

South Staffordshire College



MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 16 SEPTEMBER 2020

PRESENT:

Helen Simpson (Chair)	External
David Isted	External
Andrew Elsby-Smith	External
Philip Atkins	External <i>Governor present following minute 7</i>

In attendance:

Miranda Hughes	Clerk to the Corporation
John Snow	Deputy Principal - Finance & Resources
David Hoose	Mazars (External Auditor)
Clare Parkes	TIAA (Internal Auditor)

APOLOGIES FOR ABSENCE

- 1 Apologies were received from Claire Boliver.

APPOINTMENT OF CHAIR

- 2 **Resolved** that Helen Simpson be appointed as Chair of the Committee until the first Audit Committee meeting of 2021-22.

PRE-MEETING BETWEEN COMMITTEE AND AUDITORS

- 3 The Committee and auditors met without management present to allow both the opportunity to raise any issues. Neither auditor had any issues to raise with the Committee in private.

- 4 The Chair queried with the External Auditor if sufficient progress with the 2019-20 audit process had been made and confirmation was received that this was the case. The External Auditor went on to advise that the issues experienced last year had largely arisen because both the Deputy Principal and the Financial Controller had taken up their appointments after the year end.

- 5 The External Auditor was asked if additional procedures were to be incorporated into the 2019-20 audit process as a result of the health pandemic: specifically with regard to going concern. The Committee were advised that, with the exception of audits resulting in a non-standard outcome, there was no requirement to consult centrally upon every aspect. Specific changes to the audit approach as a consequence of the public health emergency were discussed further under minute 28.

DECLARATION OF INTERESTS

6 None.

MINUTES

7 **Resolved** that the minutes of the meeting held on 3 June 2020 be approved as a true and accurate record.

Action Grid

8 The Committee reviewed the Action Grid noting the items closed and reports on the four actions still in progress.

COVID-19 & BUSINESS CONTINUITY

9 The Deputy Principal – Finance & Resources updated the Committee on business continuity measures in response to the COVID-19 pandemic. The following information was highlighted:

- In response to Government guidance from Department for Education (DfE) and Public Health England (PHE), from September 2020, the College had re-opened to ensure all learners returned to a full high-quality education programme. In doing so, the main focus of the College was to ensure that a) robust health and safety measures were maintained and b) staff were fully supported to enable teaching and learning to continue.
- The College had taken the view that much could be achieved via increased flexibility in the way in which staff carried out their work and as such it expected all staff, where possible, to undertake 40% of their role at home.
- The College had prioritised a larger proportion of onsite delivery for both practical courses and courses up to Level 1. Level 1 and below would be onsite for 100% of their timetable with timetables for learners at levels 2 and 3 structured to ensure online delivery would not exceed 30%. All learners were to be in attendance for at least one day a week, in bubbles, with classes where possible not exceeding 14. Hand sanitisers, one-way systems, where applicable, continued to remain in place on all five sites.
- To support online delivery, learners approved as requiring devices were to be provided with them during the induction period.
- In light of updated guidance from DfE and PHE, the College COVID-19 Risk Assessment had been refreshed accordingly and published on the COVID-19 area of the College webpage (*see also minute 35*).

10 The Committee discussed online learning/delivery, including its limitations when delivering the more practical qualifications, and whether new ways of working would have permanent outcomes with regard to the way in which the College conducted its business and utilised its space moving forward.

11 From a financial perspective, the Chair queried if there were any further matters that the Committee should be aware of. The Deputy Principal advised that, as per discussions at the July 2020 Board meeting, the College had seen a reduction in funding risk for apprenticeship provision and non-pay expenditure. Confirmation was also received that a) additional costs had been accrued in regard to COVID-19 compliance and b) all remaining staff eligible for furlough via the Government's Job Retention Scheme had now returned to work.

12 A question was raised in regard to how much attention had been paid to the feelings and anxieties of staff against a backdrop of the Government insisting colleges re-open in June 2020 when, at the time of the meeting, most corporate organisations were yet to return to the workplace in any great numbers. The Deputy Principal advised all staff concerned about

returning to work had been invited to complete an individual risk assessment and, as a consequence of the additional flexibilities given to staff as a result of new homeworking arrangements, coupled with the ongoing support provided via HR, no member of staff had refused to return.

INTERNAL AUDIT

Funding Review of Learner Numbers

13 The Deputy Principal presented a proposal relating to commissioning an independent review of learner numbers in advance of a ESFA Funding Assurance Visit, carried out by a firm that regularly undertook ESFA funding audits in the sector to ensure that a similar level of rigour would be maintained.

