



**MINUTES OF THE AUDIT & RISK COMMITTEE MEETING HELD
08 MARCH 2022**

- Present: Mr Stephen Hewes (Chair)
Mr Gerard Weide
- In Attendance: Ms Kim Saw - Director of Finance
Mr Jon Allen - Clerk
Mr Graham Gillespie - Wylie & Bisset (W&B)
- Mr Chris Whelan - Chief Executive Officer (For part of the meeting)
Mr Stuart Wilcox - Risk Champion

The meeting commenced at 1730.

WELCOME, APOLOGIES & DECLARATIONS OF INTEREST

1 The Chair welcomed everyone to the meeting. There were no apologies, but it was noted Mr Chis Whelan will join the meeting at a later point. There were no declared interests against any of the agenda items.

MINUTES

2. It was **RESOLVED** to approve the minutes of the Audit & Risk Committee meeting held 16 November 2021.

SUMMARY ACTION LIST & MATTERS ARISING

3. The 'Summary Action List' was received and reported on the following action points from the previous meeting:

MIN REF	ACTION POINT	UPDATE
June meeting – Minute Ref :14	The internal audit service to do a follow-up to confirm the full implementation of the two action points relating to start and end dates on the ILRs	Follow-up work to be undertaken in the audit visit scheduled for 21/3
September meeting – Minute Ref: 11 November – Minute Ref: 3	To approve the ' <i>Audit Needs Assessment Plan 2021/22 – 2023/4</i> ', subject to: 1. Flexibility of the possible inclusion of an audit review of 'Safeguarding' instead of conducting a funding review if the College has not been subject to an Ofsted inspection by next March.	As the College is subject to an Ofsted inspection this week, an audit of safeguarding is now not required, as Ofsted will make a judgement on the College's safeguarding arrangements.

	2. To bring the audit of procurement forward into this year, and to defer the audit on GDPR that was scheduled to take place this year to 2022/23.	It was AGREED to reflect in the audit plan a funding audit and the auditors to make available a proposed scope for the funding audit.
September meeting Minute Ref: 14	The IAS to work with the senior management team on developing a definition for 'Risk appetite' for further consideration by the Audit & Risk Committee and ultimately Trust Board approval	In discussion, the term 'Risk Tolerance' was felt to be more appropriate. Against each risk a discussion should take place on the tolerance levels accepted for the risk. To progress this further, it was AGREED for the internal auditor to have a meeting with the CEO and FD to draft definitions for 'Risk Tolerance' for the individual risks.
November – Minute Ref: 34	To undertake a tendering exercise in the using the consortium services that were recently used for the tendering of the External Audit Service.	The same timetable to be followed as used last year for the tendering of internal audit service – tendering documents to be issued at the end of this term with interviews to be conducted in June. It was AGREED to hold a separate meeting to conduct interviews, with the interviews to be scheduled a week prior to the June Audit Committee meeting.

AUDIT PROGRESS CHECK

4. It was reported there is no report to be considered at this meeting as the only outstanding audit recommendation from the External Auditors (non-disclosure of Trustees other interests) was dealt with at the November meeting and the current open items are those relating to the recommendations from W&B's Cyber Security (Paper 3).

INTERNAL AUDIT

5. One report from the Internal Audit service was received for the Committee to review – the audit on Cyber Security (Paper 4).

6. As this was the first audit report to be reviewed from the newly appointed Internal Audit Service, the Committee feedback that they welcomed the structure and format of the report and found it easy to follow.

7. The Committee welcomed confirmation in the report of there being 13 elements of good practice identified during the audit.

8. The following opinion from the Internal Audit Service was noted following the audit on Cyber Security:

Following our review, we can provide substantial assurance that there are appropriate IT controls in place and that these are operating as expected. We can also provide substantial assurance that the specifications and systems operated by the Trust are fit for purpose and that an appropriate level of controls exists to mitigate cyber security risks. However, we have raised 3 recommendations for improvement.

7. Of the three recommendations, two were classified as 'Medium' and the third classified as 'Low'.

8. A 'Medium' recommendation related to Data Loss Prevention Strategy (DLP). It was recommended that a risk assessment which considers DLP is conducted to ensure that any areas of risk, such as use of cloud-based file sharing and USB storage devices, is assessed and that subsequent solutions are appropriately documented.

