



**USP College Corporation
Risk and Audit Committee**

Minutes of the Meeting held on Tuesday 5 December 2023

**Held on Microsoft Teams
Meeting commenced: 16.00hrs
Meeting ended: 17.45hrs**

Present

Malcolm Bell	Independent Member	Chair
Roger Key	Independent Member	
Tony Wenden	Independent Member	

In attendance

Steven Hendy	Chief Finance Officer (CFO)
Leisyen Cox	Scrutton Bland
Shachi Blakemore	Buzzacott

Clerk

Sue Glover	Clerk to the Corporation
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032.23 Declaration of Interest

Members and officers were reminded of the need to declare any personal or financial interest in any item to be considered during the meeting.

There were no declarations of interest.

033.23 Apologies for absence

There were no apologies for absence. However, members were advised that Michelle Kingsland who had joined this committee has recently resigned as a governor of the USP College Board due to ill health.

034.23 Unconfirmed minutes of the meeting of the Risk and Audit Committee held on 21 June 2023

The minutes of the meeting were approved and signed as a correct record.

035.23 Matters arising and action points from the minutes of the previous meeting

Members reviewed the schedule of action points. It was agreed that all matters had been satisfactorily completed and there were no other matters arising from the minutes of the previous meeting.

036.23 Fraud, Irregularity and Whistleblowing Matters

Members were advised that there had been one matter to bring to the Committee's attention relating alleged irregularities, which have not proved conclusive. It was agreed that as this contained some sensitivities this would be reported under a restricted item.

037.23

Annual Risk Management Report for 2022/23

The CFO presented for consideration the Annual Risk Management Report for 2022/23.

The Committee was reminded that

- risk management is a standing item on the Committee's agenda and at each termly meeting consideration is given to the risk profile together with any change in the risk scores
- Headline Risks of the College are the main focus of the Committee and are monitored throughout the academic year
- it has a responsibility to
 - oversee the College's risk management process in accordance with its Terms of Reference
 - provide, in its annual report and in accordance with the Post-16 Audit Code of Practice, an opinion on the adequacy and effectiveness of the College's risk management

Members considered the detail of the report, noting

- there were twenty-one headline risks for 2022/23 – seventeen risks met the target risk rating at the end of the year and four remained above the target rating set
- the risk relating to ITEC was removed following year end sign off as Apprenticeships are no longer delivered
- a new upgrade has been provided for the 4Risk software, which will require training to be rolled out in the year and a further review of the risk management process is planned in the new year to review the detailed content of the system
- the headline risks for 2023/24

In discussion, the Committee commented on the red risk relating to cyber fraud and were advised that an internal audit for this area is planned in the new year.

Members agreed that there are appropriate arrangements in place for the monitoring and review of risk management at each meeting and that the headline risks for 2023/24 remain as those for 2022/23.

Agreed

The Risk and Audit Committee endorses and commends the Annual Risk Management Report for 2022/23 to the Corporation Board for acceptance and approval

038.23

Quarter 2 Headline Risk Register 2023/24

The COO presented a report, which provided details of the headline risks together with the risk register summary for Quarter 2 2023/24

Members were advised that

- the headline risks have been reviewed and agreed by the Executive Leadership Team (ELT)
- the review was carried out in October where the ELT considered the current headline risks
- there has been a recent upgrade to the risk management software, 4Risk, which has resulted in some minor changes

Members considered the detail of the register, noting:

- there are no new risks
- there are 20 headline risks, all of which are on track to meet target for 2023/24
- no risks have been removed and no changes to risk ownership

The Committee agreed that the headline risks in place for the College remain appropriate and that good progress has been made to ensure that they remain on track to meet the target set for 2023/24. Members agreed that there were no changes required to the revised reporting format.

Agreed

The Risk and Audit Committee agreed

- to receive and note the risk management report and risk register Quarter 2
- the report and risk register is presented to the next meeting of the Corporation Board

039.23

College Policies

The Clerk to the Corporation presented the Freedom of Information Policy for approval.

Members were advised that

- the policy is presented for review as part of the College cycle of policies for review and approval
- there are no changes proposed, aside from a minor title change and the policy remains current

Members reviewed the policy and agreed there was nothing further.

Agreed

The Risk and Audit Committee recommends to the Corporation Board for approval the Freedom of Information Policy

040.23

Review of outstanding audit items

The CFO presented a report, which detailed the progress made against the internal audit recommendations for 2021/22 and 2022/23.

