



**USP College Corporation
Risk and Audit Committee**

Minutes of the Meeting held on Tuesday 9 June 2020

**Meeting held via Microsoft Teams
Meeting commenced: 16.00hrs
Meeting ended: 17.40hrs**

Present

Graeme Loveland	Independent Member	Chair
Roger Key	Independent Member	
Jacob Smith	Independent Member	
Andy Williams	Independent Member	

In attendance

Steven Hendy	Chief Operating Officer (COO)
John Revill	Vice Principal Partnerships, Funding & Business Planning (VP P,F&BP)
Leisyen Keane	Scrutton Bland
Paul Goddard	Scrutton Bland
Shachi Blakemore	Buzzacott LLP

Clerk

Sue Glover	Clerk to the Corporation
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015.20 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.

Graeme Loveland declared that he is a Trustee of the Palmer's Trust and that he is both the Clerk and Secretary to the Palmer's Trust.

There were no other declarations of interest.

016.20 Apologies for absence

There were no apologies for absence.

017.20 Unconfirmed minutes of the meeting of the Risk and Audit Committee held on 10 March 2020

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

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

Members reviewed the schedule of action points, noting those that had been completed and those carried over.

The Clerk advised that the latest version of the Post-16 Audit Code of Practice to cover the year 2019-2020 had still not been issued by the ESFA. The guidance set out in the current version would continue to be followed until such time as an updated version is issued.

Members agreed that there were no other matters arising from the minutes of the previous meeting.

019.20 Terms of Reference and Annual Schedule of Business of the Risk and Audit Committee for 2020/21

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 were advised that as there had been no update to the Post-16 Audit Code of Practice (ACOP), no changes are proposed to the Terms of Reference at this time. However, these will be reviewed again in the light of any changes to the ACOP and brought to the attention of the Committee. The annual schedule of business had been updated with relevant dates for 2020/21. Members reviewed and agreed to the proposed changes.

The internal auditor suggested that a verbal update could be provided at each meeting to update the committee on issues affecting the sector. It was agreed that this should be included in the schedule of business for the Committee.

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 2020/21.

020.20 Fraud, Irregularity and Whistleblowing Matters

The COO advised that since the start of Covid-19 there have been attempts by some suppliers to change their bank details, which appears to be common practice within colleges. Whilst this is not perceived to be fraud, the College does not and will not make any changes to existing details at this time to mitigate the risk of any fraud being committed.

There were no other matters relating to Fraud, Irregularity and Whistleblowing.

021.20 Quarter 4 Headline Risk Register 2019/20

The COO presented a report, which provided details of the headline risks together with the risk register summary for Quarter 4 2019/20.

Members were advised that

- a new register relating to Covid-19 related risks has been produced and is presented to the Committee for review
- the headline risks have been reviewed and agreed by the Senior Management Team
- the risk register review for July 2020 will provide updates on the risks relating to 2020/21 and will show the final outcomes for risk management targets for 2019/20 and the impact of Covid-19
- a separate risk register is held for ITEC Learning Technologies Ltd and is provided at the appropriate ITEC Board Meeting, members are asked to consider whether this should be included at future meetings

Members considered the detail of the report and risk registers, noting:

- Changes to Risk, Risk Ownership Updates and Risk Rating Changes
- there are 20 headline risks, 7 of which have met the targeted risk outcome for 2019/20; of the remaining risks 6 are making the expected progress to meet the targeted outcome, but 7 remain at a Significant or High Level, which are as expected at this early stage of the financial year

- the Covid-19 risk register will be reviewed and updated in line with the headline risk register until such time as the virus is deemed no longer to be a threat to the College and nationally; there are currently 9 key risks identified which have been assessed and allocated an inherent risk level
- the previously agreed formation of an internal Risk Management Committee is deferred until the new year

Members reviewed each of the headline risks, making a number of suggestions for the correction of typographical and date errors. Members discussed the issues raised and agreed that, whilst the risk register relating to ITEC was the responsibility of the ITEC Board as it was a separate entity to the College with risks directly linked to the organisation, any significant risks which impacted on the College would be brought to the attention of this committee. It was further agreed that the ITEC Risk Register would be presented annually to the Committee for information.

Members considered the risk relating to the breach of bank covenants affecting the going concern status of the College and, in discussion, were reminded that, as previously advised to the Board, the College had breached one of its loan covenants and the bank would be issuing a waiver letter by the end of July in order to avoid having to reclassify bank loans as being repayable on demand in the financial statements. The bank is aware of the impact Covid-19 is having on the sector and is considering their own measures and the impact on covenants.