9. In response, the SLT acknowledged the risk of data loss that arises from the use of cloud-based file sharing and USB storage devices. However, their use is necessary in the College's education environment where desktops and laptops are used by many different students. SLT proposed no management response against the recommendation.

10. Whilst acknowledging the opinion of the SLT that in an education environment there is the need among students to use cloud-based file sharing and USB devices, Committee members were uncomfortable with a medium recommendation being made but with no proposed management response. The Committee asked if a distinction could be made between staff and students with separate policies for both, noting that staff may produce or use sensitive data whilst students do not. Essentially the recommendation from the audit was to undertake a risk assessment to reach a conclusion if there is a high risk of potential data loss and file corruption arising from the use of cloud-based file sharing and non-cryptic USB devices and what, if any, actions could be taken to mitigate against the risk. The outcome of the risk assessment would enable a decision to be made if the risk can be tolerated or if additional safeguards are required.

11. It was **AGREED** to amend the management response to confirm a risk assessment will be undertaken.

12. The other 'Medium' recommendation related to engaging an outside organisation to conduct an IT Penetration Test. A Penetration Test, as described by the National Cyber Security Centre, is a method for gaining assurance in the security of an IT system by attempting to breach some or all of that system's security, using the same tools and techniques as an adversary might. SLT accepted this recommendation. It was confirmed an external agency has been appointed and they will undertake the test in June.

13. The 'Low' recommendation was for the Trust to expand their IT Policy documents to include details surrounding change management procedures and user access controls. This recommendation was accepted by the SLT with an implementation date of 31 July 2022.

14. It was **RESOLVED** to note the audit report 'Cyber Security'.

15. Also received, for information purposes, was a briefing update from the College's External Audit Service on cybercrime (Paper 5). The Committee agreed this was a useful document providing updates on the scope and range of scams. It was noted the

education sector is a popular target for scams. Colleges need to be vigilant and have in place internal controls to mitigate against the risk of scams and resulting financial loss associated with many of the scams. The SLT gave assurances to the Committee that robust internal controls are in place to mitigate against the risk of scams.

SCHOOL RESOURCE MANAGEMENT SELF-ASSESSMENT CHECKLIST

16. The completion of the checklist is a mandatory requirement of the funding agency (ESFA), now in its third year of operation. The checklist asked a number of questions in six areas of resource management to help provide assurance that resources are being managed effectively.

17. As the template issued by the ESFA did not enable comments to be included to support answers given, it was agreed to review those questions against which the College either replied with a 'No', indicating the question was not met, or 'Partially met', indicating that elements of the question were met (this applied to five of the 42 questions asked). The main reasons given for 'No' responses were either because the question being asked was not appropriate to a 6th form college and the question asked was designed more for a school, or the DfE tool referred to in the question did not apply to a 6th form college. Questions relating to undertaking comparisons of specific expenditure items with other similar institutions were only partial met as full comparisons are unavailable. The College does seek comparative data with S7 colleges in some areas of expenditure – such as audit fees, exam and insurance costs, but this is done on a more informal basis. The College uses consortium services to purchase services and goods for those areas of expenditures that are covered by the service.

18. The Committee was assured on the reasons given against those 5 questions that were either not met or partially met, and agreed that the 'yes' responses were appropriate.

19. It was **RESOLVED** to approve the completed checklist.

REVIEW OF THE RISK MANAGEMENT & BOARD ASSURANCE FRAMEWORK 2021/22

(Mr Chris Whelan joined the meeting at this point)

20. The Risk Management & Board Assurance Framework has the following actions for the Audit Committee:

- To review at each meeting the Board Assurance Framework, Risk Management Action Plan and the Risk Register; and
- To receive confirmation of the outcomes of assurance assessments conducted by the committee meetings held prior to the Audit Committee - currently the Local Governing Body and Finance Committee.

21. To this end, the following reports were presented to the Committee:

- (i) Board Assurance Framework; Risk Management Action Plan and the Risk Register 2021/22
- (ii) Summary of the outcomes of assurance assessments conducted by the committee meetings held prior to the Audit Committee - the Local Governing Body and Finance Committee

22. The Committee noted that the revision of the strategic objectives will in due course require re-referencing of the risks. It was noted that the risks registered are likely to persist and hence it is considered appropriate to progress with defining 'risk tolerances' in line with the action agreed at the previous meeting. Examples were discussed for student numbers where tolerance could be based on budget outcomes and physical space, and for minor versus major data incidents.