14 The Committee reviewed the accompanying report and noted the number of firms which could carry out such work. Governors also observed the conflict of interest with both KPMG and Mazars which would preclude both firms from being involved. Following a robust discussion, it was agreed that the funding review be undertaken by an external firm as soon as practically possible.

15 The Internal Auditor advised that the College Internal Audit Plan would be updated to reflect this decision and went on to query if the Committee wished to replace the previously scheduled assurance review with an alternative. The Committee agreed that it would be prudent to refrain from immediately replacing the review to allow sufficient flexibility within the Plan should any additional or unforeseen areas of internal control become apparent as the College moved through the public health crisis.

16 **Resolved** that the College commission an external firm to conduct a review of learner numbers as soon as practically possible, in advance of the November 2020 Audit Committee.

Assurance Review: Financial Business Planning and Stress Testing

17 The Internal Auditor provided confirmation that the review had resulted in an assessment of 'Reasonable Assurance' with one 'important' and one 'routine' recommendation. The leadership team agreed with the recommendations and associated timescales.

18 A query was raised regarding the level of additional work required to raise the outcome to 'Substantial Assurance'. The Internal Auditor stated that, despite the extensive work undertaken by the College regarding its accommodation strategy and business continuity planning, such work was yet to be officially documented at the time the assurance review was undertaken. It was confirmed that had these documents been in place, as set out in the Financial Regulations, the review would have resulted in 'Substantial Assurance'.

Assurance Review: Cyber Security

19 The Internal Auditor provided confirmation that the review had resulted in an assessment of 'Reasonable Assurance' with two 'important' recommendations. The leadership team agreed with the recommendations and associated timescales.

20 The Internal Auditor advised that the College had substantially enhanced its cyber security arrangements since the last insurance review via the implementation of both technical and operational means which had resulted in good oversight of the infrastructure. Additionally, it was confirmed that despite the proactive approach to cyber security and the clear roadmap for improvement, an overarching Information Security Policy must be in place, combined with the scheduling of regular penetration testing.

21 A question was raised regarding the adequacy of cyber security training given to staff and students. The Internal Auditor confirmed that sufficient arrangements were in place.

Cyber Alert

22 The Deputy Principal updated the Committee with regard to a cyber alert which had taken place on 10 September 2020; resulting in a loss of internet service for a short period: the background reason for this was confirmed to be due to a sustained DDOS (Distributed Denial of Service) attack. The attack was partially successful but was swiftly corrected via a combination of new Dark Trace hardware and work by Jisc.

23 In addition, on 11 September 2020, confirmation was received that the College, in addition to approximately 40 other colleges within the United Kingdom, had experienced a different type of attack, consisting of a number passwords being fired at numerous accounts in an attempt to gain access. The Deputy Principal stated that the College had strengthened passwords in recent months and, combined with two factor authentication, the Committee were assured that despite the ongoing nature of the attack, it was unlikely to be successful.

24 It was reported that the IT Team and College network software were managing the attack. Jisc and the National Cyber Security Centre (NCSC) were also monitoring the situation closely, where it had transpired that the source of the attack was coming from within the Jisc network which meant that a resolution should be easier to reach. Confirmation was received that the College was also looking at points of weakness, in order to take action where appropriate. The Committee were assured that the College was still able to operate all of its services, including the website.

25 **Resolved** that the Committee be updated with developments relating to the cyber-attack.

2019-20 Internal Audit Annual Report

26 The report confirmed that a total number of seven assurance reviews had been undertaken during the academic year, which had resulted in outcomes of one 'substantial assurance', five 'reasonable assurance' and one 'limited assurance'. In total, 42 recommendations had been made, comprising of two 'urgent', 19 'important' and 21 'routine'.

27 The Internal Auditor informed the Committee that TIAA was satisfied that, for the internal audit reviews carried out during the year, the Corporation had reasonable and effective risk management, control and governance processes in place.

Internal Audit Action Grid

28 The Committee received the updated Internal Audit Action Grid, enabling them to monitor progress with the implementation of audit recommendations. The Clerk reported that, from a total of 89 recommendations, 75 had now been completed, leaving 14 actions in progress of which six were overdue.

29 The Chair queried the progress made in connection with the Assurance Review of Apprenticeships and confirmation was received that all associated recommendations had been completed in preparation for the Internal Auditor's follow up review later in the academic year.