Members reviewed the detail of the report, noting the

- summary of the number of recommendations, which have been aligned to the internal auditor's follow up audit on previous recommendations carried out in May 2023
- progress/completion against each recommendation
- update where target dates have been amended
- that of the 23 recommendations made
 - 14 are complete
 - 9 are ongoing

Members agreed that good progress has been made to complete a number of outstanding audit recommendations.

Agreed

The Risk and Audit Committee agreed to receive and note the report.

041.23

Risk and Assurance Progress Report 2023/24 – November 2023

The Internal Auditor presented the Risk and Assurance Progress Report detailing the planned and completed audits against the agreed internal audit plan.

Members noted the internal audits completed to date and those that will be completed in 2023/24.

Agreed

The Risk and Audit Committee agreed to receive and note the report.

042.23

Internal Audit Reports

The Internal Auditor presented for consideration the following final Risk and Assurance Reports:

Governance

Members were reminded that this internal audit had been undertaken to review key areas that will be covered during the External Governance review in 2024.

Members reviewed the detail of the report, noting

- Assurance opinion – ‘Significant’ green *‘Governance, risk management and control arrangements provide significant assurance that the material risks reviewed are managed effectively. There are some areas where the adequacy or operation of controls in practice should be improved further’*
- 0 high or medium recommendations
- 2 low recommendations

Members reviewed the summary of findings, the recommendations made and the action being taken to address the issues raised.

Funding Assurance

Members reviewed the detail of the report, noting

- Assurance opinion – ‘Significant’ green *‘Governance, risk management and control arrangements provide significant assurance that the material risks reviewed are managed effectively. There are some areas where the adequacy or operation of controls in practice should be improved further’*
- 0 high or medium recommendations
- 2 low recommendations

Members reviewed the summary of findings, the recommendations made and the actions being taken to address the issues raised.

043.23

Annual Internal Audit Report for 2022/23

The Internal Auditor presented for consideration and review the Annual Internal Audit Report 2022/23.

Members considered key sections of the Report, in particular

- the audit opinion
- key observations and management actions on previous recommendations
- Internal Audit Planned Coverage and Output
- The Quality Assurance Improvement Programme
- Performance Indicators
- Summary of Findings for the year ended 31 July 2023
- Audit Benchmarking Data

Members noted that it was the opinion of the Internal Auditors for the year ended 31 July 2023 that the College has:

- adequate and effective risk management processes;
- adequate and effective governance processes;
- adequate and effective control processes, and
- adequate and effective processes surrounding efficiency and effectiveness

It was noted that the opinions would contribute towards the assurances used by the Committee when preparing the Annual Report for the Corporation Board.

The Committee agreed that the internal reports presented and those throughout the year have been very positive and give the Committee and the Board assurance that there are effective controls and processes in place.

Agreed

The Risk and Audit Committee agreed to accept the

- Risk and Assurance Progress report – November 2023
- Final Risk and Assurance reports for
 - Funding Assurance
 - Governance
- Annual Internal Audit Report for 2022/23

External Audit

044.23 Post-Audit Management Report for year ended 31 July 2023

The external auditor presented the Post-Audit Management Report to the Risk and Audit Committee for the year ended 31 July 2023.

Members were advised that the audit had gone well, and the external auditor took the opportunity to thank the finance team for their assistance.

The Committee considered the detail of the report, in particular

- Executive Summary
- Financial Performance and Going Concern
- Key Audit Findings
- Key audit risks and outcomes
- Audit observations and recommendations
- Comparison of financial ratios
- Sector developments

Members were advised that

- at 25 November 2023, the audit is complete with the exception of
 - final funding reconciliation for 2022/23, which will be issued by the ESFA in early December
 - Going Concern assessment that covers a period to at least December 2024 including latest management accounts and cash flow projections and an update on the refinancing of the loan from the DfE
 - receipt of Letter of Representation
 - confirmation prior to the financial statements being signed that no significant events have taken place since the time of the audit there were no significant deficiencies found in the accounting and internal control systems during the audit

Members discussed the issues raised and, in response to questions were advised that

- approval from the DfE is expected to be given by 19 December, although this has been agreed in principle
- once approval has been secured the external auditor will be able to concur that the college is a going concern

The external auditor informed members on the financial performance

- the group's total reserves have increased by £193,000 during the year (2022 – increase of £10.895m)
- net assets of £28.088m at the balance sheet date (2022 – £27.895m)
- excluding movements on the defined benefit pension liability and other non-recurring items, the “operational deficit” for the year was £93,000 (2022 – deficit of £818,000)

The external auditor further informed the Committee that no significant deficiencies in the accounting and internal control systems were found during the audit and an unqualified audit opinion is expected to be given.