Members discussed the Covid-19 specific risk register and agreed that it was appropriate at this time. However, it was acknowledged that the document would continue to be updated as risks relating to Covid-19 are continually reviewed. The external auditor commented that there had been a significant number of cyber security attacks on colleges. Members were advised that the College had not suffered any such attack and that all relevant anti-virus and firewalls are in place and the College's IT security is continued reviewed and monitored. The College does have cyber insurance in place and it was suggested that this is made clear in the risk register.

Agreed

The Risk and Audit Committee agreed

- to receive and note the risk management report and risk registers Quarter 4
- that the report and risk registers are presented to the next meeting of the Corporation Board

022.20

College Policies

The COO 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 only minor changes suggested following a review by the College's Policy Committee.

Members reviewed the Fraud, Corruption and Bribery Policy, suggesting changes to correct the typographical and date errors.

In discussion, members were advised that the policy followed the guidance set out in the Post-16 Audit Code of Practice and would be reviewed in the light of any changes that emerged in the version which not yet been issued by the ESFA relating to Fraud. However, the Committee considered that Fraud remained a high priority and would continue to be a standing item at each meeting so that any issues could be reported.

Members reviewed the Risk Management Policy, suggesting changes to correct the typographical and date errors.

In discussion, members commented on the reference to the risk appetite of the College as the policy indicated that it was for the Committee to '*set the tone and influence the culture of risk management within the college...*'

It was accepted that the document had used the guidance set out in the Post-16 Audit Code of Practice relating to risk, which would be reviewed in the light of the latest version becoming available. However, it was agreed that it was for the Board to collectively decide on the determination of risks and the risk appetite for the College. The Committee agreed that it would be sensible for a workshop to be arranged that would enable the Board to consider risk management more fully.

The VP P, F&BP presented the following policy for approval

- Data Protection Policy

Members were advised that the policy had been approved by the Board last summer and is presented for annual review with minor changes following a review by the College's Policy Committee.

Members reviewed the policy, suggesting changes to correct the typographical and date errors. In addition, it was agreed that reference to storage of data was amended to reflect any medium being used.

In discussion, the Committee agreed that, whilst there had not been any significant reportable incidences of data breaches at the College to date, a report would be presented to the Committee in the event there are any.

Resolved

The Risk and Audit Committee approves and commends to the Corporation Board for approval, subject to amendments as discussed

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

Internal Audit

023.20 Review of outstanding audit items

The COO presented a report, for monitoring and review, detailing the progress made against the internal audit recommendations from audits in 2018/19.

Members reviewed the detail of the report, noting the

- summary of the number of recommendations up to 31 July 2019 and of the 35 recommendations made
 - 26 are complete
 - 7 are ongoing
 - 2 have not yet been started
- progress/completion against each recommendation
- update where target dates have been amended

It was noted that since the report had been produced, the internal auditor had conducted the follow-up of previous recommendations and the audit report is presented at this meeting.

Agreed

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

024.20 Internal Audit Reports

The Internal Auditor presented for consideration the Follow-up of Previous Recommendations audit report.

The Committee was advised that

- the follow-up audit was to review the progress made with implementing the recommendations raised in the 2018/19 audit reports and the outstanding recommendations from previous years
- the report is still in draft and with management for comment
- of the 31 recommendations made, 17 have been implemented in full, 8 are either part completed or in progress and 6 are not yet concluded
- the 6 not yet concluded is due to there being no access to the College to evidence appropriate documentation in the light of its Covid-19

It was noted that those not concluded relate to ITEC apprenticeships, IT Infrastructure, Marketing and Subcontracting which are shown in the action plan as reinstated recommendations and are deferred to the next academic year.

Members were advised that there are no major issues and the auditor commented that the audit had gone well. The final report will be presented at the next meeting.

025.20 Risk and Assurance Progress Report – June 2020

The Internal Auditor presented for information the Risk and Assurance Progress Report June 2020.

Members noted the five internal audits complete and those planned against the agreed Internal Audit Plan for 2019/20, which had been deferred to 2020/21 due to the Covid-19.

Agreed

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

026.20 Internal Audit Letter of Engagement for 2020/21

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

Members noted that

- the document was agreed and signed on 30 October 2017
- 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 2020/21.

027.20 Internal Audit Assurance Strategy and Annual Plan for 2020/21

The Internal Auditor presented, for consideration and approval, the proposed draft internal audit coverage for the 2020/21 year.

Members reviewed the detail of the report, noting the areas for internal audit that had been deferred from the current year due to Covid and the proposed areas for 2020/21.

Members noted that the planned total number of days is 39.5 for 2020/21. However, the COO advised that, due to Covid-19 there had not been the opportunity for the usual planning meeting with the internal auditors and the plan presented is still very much a draft. Although it is accepted that the number of days reflects those audits that have been deferred from the previous year, it is anticipated that the number of days could be reduced to around 36 days.

