. He drew Members' attention to Weston College being placed in ESFA intervention as a result of breaches of MPM.

A Member welcomed the report as useful. She enquired regarding documentation and processes in place to be followed internally. The Interim Director of Finance responded that transactions were through the Finance department and that the Financial Regulations and Financial Procedures were the relevant documentation. He would be reviewing this personally. The Chief Operating Officer and Deputy CEO added that she was confident that there was a 'watertight' trail.

The Committee NOTED the report for ASSURANCE to Corporation.

64/24 DRAFT 3As REPORT TO DECEMBER CORPORATION

The Director of Governance explained that this would form the Committee's report to Corporation of those items that the Committee wished to alert Corporation to, assure Corporation on, and recommend for approval or action. The report would be drafted in consultation with the Chair and SLT lead and circulated to Members for comment and approval prior to inclusion in the board pack.

65/24 COLLEGE INSURANCE RENEWAL

The Campus and Health & Safety Manager joined the meeting to present the report. She confirmed that the College had sought to gather three insurance quotes. One company had emailed to say that they would not quote as they would not be able to meet the quote from the existing company. The Campus and Health & Safety Manager confirmed that the existing provider relationship was good and the quote represented value for money. The Committee was asked to approve the renewal with the existing incumbent including the 0.9 % increase in the premium.

A Member queried if the committee was being asked to approve the renewal of a policy which included other areas, for example HR and travel. The Campus and Health & Safety Manager confirmed that this was a whole College policy renewal for three years including annual increases of between 4 and 6%.

The Director of Governance reported that under the current Financial Regulations this item would require full Governor approval and this would be confirmed in writing.

The Committee RECOMMENDED for APPROVAL in accordance with the Financial Regulations. This was subsequently APPROVED electronically by Corporation.

66/24 DISCUSSION WITH THE AUDITORS WITHOUT MANAGEMENT PRESENT

Not required.

67/24 SELF-REVIEW OF MEETING

It was considered that the meeting had been well chaired. There had been good discussion. The Interim Director of Finance was thanked for his guidance. The Director of Governance was thanked for her support and guidance. The Principal, and Chief Operating Officer and Deputy CEO commented that it had been a complex agenda which had flowed well despite the necessary movement.

68/24 ANY OTHER BUSINESS

The Chair encouraged Members to familiarise themselves with the new Committee Terms of Reference. He also encouraged Members to consider persons who may be suitable for co-option to the Committee.

69/24 DATE OF NEXT MEETING

Wednesday 27 November at 4.00pm via Teams.

70/24 STAFF REWARD AND RECOGNITION (CONFIDENTIAL)

The Committee NOTED the report for ASSURANCE to Corporation.