



**USP College Corporation
Risk and Audit Committee**

Minutes of the Meeting held on Tuesday 14 June 2022

**Held on Microsoft Teams
Meeting commenced: 16.00hrs
Meeting ended: 17.15hrs**

Present

Malcolm Bell	Independent Member	Chair
Jacob Smith	Independent Member	
Tony Wenden	Independent Member	

Apologies for absence

Roger Key	Independent Member
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In attendance

Steven Hendy	Chief Finance Officer (CFO)
Paul Goddard	Scrutton Bland
Shachi Blakemore	Buzzacott

Clerk

Sue Glover	Clerk to the Corporation
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As the internal auditor advised that he was unable to stay for the whole meeting, the Chair of the Committee agreed that the internal audit items could be taken after the standing agenda items.

015.22 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.

016.22 Apologies for absence

Apologies for absence were received from

- Roger Key

Agreed

The Risk and Audit Committee agreed to accept the apologies for absence.

017.22 Unconfirmed minutes of the meeting of the Risk and Audit Committee held on 23 March 2022

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

018.22 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.

019.22 Fraud, Irregularity and Whistleblowing Matters
The Committee was advised that there were no matters to report.

020.22 Review of outstanding audit items
The CFO presented a report, which detailed the progress made against the internal audit recommendations for 2021/22.

Members reviewed the detail of the report, noting the

- summary of the number of recommendations up to May 2022
- progress/completion against each recommendation
- update where target dates have been amended
- that of the 25 recommendations made
 - 12 are complete
 - 10 are ongoing
 - 3 have not been started

Members were advised that a final review of recommendations is to be confirmed with the internal auditor once final follow up reports have been issued.

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.

021.22 Risk and Assurance Progress Report 2021/22 – June 2022
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 in 2021/22 and those that will be completed in 2022/23.

Agreed

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

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

Follow-up of previous recommendations

Members reviewed the detail of the report, noting that good progress has been made in implementing the recommendations made by the internal auditor raised during 2020/21 and reports from prior years.

There had been 7 recommendations made, 3 have been implemented, 4 are either part implemented or in progress. It was noted that the recommendations raised during the 2020/21 IT infrastructure audit will be followed-up as part of the 2021/22 Cyber Security audit.

Apprenticeships

Members reviewed the detail of the report, noting

- Assurance opinion – ‘Limited’ red *‘Governance, risk management and control arrangements provide limited assurance that the material risks reviewed are managed effectively. Urgent and significant action is required to improve the adequacy and/or operation of internal controls.’*
- 2 high recommendations
- 4 medium recommendations
- 2 low recommendations

Members considered the summary of findings, each of the recommendations made, in particular those that are high level, the responses by management and actions in place to address the issues raised. Members were reminded that all apprentices were enrolled with ITEC, which is now on a teach-out schedule with no further recruitment.

The Committee was advised that the Vice Principal Partnerships, Funding and Business Planning was the responsible manager at the time of the audit and has now left the College. The Deputy Principal has assumed responsibility for this area and an experienced consultant has been appointed to manage the teach-out of this provision who will address each of the recommendations made from the audit to ensure they are completed. Although the ITEC provision is on teach-out, it is the intention for the College to offer apprenticeships in due course and in doing so would need to make an application to go on to the Register of Training Providers (RoATP). The outcome of this audit and subsequent actions taken would be considered before any application is agreed. In addition, the external auditor advised they would also draw on the report as part of gaining assurances relating to compliance.

The Committee agreed that priority should be given to addressing each of the recommendations made to ensure they are satisfactorily completed to demonstrate compliance with the relevant funding requirements. Members were advised that completion of actions is planned before the commencement of the external audit of the College. Progress of completion would be monitored through the review of outstanding audit items that is presented to each meeting of the Committee.

Health Check on Complaints

Members reviewed the detail of the report, noting that this was a health check and, due to the nature of this audit, no assurance opinion has been provided as there is limited coverage in this area.

Members were advised that, whilst the information and processes covered by the College’s policy and procedural documents was appropriate in terms of content, there were some areas that could be interpreted as contradictory or unclear to the reader, which could then lead to complaints being reported in inconsistent or inappropriate ways by the complainant. One medium and two low risk recommendations were raised.

Members reviewed the summary of findings, the recommendations made and the management responses. In discussion, members were advised that the responsible manager had been the Vice Principal who has now left the college and that the Director of Quality has now assumed responsibility for this area who will be addressing each of the recommendations made to ensure they are completed.