It was agreed that the COO would meet with the internal auditor to review the internal plan and, following the meeting, the plan would be presented to the Committee at the October meeting for review and approval. However, the Committee agreed that, in principle, there was a good level of cover for the relevant areas required and that the draft report would be presented to the Board in July for information.

Resolved

The Risk and Audit Committee agreed to:

- receive and accept the draft Follow-up audit report of previous recommendations
- receive and accept the Progress Report for June 2020
- receive and note the outstanding audit items
- endorse and commend to the Corporation Board for acceptance and approval for 2020/21, without amendment, the Letter of Engagement between Scrutton Bland and the College
- the draft Internal Audit Strategy and Annual Plan for 2020/21 would be further reviewed and a final version presented to the October meeting. However, the draft report would be presented to the Board in July for information

028.20

External Audit Strategy for the year ending 31 July 2020

The External Auditor presented, for consideration and approval, the External Audit Strategy for the year ending 31 July 2020.

Members considered the key issues arising from the report

- Overview of arrangements
- Financial statements and regularity assurance
- Issues of audit significance
- Fees
- Timetable and nature and scope of work

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

- Coronavirus, going concern and bank loan covenants
- Income recognition
- Regularity
- Staff costs
- Management override of controls
- Related party transactions
- Accounting estimates

It was noted that the external auditor will

'review the College's assessment of the impact of coronavirus together with the detailed cash flow forecasts and budgets, including the bank and any ESFA facilities available, which cover at least a year from when the financial statements are signed. As part of this work we will review the bases and assumptions used and consider whether they appear reasonable. We will also review the disclosures in the College's report around risk management, financial health and future plans and in the accounting policies concerning the reasons for the use of the going concern basis of preparing the accounts.

The going concern assessment and associated disclosures will take on more significance for the 2020 financial statements in light of the uncertainty caused by coronavirus and this may have implications to our audit report as a result'

Members were advised that the DfE have confirmed that there will be no clawback for Colleges' adult funding provided by central government unless there is a significant under-delivery forecast in its pre-coronavirus February 2020 return.

It was noted that the external auditor will

'confirm that income recognition principles have been adopted accurately and in line with the original funding agreement. We will review any correspondence with the ESFA regarding planned and outcome delivery to ensure that any significant under-delivery is accounted for appropriately in the College's financial statements'.

The Committee was advised that the Charity Commission had given an extension to the submission of financial statements, but this had not yet been given by the ESFA to Colleges. If this was offered, the external auditor advised this would be discussed with the College, but at this time it was considered that any extension would not be necessary. The audit would proceed to the agreed timescale of approval by the Board in December with submission to the ESFA by the end of December.

It was appreciated that some of the work related to the audit may need to be carried out remotely due to any lockdown that may continue, but members were advised that much of the work that will need to be submitted for the audit was available electronically.

Members were advised that the following fees proposed for 2020/21 are the costs agreed with Buzzacott at the time of their appointment in 2019 which were fixed for two years and are exclusive of VAT

Financial Statements audit and regularity assurance	£22,500
Teachers' Pension audit	£1,000
Audit of the subsidiary's accounts (ITEC)	£1,500

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 2020 for the College and its subsidiary company, ITEC, and the fees quoted at this meeting

029.20

External Audit Letter of Engagement for the 2019/20 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 2019
- 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 2019/20 academic year.

Resolved

The Risk and Audit Committee endorses and commends to the Corporation Board for acceptance and approval for 2019/20, without amendment, the Letter of Engagement between Buzzacott and the College

030.20

Any Other Business

The internal auditor was invited to update the Committee on latest sector related issues and members were updated on:

- the Government indicating that there could be the potential to bring Colleges back into the public sector
- enrolment issues for 2020/21 in the light of Covid-19 and the ability to enrol electronically
- concern that some individuals who have been Furloughed by colleges could fall under roles that are publicly funded and that care will need to be taken with evidencing that furlough has been appropriately made

Members were advised that the College is well prepared for electronic enrolment and that the systems and processes in place are more than adequate to deal with enrolment in the autumn term. As advised to the Board, a small number of staff have been furloughed who work in the areas of catering and the gym, which are not publicly funded roles.

There were no other items of any other business.

031.20

Dates of scheduled meetings of the Risk and Audit Committee 2020/21

Tuesday 20 October 2020

Tuesday 1 December 2020

Tuesday 9 March 2021

Tuesday 8 June 2021

All meetings commence at 4pm.

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

SIGNED AS A CORRECT RECORD:

DATE: 20 October 2020

A rectangular box containing a handwritten signature in black ink. The signature is stylized and appears to be 'R.211'.