30 The Deputy Principal advised of the progress made with regard to the recommendations associated with the Assurance Review of Health and Safety. The Committee noted that, from a total of eight recommendations, five had now been marked as complete, leaving three in progress.

31 **Resolved**

1. that a further progress update in relation to the Assurance Review of Health and Safety be presented to the Committee at its November 2020 meeting.
2. that the implementation dates detailed within the Internal Audit Action Grid be made more explicit.

EXTERNAL AUDIT STRATEGY MEMORANDUM

32 The External Auditor presented an addendum to the Audit Strategy Memorandum. The Addendum detailed the key updates from the ESFA in respect of the impact of the COVID-19 pandemic, the main changes following the issue of the Post-16 Audit Code of Practice for 2019-20 and the updated filing deadline for the College 2019-20 financial statements.

REGULARITY AUDIT SELF-ASSESSMENT 2019-20

33 The Committee received the self-assessment for 2019-20 which would be reviewed by the External Auditor during the audit of the financial statements. The Deputy Principal explained that this was an annual return required by the EFSA in a standard format which required approval and signature by the Chair of the Board and the Chief Executive Principal as the Accounting Officer. For 2019-20, an additional section had been incorporated into the document regarding COVID-19 and the associated implications of the pandemic on the FE Sector. The internal review process of the document was also shared with the Committee.

34 With regard to the additional questions relating to COVID-19, the Chair queried the significance of PPN02/20. Confirmation was received that there was an expectation that colleges would have paid their suppliers during the lockdown period and also policed the fact that their suppliers hadn't taken advantage of the scheme. As such, the document called for colleges to respond accordingly regarding how these conditions had been met. Confirmation was received that the College had a) received no formal request from a supplier to invoke the requirements of PPN02/20 and b) continued to pay its contractual obligations to suppliers throughout the lockdown period.

35 Resolved

1. that further narrative in relation to the Coronavirus Job Retention Scheme be added to the document.
2. that, subject to the above amendment the Regularity Audit Self-Assessment for 2019-20 be **RECOMMENDED** for approval by the Board.

RISK MANAGEMENT

Risk Register and Action plan

36 The Committee reviewed both the Risk Register and Action Plan; where the 17 key business risks facing the College spread across its five strategic objectives, based on financial impact, reputational impact, and impact on learners were noted. Attention was drawn to one addition which highlighted the risks of fraud and other fraudulent activity such as cyber-crime, which linked with the Fraud Policy (*see also minute 35-38*). Risk C1 entitled 'Curriculum Developments and Marketing Strategy Fail to Increase Learner Numbers' was also discussed, specifically in relation to how the College assessed the outputs and positioning of its more successful competitors.

37 The Chair of the Committee asked for an update with regard banking covenants. The Deputy Principal advised that risk in this important area had improved for 2019-20, however for 2020-21, significant risks remained, specifically in relation to apprenticeships which had arisen in light of the COVID-19 pandemic.

38 Confirmation was received that the Register would be fully revised by the Risk Management Group and the Executive Leadership Team prior to the November 2020 Audit Committee meeting.

COVID-19 Risk Register and Action plan

39 The Committee reviewed the COVID-19 Risk-Register and Action Plan, where the nine key risks facing the College were discussed, along with the progress made. Due to the updated guidance from the DfE and PHE, combined with the work completed over the summer period by the College, the Deputy Principal advised that there had been a great deal of change to the College's COVID-19 arrangements, which in turn had had an impact on risk, illustrated within the document presented.

COUNTER FRAUD POLICY

40 The Fraud Policy and Response Plan was presented for consideration. The Deputy Principal explained that the document set out the expectations on the College and its commitment to deal with fraud and corruption. Confirmation was received that the Fraud Policy formed a part of the College's system of risk management and internal control. The Policy described the definition of fraud, the types of fraud, the responsibilities within the organisation and how the College would respond to allegations of fraud.

41 The Deputy Principal reported on the progress made regarding the move toward a cashless campus as a means by which to lower the risk of fraud occurring. The Committee fully endorsed this.

42 **Resolved** that the Board be **RECOMMENDED** to approve the Fraud Policy and Response Plan.

MEETING BETWEEN COMMITTEE AND MANAGEMENT

43 The Committee and management met without the auditors present to allow the opportunity to raise any issues. There were no issues raised with the Committee in private.

ANY OTHER BUSINESS

None.

DATE OF NEXT MEETING

Wednesday, 25 November 2020 at 9.30am.

Chair

Date