23. The following updates made available to changes made to R4, R14, R16, R17 & R18:

- R4 - Failure to recruit, manage and retain high performing staff – both teaching and support - resulting in poor outcomes. The update confirmed Recruitment methods have now reverted to normal, although experience so far this year with actual recruitment is extremely difficult. As a result, the risk score has been increased.
- R14 - Risk of an Ofsted inspection having an adverse effect on the College's reputation. The Head of Ofsted has publicly stated that she would not be surprised if half the schools currently carrying an 'Outstanding' grade were no longer graded as 'Outstanding'. The College is subject to an Ofsted inspection this week and the risk score will be subject to a further review at the conclusion of the inspection.
- R16 - Risk of abnormally high level of mental health issues impacting negatively on the welfare of students and staff. The update reported that it has become apparent this year that there has been a significant increase in student mental health issues, with a key factor for this being the impact of Covid-19. As a result, the risk score has been increased.
- R17- COVID guidance from government changes at short notice and proves challenging to follow and results in additional costs. The DfE has announced it will allocate additional funding for students in 22/23. It is not entirely clear how the money can be spent, but the additional money is welcomed. No change made to the current risk score.

In discussions, the following points were noted.

- There remains lots of references to Covid-19 for many of the risks in the Risk Register, for example student recruitment for which physical meetings have been held this year. The Committee asked if this is still a concern or can references to Covid-19 be taken out? It was **AGREED** as Covid cases are rising to continue with references to Covid-19 in the Risk Register but to review this ahead of the Risk Register being presented to the Audit Committee in June.
- R1 – student recruitment. With student numbers remaining high, and with a high number of applications for 2022/23, it was **AGREED** to reduce the likelihood score to '2', and to reduce the risk from 'High' to 'Medium'.
- R4 – as recruiting high quality staff remains an issue, it was **AGREED** for the gross and net score to be the same (4x4).
- R13 - Ineffective corporate governance results in poor risk assurance. It was **AGREED** to review prior to the next meeting the wording of this risk, as the wording for 'cause' and 'effect' are exactly the same as the wording used for R12 - Ineffective risk management increases the likelihood of risk occurring.
- R17 - COVID guidance from government changes at short notice and proves challenging to follow and results in additional costs. It was **AGREED** to reduce the likelihood score from '3' to '2'.

- R5 - Failure to operate financial systems and controls resulting in expenditure exceeding income or to operate financial systems and controls in line with Government and funding body regulations. The Committee asked if rising energy costs had been taken into account? In response it was confirmed energy prices are fixed up to September 2022, so there is no impact on the current budget. The impact will be on the 2022/23 budget. It was **AGREED** for this risk to be subject to further review after the completion of the budget setting exercise for 2022/23.

24. It was **AGREED** to make available to the March Trust Board meeting the updated Risk Register.

25. Under the BAF it was noted the review of the Disaster Recovery Policy was scheduled to be an agenda item for the spring term meeting of the Audit & Risk Committee. Due to an oversight, it was **AGREED** to defer this to the summer term meeting.

26. The Local Governing Body made the following assurance assessments on the reports received and reviewed at its meeting held on 23 February 2022:

Agenda Item	Subject	RAG rating	Any Committee Concerns/Recommendation(s)
6	Careers Briefing	Amber	No Concerns. The recommendation was to receive at the next meeting a progress update on all Gatsby Benchmarks to enable governors to receive full assurance on progress being made.
7(i)	Self-Assessment Report	Amber	No Concerns. As work was in progress on revising the structure and format of the SAR, it was agreed to give an 'Amber' assurance assessment until the final format of the SAR has been agreed.
7(ii)	Development Plan	Green	No concerns/No recommendations
8	Annual HE Report	Green	No concerns/No recommendations
9	Student Voice	Green	No concerns/No recommendations
10	Staff Voice	Green	No concerns/No recommendations

27. The Finance & Resources Committee made the following assurance assessments on the reports received and reviewed at its meeting held on 01 March 2022:

Agenda Item	Subject	RAG rating	Any Committee Recommendation(s)
6	Management Accounts	Green	No concerns/no recommendations
7	Reconciliation Statement	Green	No concerns/no recommendations
8	Annual Review of Financial Regulations	Green	No concerns/no recommendations
9	Charging & Remissions Policy 2021-22	Green	No concerns/no recommendations
10	Review of Contracts	Green	No concerns/no recommendations

28. It was **RESOLVED** to note the reports.

COMMITTEE’S BOARD ASSURANCE ASSESSMENT

29. The Board Assurance Framework (BAF) requires each Committee to conduct at the end of the meeting an assessment on their level of assurance agreed against each report received.

