



Minutes of the Audit Committee Meeting held on Tuesday 15 March 2022 at 9am via Teams

Present: Mark Dawson (*Parent Governor*)
Mark Harvey (*Foundation Governor*)
Susan Jarvis (*Co-opted Governor*)
Andrew Jones – Chair (*Co-opted Governor*)

In attendance: Stephen Pringle (*Wylie Bisset – Internal Auditor*)
Michelle Williams (*Vice Principal, Strategy & Resources*)
Leigh Rice (*Observer*)
Ruth Potter (*Clerk*)

The meeting was preceded by a training session delivered by Stephen Pringle, Wylie Bisset, on 'Roles and Responsibilities of Audit Committee and Role of Internal Audit'.

PART 1

The Chair welcomed all attendees and the meeting proper was opened in prayer at 9.25am

1. **DECLARATIONS OF INTEREST**

Members were invited to declare whether they had any direct or indirect personal, prejudicial or pecuniary interest or conflict of interest in any matter that formed part of the agenda for this meeting or was likely to be discussed at this meeting.

There were no declarations of interest made.

2. **APOLOGIES FOR ABSENCE**

All members were present. The meeting was declared quorate.

3. **ITEMS FOR INCLUSION UNDER ANY OTHER BUSINESS**

There were no items submitted for inclusion under any other business.

4. **MINUTES OF THE PREVIOUS COMMITTEE MEETING HELD ON 23 NOVEMBER 2021** (*previously circulated*)

4.1 **To (a) approve and sign the minutes in accordance with Article 12 (3) and (b) authorise publication in accordance with Article 13**

The minutes were approved as a correct record and would be signed by the Chair in accordance with Article 12 (3) of the Articles of Government. The publication of the minutes was authorised in accordance with Article 13.

5. **MATTERS ARISING FROM THE MINUTES**

5.1 **To consider any matters arising from the minutes** (*previously circulated*)

Committee members considered the action log prepared by the Clerk and noted that all arising actions had been closed out.

6. INTERNAL AUDIT

6.1 College management update report on previous recommendations and action taken *(previously circulated)*

The Vice Principal provided a comprehensive progress report on the outstanding recommendations made by the Internal Auditors in respect of the Estates Management and Risk Management audits that had taken place in December 2020 and October 2021 respectively. The Clerk provided an additional progress report in relation to two outstanding recommendations made by the Internal Auditors in respect of the Corporate Governance audit that had taken place in May 2021.

The reports and associated commentary confirmed that the College had completed the majority of recommendations and work was ongoing on those not yet fully completed.

The Committee **noted** the progress reports.

6.2 Review internal audit plan 2021-22 *(previously circulated)*

The Vice Principal provided an update on progress against the previously agreed internal audit plan. It was reported that the Risk Management and Online Learning Platform internal audits had been completed. Business Continuity, Strategic Planning and Follow Up audits were scheduled to take place after Easter.

The Committee **noted** the update report.

6.3 Sector update

Stephen Pringle provided the Committee with a verbal update on sector developments. He reported that sub-contractor audits were becoming more prevalent across the sector as a result of changes in sub-contracting rules. The Vice Principal confirmed that none of the College's ESFA-funded work was sub-contracted out.

The Vice Principal reported on planned changes to the funding methodology and indicated that she was due to deliver a presentation on this to the Finance and Resources Committee.

ACTION – Circulate Vice Principal's presentation slides to governors.

The Chair thanked the Internal Auditor for his update and invited questions.

Q – Had any issues arisen in the sector in relation to Russian providers of energy and other utilities/services given the conflict in Ukraine?

A – The Internal Auditor confirmed that he was not aware of any specific impacts/issues thus far. The Vice Principal confirmed that all the College's utilities were provided under Crown Commercial Service (CCS) framework agreements and the CCS had confirmed that none were supplied by Russian or Belarusian providers or controlled by entities from these countries.

7. RISK MANAGEMENT

7.1 Risk Management Action Plan *(previously circulated)*

The Vice Principal presented this report and referred members to the updated Risk Register. She confirmed that following the Governing Body's approval of the new Strategic Plan in December, all risk management documentation had been updated accordingly so as to reflect the Board's new strategic priorities.

The following points were highlighted:

- Risks related to the achievement of strategic objectives had been assessed and scored with a gross risk score first, then mitigations already in place had been reviewed and a residual risk score given.
- Specific operating targets arising out of the Whole College Quality Improvement Plan had been cross-referenced in the 'Specific Actions' column and thereby aligned to the relevant risk on the Register.
- Upon review of the updated Risk Register, the College Risk Committee had identified one contingent risk and five housekeeping risks.
- Contingent risk was in relation to potential academisation.
- Three of the housekeeping risks were in relation to the introduction of the new T Level subjects. The remaining two housekeeping risks were in relation to the sustainability agenda and the College's progression towards net zero carbon emissions.
- The action plan would be reviewed regularly and updated as risks changed or arose throughout the year.
- Termly reports would continue to be made to governors.

Discussion ensued on the content and format of the Risk Register which, members noted, had been developed in consultation with the College's Internal Auditor based upon best practice models.

The Committee **approved** the updated Risk Register and Action Plan.

