

Governors were informed that the internal audit report on key financial controls – general ledger provided Governors with significant assurance that the governance, risk management and control arrangements for the material risks reviewed are managed effectively. Two low level recommendations have been made, one around how journals are retained, stored and how easy they are to locate, along with the monthly checks and sign-off processes and one about the rotation of tasks with the unused Natwest bank account.

Paul Goddard reported that Scrutton Bland are satisfied with the management responses and the rationale provided by management. Paul Goddard also reported that the College has good systems and processes in place.

A Governor asked about information around access to the Open Accounts system that was not provided at the time of the audit and asked if there was a reason for this. Following a discussion, it was agreed that there would have been no information to provide as there had been no starters or leavers in the Finance Team. Paul Goddard reported that Scrutton Bland had no significant concerns around this and were happy with the users on the system. It was agreed that it was language issue in the audit report and the situation was not as serious as it sounds in the report.

The Audit Committee noted the internal audit report on key financial controls – general ledger.

5.2 Internal Audit Progress Report 2022-2023

The Audit Committee received and considered the internal audit progress report, presented by Paul Goddard, Scrutton Bland.

Governors were informed that four audits have been completed to date and the reports have been presented to the Audit Committee and the programme is on track.

The funding assurance audit is taking place this week and three audit reports will be presented at the June Audit Committee meeting.

The Audit Committee noted the internal audit progress report.

6 Internal Audit Tracker

The Audit Committee received and considered the audit tracker, presented by Deanne Morgan, Executive Director – Finance.

Deanne Morgan informed the Committee that there are currently seven recommendations on the audit tracker and recommendations from the external audit have been added onto the tracker. Governors noted that significant progress having been made with a number of the recommendations

Ben Nicholl asked whether the recommendation level should be colour coded and a Governor asked what the letters in the recommendation column refer to. Ruth Lucas informed Governors that external audit use an “A-C” letter-based system to grade

recommendations, with “A” grade recommendations requiring immediate action through to “C” grade recommendations which do not warrant urgent attention. It was agreed that a key for the external recommendations should be added onto the tracker, along with colour coding the recommendation level.

The Audit Committee noted the audit tracker.

7 Risk Management Training

This agenda item was moved to the end of the meeting.

Paul Goddard delivered a risk management training session to the Audit Committee and management in attendance at the meeting.

Ruth Lucas agreed to circulate the slides after the meeting.

Following the presentation, a general discussion was held around some of the themes in the presentation.

The Audit Committee thanked Paul Goddard for his presentation.

8 Risk Register

The Audit Committee received and reviewed the Risk Register, presented by Deanne Morgan, Executive Director – Finance.

The Committee noted that two risks have been deleted from the risk register since the Audit Committee’s last review of the register. One of the risks relates to a COVID outbreak onsite as legal requirements surrounding COVID no longer apply and the other risk relates to the College’s carbon management programme as the College is implementing a carbon reduction plan with specific targets to achieve net zero.

The Committee noted that a new risk has been added to the risk register as follows:

- Risk 8 – Student Recruitment: 16-19 three year down trend in enrolments. This would impact future student numbers (second year students) and funding income. Offers have increased at Stansted Airport College (STAC) compared to last year and the College is introducing mitigations to address this risk. The risk has been scored as 12.

The Committee noted that two risks have been rescored with a higher risk score, as follows:

- Risk 1 – Curriculum Reform: replacing vocational and technical programs with successor qualifications.

The risk score has increased due to the number of qualifications being affected.

There is a wider issue with curriculum reform, linked to student and staff recruitment. Colleges continue to have issues with staff recruitment and this is now a big risk across the sector. At present these risks are being treated separately on the risk register.

- Risk 3 – Student Recruitment: learners for HE programmes and compliance with HE OfS regulations.

The risk score has increased due to the decline in HE student numbers for 2022-23 and the impact on our HE income.

The Committee noted that five risks have been rescored with a lower risk score, as follows:

- Risk 9 – Quality (Apprenticeships): Failure to improve rapidly the quality of Apprenticeship, specifically tracking of progress, achievement, and teaching, learning and assessment, as well as outcomes.

The risk score has reduced as the tracking and quality of apprenticeships has improved. The College is keeping the apprenticeship cohorts intentionally small in order to ensure that the quality is retained as this is still an area of concern for the College.