In discussion, members were informed that the Finance and Resources Committee had reviewed the financial statements at their meeting held on 28 November and agreed that the result is consistent with the financial picture presented. The Finance and Resources Committee had also been informed on the matter regarding the refinancing of the loan with the DfE and were of the opinion that there should be no delay in the signing off of the accounts, even if this meant signing with material uncertainty. However, they had acknowledged that any recommendation to the Board on the approval of the financial statements lies with the Risk and Audit Committee.

The Risk and Audit Committee agreed that there should be no delay to the signing of the accounts, even if this meant signing with material uncertainty. The CFO advised that an informal decision was expected from the DfE by 12 December, which would be relayed to the Corporation Board who would be meeting on this date.

Members raised the matter of the net liability of ITEC to the College and whether there are plans in place to address this. The CFO informed members that the ITEC Board had met this week and had discussed some initial proposals to develop the company which will be presented to the USP Board in due course.

045.23

Financial Statements 2022/23

The external auditor presented the draft financial statements for the year ended 31 July 2023.

The attention of members was drawn to

- Member's report
- Statement of Corporate Governance and Internal Control
- Statement of Regularity, Propriety and Compliance with Funding body terms and conditions of funding
- Statement of Responsibilities of the Members of the Corporation
- Independent Auditor's Report to the Corporation of USP College
- Reporting Accountants Assurance Report

Members noted that the Finance and Resources Committee had given initial consideration to:

- Statement of Comprehensive Income and Expenditure
- Balance Sheet as at 31 July 2023
- College Statement of Changes in Reserves
- Statement of Cash Flows
- Notes to the Accounts

Members noted that, subject to the conclusion of outstanding audit items, it was the opinion of the Financial Statements auditor that the financial statements:

- *Give a true and fair view of the state of the College's affairs as at 31 July 2023 and of the College's deficit of income over expenditure for the year then ended, and*
- *Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice*
- *In all material respects, funds from whatever source administered by the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;*
- *In all material respects, funds provided by the OfS, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions; and*
- *The requirements of OfS's accounts direction have been met'*

Members also noted the conclusion given by the Regularity Auditor that

'In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2022 to 31 July 2023 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.'

046.23 Letter of Representation

The External Auditor presented the Letter of Representation in respect of the Financial Statements for the year ended 31 July 2023.

Members reviewed the detail of the Letter of Representation, noting that the Going Concern statement is subject completion following the outcome of the refinancing of the loan as discussed.

047.23 Regularity Audit Self-Assessment Questionnaire 2022/23

The COO presented the College's Regularity Audit Self-assessment.

The Committee was advised that self-assessment formed the basis of the separate external audit and regularity audit opinions.

Members noted that

- the self-assessment confirms the actions the College undertakes regularly to verify that its expenditure is appropriate and in accordance with relevant rules and guidance
- the self-assessment has been reviewed by the external auditor as part of their year-end audit function
- the Principal and Chief Executive and the Chair of Governors are required to sign the Regularity Audit Self-assessment for 2022/23 on behalf of the College

Agreed

The Risk and Audit Committee agreed that the following is presented to the Board and that the financial statements are 'signed off', subject to receiving approval from the DfE on the refinancing of the loan

- Post-Audit Management Report for the year ended 31 July 2023
- The Financial Statements for USP College for the year ended 31 July 2023
- The Letter of Representation in respect of the Financial Statements for the year ended 31 July 2023, subject to amendment regarding the going concern as discussed
- The Regularity Audit Self-Assessment Questionnaire for the year ended 31 July 2023

048.23

Meeting of the External Auditor with the Risk and Audit Committee

The external auditor advised members that there were no issues to raise and asked if the committee wished to raise any issues without the presence of College staff. The Committee advised there were no issues they wished to discuss

Shachi Blakemore and Leisyen Cox left the meeting

049.23

Annual Report of the Risk and Audit Committee for 2022/23

The Clerk to the Corporation presented the Annual Report of the Risk and Audit Committee for the year ended 31 July 2023.