30. The following assessments were agreed on reports considered at this meeting:

Agenda item number	Subject	RAG rating	Issues/Recommendations
7	Internal Audit Report – Cyber Security	AMBER	To undertake the risk assessment relating to Data Loss Protection and the await the results of the penetration testing.
9	(i) BAF, Risk Management Action Plan & Risk Register	AMBER	Risk tolerance definition plus new strategic plan will require a review of the Risk Register to ensure the Register is linked to the strategic objectives in the Plan.
9	(iii) BAF Assessments conducted by Committees	GREEN	No issues/No recommendations

ANY OTHER BUSINESS

There was no other business.

DATE OF NEXT MEETING

Tuesday 21 June 2022 @ 17.30.

The meeting closed at 19.10

Signed: _____ Date: _____
(Chair)

MIN REF	ACTION POINT	WHEN
June 2021 – Minute Ref :14	The internal audit service to do a follow-up to confirm the full implementation of the two action points relating to start and end dates on the ILRs.	21/6/22
March 2022 –	It was AGREED to amend the audit plan to reflect the funding audit and the auditors to make available a	21/6/22

Minute Ref: 3	proposed scope for the funding audit prior to completing the audit ahead of the summer committee meeting.	
March 2022 – Minute Ref: 3	In discussion, the term ‘Risk Tolerance’ was felt to be more appropriate than ‘Risk appetite’. Senior management to propose for each risk the level of tolerance accepted for the risk. To progress this further, it was AGREED for the internal auditor to meet with the CEO and FD to draft proposed ‘Risk Tolerance’ definitions	21/6/22
November 2021 – Minute Ref: 34 March 2022 – Minute Ref:3	To undertake a tendering exercise using the consortium services that were recently used for the tendering of the Internal Audit Service. The same timetable to be followed as used last year for the tendering of internal audit service – tendering documents to be issued at the end of this term with interviews to be conducted in June. It was AGREED to hold a separate meeting to conduct interviews, with the interviews to be scheduled a week prior to the June Audit Committee meeting.	21/6/22
March 2022 – Minute Ref: 11	Cyber Security Audit Report - Data Loss Prevention Strategy – to carry out a risk assessment as recommended in the report.	21/6/22
March 2022 – Minute Ref: 23 & 24	Risk Register: <ul style="list-style-type: none"> • There remains lots of references to Covid-19 for many of the risks in the Risk Register. It was AGREED as Covid cases are rising to continue with references to Covid-19 in the Risk Register but to review this ahead of the Risk Register being presented to the Audit Committee in June. • R1 – student recruitment. With student numbers remaining high, and with a high number of applications for 2022/23, it was AGREED to reduce the likelihood score to ‘2’, and to reduce the risk from ‘High’ to ‘Medium’. • R4 – as recruiting high quality staff remains an issue, it was AGREED for the gross and net score to be the same (4x4). • R13 - Ineffective corporate governance results in poor risk assurance. It was AGREED to review prior to the next meeting the wording of this risk, as the wording is exactly the same as the wording used for R12 - Ineffective risk management increases the likelihood of risk occurring. • R17 - COVID guidance from government changes at short notice and proves challenging to follow and results in additional costs. It was AGREED to reduce the likelihood score from ‘3’ to ‘2’. 	

	<ul style="list-style-type: none"> • R5 - It was AGREED for this risk to be subject to further review after the completion of the budget setting exercise for 2022/23. • To make available to the March Trust Board meeting the updated Risk Register. 	
March 2022 – Minute Ref: 25	Under the BAF it was noted the review of the Disaster Recovery Policy, and the review of Trust policies on fraud, bribery, irregularity and public interest disclosure were scheduled to be an agenda item for the spring term meeting. Due to an oversight, it was AGREED to defer these to the summer term meeting.	21/6/22