Cyber Security

Members reviewed the detail of the report, noting

- Assurance opinion – ‘Limited’ red *‘Governance, risk management and control arrangements provide limited assurance that the material risks are managed effectively. Urgent and significant action is required to improve the adequacy and/or operation of internal controls’.*
- One high recommendation
- 3 medium recommendations
- 7 low recommendations

Members reviewed the summary of findings, each of the recommendations and responses by management together with the previous recommendations made following the IT infrastructure audit completed in October 2021, noting those recommendations that have been implemented and those that have been part implemented.

In discussion, members were advised that action is being taken by the IT team to address each of the recommendations made to ensure they are completed before the start of the new academic year, in some cases sooner.

The Committee agreed that it was important for all high level recommendations to be closely monitored, which will be captured through the review of outstanding audit items at each meeting.

Resolved

The Risk and Audit Committee agreed to receive and accept the Final Risk and Assurance reports

- Follow-up on previous recommendations
- Apprenticeships
- Health check on Complaints
- Cyber Security

023.22

Internal Audit Assurance Strategy and Annual Plan

The Internal Auditor presented, for consideration and approval, the proposed internal audit coverage for the 2022/23 year.

Members reviewed the detail of the report, noting the

- areas of highest risk register entries
- prior internal audit coverage and assurances
- areas proposed for internal audit in 2022/23
- four-year proposed internal audit plan for 2020/21 – 2024/25

Members were advised that the planned total number of days for 2022/23 is 37.

In discussion, the committee agreed that there was a good level of cover for the relevant areas.

024.22

Internal Audit Letter of Engagement for 2022/23

The Internal Auditor presented, for consideration and approval, the Letter of Engagement between Scrutton Bland and the College.

Members noted that

- the document was revised in May 2021 to reflect the correct name of the College

- the document is submitted on an annual basis for consideration and carried over from the previous year unless any changes are requested by the College

Members reviewed the detail of the Letter of Engagement, noting there are no changes required for 2022/23.

Resolved

The Risk and Audit Committee agreed to endorse and commend to the Corporation Board for acceptance and approval

- the Letter of Engagement between Scrutton Bland and the College, without amendment, for 2022/23
- the Internal Audit Strategy and Annual Plan for 2022/23

025.22

Post-16 Audit Code of Practice for 2021/22

The Clerk presented for information the Post-16 Audit Code of Practice (the Code) for 2021/22.

Members were advised that the Code sets out a common standard for the provision of assurance in relation to funding of post-16 providers, setting out

- the overarching assurance arrangements for post-16 providers
- the specific responsibilities within the assurance framework for sixth-form and further education corporations, and their external auditors/reporting accountants
- the requirements for independent training providers

Members reviewed the key changes from the previous version and agreed that, whilst important to note, they were not substantive.

Agreed

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

026.22

Terms of Reference and Annual Schedule of Business of the Risk and Audit Committee for 2022/23

The Clerk to the Corporation presented a report, which outlined the need to review, on an annual basis, the Committee's Terms of Reference and Annual Schedule of Business.

Members reviewed both documents, noting minor date changes proposed, and agreed these were appropriate and there was nothing further to add.

Resolved

The Risk and Audit Committee approves and commends to the Corporation Board for approval the Terms of Reference and Annual Schedule of Business for 2022/23

027.22

Quarter 4 Headline Risk Register 2021/22

The CFO presented a report, which provided details of the headline risks together with the risk register summary for Quarter 4 2021/22.

Members were advised that

- the headline risks have been reviewed and agreed by the Senior Management Team (SMT)
- the review was carried out in April where SMT considered the current headline risks
- the Covid-19 risk register is not presented as rules relating to Covid-19 have been relaxed

- the risk register for ITEC Learning Technologies Ltd is provided for information only following the recent reviews. The risks presented are deemed appropriate as the Company sees out its remaining learners and winds down operations
- the reporting provided has been taken from the risk management software, 4Risk

Paul Goddard left the meeting

Members considered the detail of risk register, noting:

- there are three new risks relating to
 - not having sufficiently robust systems to detect and prevent fraud including cyber fraud – currently deemed ‘high’ with the target risk ‘medium’
 - increased energy costs adversely impacting the College – currently deemed ‘significant’ with the target risk ‘high’
 - impact of current inflation rates – currently deemed ‘significant’ with the target risk ‘ high’
- one risk has been removed as the College has achieved Ofsted ‘good’ status
- there are 21 headline risks, all of which are on track to meet target for 2021/22, one of which has had the risk rating increased and one where the risk rating has decreased