Members were advised that

- the Committee is required to provide an annual report to the Board and to the Principal and Chief Executive, as the Accounting Officer, which outlines the work undertaken by the Committee, and how the Committee has fulfilled its responsibilities as set out in its Terms of Reference
- The Annual Report of the Committee is required to be submitted to the funding agency together with the Financial Statements

Members considered the detail of the report, with particular reference to

- Clause 7 – Internal Audit
- Clause 8 – Financial Statements Audit
- Clause 9 – Regularity Audit
- Clause 13 – Assessment of the Risk and Audit Committee's own effectiveness
- Clause 14 – Conclusion

Members discussed the detail of the report and agreed this gave a good summary of the activities relating to the financial year and assurance regarding risk management and internal control. However, as agreed the fraud matter reported should be reworded to reflect that this is reported under a restricted item.

The Committee was pleased to present the report to the Board on 12 December 2023 to give an opinion that there are adequate and effective assurance arrangements in place and a framework of governance, risk management and control processes for the effective and efficient use of resources, solvency of the institution and the safeguarding of its assets.

Agreed

The Risk and Audit Committee approves the Annual Report of the Risk and Audit Committee to the Corporation Board and Principal and Chief Executive and commends the report to the Board for acceptance and approval

050.23

Committee Effectiveness

The Clerk presented the outcomes from the Committee's self-assessment for 2022/23.

Members were reminded that the Board had conducted its annual self-assessment over the summer, which included a self-assessment of the performance of each of the committees and agreed that each Committee should consider the outcomes of its own self-assessment at the autumn meetings.

The Committee reviewed the outcomes for the Finance and Resources Committee, noting:

- the overall assessment of the Committee's performance is Good/Outstanding
- the impact the Committee has made in the last twelve months
- the areas suggested of how performance might be improved

In discussion, members concluded that the Committee continues to fulfil its function as a key committee of the governing body. The Committee will continue to play a proactive role in advising the Board on the adequacy and effectiveness of the Corporation's assurance framework and risk management in addition to supporting the Board to ensure it has fulfilled its statutory and regulatory responsibilities including the required format of the Corporation's statement of corporate governance and internal control.

Agreed

The Risk and Audit Committee agreed to receive and note the report

051.23

Retendering of internal and external audit services

The CFO presented a report detailing the approach to be taken to retender for both internal and external audit services.

Members were reminded that

- the tender for audit services was carried out in 2019 and it was previously agreed that the retender would take place for this financial year to ensure regulatory compliance and good practice
- Buzzacott are the current external audit providers and Scrutton Bland provide internal audit services

Members reviewed the proposed timescale for the engagement of audit services, noting the use of CPC Framework to place the tender.

In discussion, members acknowledged that the process could be challenging as some high-profile audit firms have withdrawn from the sector over recent years. The Committee was advised that Scrutton Bland also offer external audit services. However, it was not permitted to have the same firm provide internal and external audit services and, should Scrutton Bland be considered for external audit services, they would need to cease providing internal audit.

Members agreed that Scrutton Bland provide a good internal audit service and, whilst there is no requirement to have an internal audit provider, they should continue as this provides the relevant assurances to this Committee and to the Board that there are adequate and effective systems and processes in place. It was agreed there was no requirement to retender the internal audit provision and that Scrutton Bland remain in place as the College's internal audit provider.

The Committee agreed that the process proposed should be adopted for retendering the external audit provision, noting that the Chair of the Risk and Audit Committee would be part of the panel to consider potential audit firms.

Agreed

The Risk and Audit Committee agrees with the approach and principles set out in the report for the retendering of external audit provision and that the CPC framework is used.

052.23 Any Other Business

There were no items of any other business.

053.23 Dates of scheduled meetings of the Risk and Audit Committee 2023/24

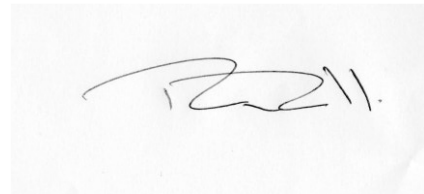
Tuesday 19 March 2024

Tuesday 11 June 2024

At the conclusion of the meeting, the Committee moved into a meeting restricted in accordance with the Instrument and Articles of Government and with the Section 22 of the Freedom of Information Act 2000, to members of the Committee, the Corporation Board and to senior post holders.

SIGNED AS A CORRECT RECORD:

DATE: 19 March 2024

A handwritten signature in black ink, appearing to be 'R211', is written on a white rectangular background.