- Risk 10 – Finances: Maintenance of Good Financial Health. Good cash generation and meet banking/covenant requirements. Generate income/cash to support ongoing capital investment, including the impact of the recession & rising cost of utilities and materials.

The risk score has been reduced as there is now a retrospective bank waiver in place to cover the period July 2022 to April 2023.

- Risk 11 – Quality: Failure to improve the quality of English and Maths, specifically attendance and achievement on GCSE and functional skills.

This risk has been reduced as the November GCSE re-sit results and Functional Skills results for maths showed improvements.

- Risk 14 – Compliance: Failure to deliver on key curriculum projects (e.g. Maths Centres for Excellence, Taking Teaching Further, GLA contracts and SDF).

The risk score has reduced as the College has processes in place for the delivery, monitoring, reporting and auditing of projects.

- Risk 15 – Finances: Teachers' and Local Government Pension Scheme Pension – significant increase in pension liability (risk to cumulative reserves), increase of deficit contributions (risk to year end surplus) and increase in employer contributions and NI employer contributions (increase in staff costs and non-cash risk to year end surplus).

The risk score has reduced as the pension contributions and the deficit contributions were agreed in January 2023 to be kept at the same level for the next three years.

Governors were informed of emerging issues, particularly in relation to the ONS reclassification. There are currently a lot of unknowns however the areas in relation to

borrowings, senior pay controls and financial reporting do not have an immediate impact on the College. There is therefore nothing immediate to add to the risk register in relation to the ONS reclassification.

Paul Goddard reported that there is an emerging academic risk around the use of AI software, particular Chat GPT which avoids being identified through plagiarism software. This is posing a new risk for the sector and the potential impact of this is not yet clear. Ben Nicholl reported that a discussion around this has been held at Executive Team meetings. There is software which allows AI generated software to be identified. The College has detection ability available to use and the way in which the College teaches is also useful in identifying where AI might have been used. If a learner produces a high-quality piece of work which does not match the quality seen in the classroom, further scrutiny and testing of the learner will be undertaken in the classroom. The College is in a good position and whilst there is no solution for this, it is on the College's radar.

The Audit Committee approved the risk register.

9 Regularity Audit Self-Assessment Questionnaire Review

The Audit Committee received and considered the Regularity Audit Self-Assessment Questionnaire Review, presented by Deanne Morgan, Executive Director – Finance.

Governors were reminded that the self-assessment questionnaire is reviewed by the Audit Committee each time it meets and is an ESFA template. The Corporation approves the College's responses to the questionnaire annually in October and agree for it to be signed by the Chair and the Accounting Officer.

Governors were given the opportunity to ask questions.

The Audit Committee noted the Regularity Audit Self-Assessment Questionnaire Review.

10 Fraud Report

The Audit Committee received and considered the fraud report, presented by Deanne Morgan, Executive Director – Finance.

The Committee noted that there has been no fraud or fraud attempts against the College since the last Audit Committee meeting.

The Audit Committee noted the report on fraud against the College.

11 Data Breach Report

The Audit Committee received and considered the Data Breach Report, presented by Ruth Lucas, Head of Governance.

Ruth Lucas reported that there have been two data breaches since the Audit Committee last met. Both of the data breaches were categorised as students' details – single record and following an internal risk assessment, they did not meet the threshold for reporting to the Information Commissioner's Office.

Ben Nicholl asked if there were any themes or trends with the data breaches. Ruth Lucas confirmed that there were no trends and lessons are learnt and shared after each data breach.

The Audit Committee noted the Data Breach Report.

12 ONS Reclassification

The Audit Committee received a verbal update on the ONS reclassification, presented by management in attendance at the meeting.

Governors were informed that there is still a lot of unknowns and uncertainty with the reclassification. Management are attending webinars where appropriate to ensure they have the most up-to-date information.

The College is in a fortunate position at present with its borrowings and there is nothing that presents an immediate risk for the College at this stage.

Governors were informed that a new financial handbook will be published in Autumn 2023 for use from 2024-2025 onwards.

The Audit Committee noted the update on ONS reclassification.

13 Any Other Business

There were no items of any other business.

14 Dates of Future Meetings

Summer Term	Tuesday 27 June 2023	TBC
	<i>(including joint meeting with the Resources Committee)</i>	