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

- Risk HL5 has increased due to high HE uncertainty for 2021/22
- A workshop for training for manager of the risk register is planned for June to assist with the process of managing their risks
- Department managers will be asked to identify only two or three risks in their area with a completion deadline of July so that they are in place for the start of the new academic year
- The risks assigned to the Vice Principal who recently left the College are being reassigned to other managers as appropriate
- the headline risks of the College are the main focus of the committee, but in future on an annual basis the College wide departmental risk registers will be presented for review

Agreed

The Risk and Audit Committee agreed

- to receive and note the risk management report and risk register Quarter 4
- the report and risk register is presented to the next meeting of the Corporation Board

028.22

College Policies

The CFO presented the following policies for approval

- Fraud, Corruption and Bribery Policy
- Risk Management Policy

Members were advised that both policies had been approved by the Board last summer and are presented for annual review with no changes suggested following a review by the College’s Policy Committee.

The Clerk presented the following policy for approval

- Data Protection Policy

Members were advised that following the departure from the College of the Vice Principal, the policy has been reassigned to the Director of MIS who is now also the College's Data Protection Officer. The policy has been updated to reflect this change, no other changes are suggested.

Members reviewed each of the policies and agreed there were no other changes required.

Resolved

The Risk and Audit Committee approves and commends to the Corporation Board for approval

- Fraud, Corruption and Bribery Response Policy
- Risk Management Policy
- Data Protection Policy

029.22

External Audit Strategy for the year ending 31 July 2022

The External Auditor presented, for consideration and approval, the External Audit Strategy for the year ending 31 July 2022.

Members considered the key issues arising from the report, noting the

- Overview of arrangements
- Timetable
- Mitigating the risks of fraud
- Financial statements and regularity assurance
- Issues of audit significance
- Fees

The Committee was advised that the document reflected the clarifications and updates in the 2021/22 Accounts Direction published by the ESFA and that the regularity assurance process has remained in place for 2021/22, and follows guidance by the ESFA and Post-16 Audit Code of Practice.

Members were advised that the key areas of concern identified relate to:

- Going concern assessment
- Bank loan covenants
- Regularity
- Capital Projects
- Management override of controls
- Income recognition
- Related party transactions
- Accounting estimates

Members were reminded that it is the Corporation's responsibility to 'sign off' on the going concern of the College and a review of this aspect will also take into consideration whether the College anticipates meeting its covenants in a period to December 2023.

Members were advised of the following fees proposed for 2021/22, which are exclusive of VAT

Financial Statements audit and regularity assurance	£26,300
Teachers' Pension audit	£1,070
Audit of the subsidiary's accounts (ITEC)	£2,250

Resolved

The Risk and Audit Committee approves and commends to the Corporation Board for approval and acceptance the External Audit Strategy for the year ending 31 July 2022 for the College and its subsidiary company, ITEC, and the fees quoted at this meeting

030.22

External Audit Letter of Engagement for the 2021/22 academic year

The External Auditor presented, for consideration and approval, the Letter of Engagement between Buzzacott and the College.

Members noted that

- the document was agreed and signed in July 2021
- the document is submitted on an annual basis for consideration and carried over from the previous year unless any changes are requested by the College

Members reviewed the detail of the Letter of Engagement and agreed that there are no changes required for the period 2021/22

Resolved

The Risk and Audit Committee endorses and commends to the Corporation Board for acceptance and approval for the period 2021/22, without amendment, the Letter of Engagement between Buzzacott and the College.

031.22

Any Other Business

There were no items of any other business.

032.22

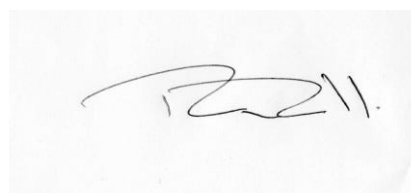
Dates of scheduled meetings of the Risk and Audit Committee 2022/23

Tuesday 18 October 2022
Tuesday 29 November 2022
Tuesday 21 March 2023
Tuesday 13 June 2023

As there was no further business, the Chair declared the meeting closed.

SIGNED AS A CORRECT RECORD:

DATE: 29 November 2022

A handwritten signature in black ink, appearing to be 'R. 211', is written on a light-colored background.