8. ANNUAL REPORTS

8.1 Safeguarding College Assets Annual Report *(previously circulated)*

The Vice Principal presented this annual report and referred members to the College's Financial Regulations which outlined the approach to the safeguarding of assets.

Actions taken to enhance the security of the College's physical assets were reported, including the appointment of a permanent security guard at the front entrance and a new secure student entrance (due to be implemented after Easter).

In relation to the security of digital assets, the Vice Principal reported that the College had attained Cyber Essentials certification. This was a government-backed scheme which involved meeting a range of criteria designed to ensure cyber security threats were mitigated. As a result of this, multi-factor authentication had been rolled out to all Carmel user accounts.

Reference was made to the Disaster Management Plan and the Vice Principal highlighted the need for a lockdown practice exercise which was scheduled for the summer.

The Chair thanked the Vice Principal for her report and invited comments and questions.

Q – Had cyber security required further enhancement given the current geopolitical situation?

A – No, as the Cyber Essentials certification was already in place. The Vice Principal reported on the potential cyber security attack identified at the beginning of the month which had resulted in a number of Carmel user accounts requiring a password change. Appropriate reporting of the incident had taken place.

The Committee **recommended approval** of the Safeguarding College Assets Annual Report to the Full Governing Body.

ACTION – FGB item – Safeguarding College Assets Annual Report

9. CORPORATE GOVERNANCE

9.1 Codes of Governance Review *(previously circulated)*

The Clerk presented her report on the compliance review she had undertaken in relation to the three codes of governance:

- UK Corporate Code of Governance (Corporate Code) – the College’s current adopted Code
- Charity Governance Code (Charity Code)
- Code of Good Governance for English Colleges (College Code).

This review had arisen out of the ETF Board Review Action Plan and was designed to support the Board’s decision-making in relation to which was the most appropriate Code to adopt for the coming year.

The legal and regulatory background to the adoption of a suitable code of governance was flagged, with specific reference made to the requirement set out in Annex A of the ESFA’s College Accounts Direction 2020-21 for corporations to comply with a governance code and report on compliance against this code in their annual report and accounts. Cross-reference was also made to the governance requirement set out in Schedule 9 of the ESFA’s Funding Agreement with the College which included a requirement for a triennial external governance review based on the adopted governance code.

The Clerk confirmed that all three Codes broadly followed similar and widely accepted standards of recommended governance practice, however there were nuances between the provisions based upon the target audience.

Reference was made to the three full compliance self-assessment documents detailing the College’s current compliance status against the provisions of each Code, which had been uploaded to Connect.

Statistical compliance had been RAG rated for each Code with non-compliance highlighted red, partial compliance amber, and full compliance green. In addition, provisions that were deemed non-applicable to a sixth-form college had been highlighted in grey. As a result of this statistical comparison, the Clerk highlighted the following points:

- Highest proportion of fully compliant provisions – Charity Code (84%)
- Highest proportion of non-compliant provisions – College Code (9%)
- Highest proportion of non-applicable provisions – Corporate Code (20%).

Discussion ensued on the pros and cons of each of the Codes, with specific consideration given to the differences between them and the potential impact for Carmel College. Members agreed that proportionality was key in terms of determining which Code should be adopted. In addition, potential future changes to the legislative and regulatory framework were discussed insofar as they may impact the choice of Code.

Members' questions included:

Q – What Code do other sixth-form colleges follow? Has benchmarking taken place?

A – The Clerk referred to an informal survey that had taken place on the FE Clerks' Hub which indicated that the most popular Code was the College Code, but highlighted that some colleges were considering switching to the Charity Code. This survey reflected the whole FE sector, however, rather than being focussed solely on sixth-form colleges. The Vice Principal indicated that her networks across member colleges of the Sixth Form College Association (SFCA) suggested that the Charity Code was becoming more popular. Notwithstanding the situation across the wider sector, the Clerk emphasised the importance of governors making a decision that reflected the best-interests of Carmel College.

Q – Whilst level of current compliance is a factor in making this decision, were there any key provisions from the other Codes that would have a positive impact on governance should they be adopted?

A – The Vice Principal confirmed that there were certain areas in the College Code (for example, environmental sustainability) that were strategic priorities for Carmel and hence being progressed in alternative ways. There were other provisions in the College Code, however, that appeared to be more relevant to the wider FE sector rather than a sixth-form college of Carmel's nature.

Following final consideration, the Committee **recommended adoption** of the Charity Code of Governance with effect from academic year 2022-23 to the Full Governing Body.

ACTION – FGB item – Code of Governance

10. REGULATORY UPDATE

10.1 ESFA College Corporation Financial Management Good Practice Guides *(previously circulated)*

The Vice Principal referred members to the following updated guidance:

- The scope of work of audit committees and internal auditors in college corporations (January 2022)
- Streamlined energy and carbon reporting for college corporations (January 2022)
- Individualised Learner Record (ILR) data integrity guidance (July 2021).

The Internal Auditor had referenced the first document during the earlier training session and all members had been advised to read the document in full.

In relation to streamlined energy and carbon reporting, the Vice Principal advised that the College was out of scope for this requirement however, in line with best practice a report had been published and considered as part of the College's Property Strategy Review. Further progress was being made in this area in accordance with the College's strategic priorities.

In relation to the ILR data integrity guidance, the Vice Principal confirmed that all relevant members of staff had considered the guidance and were aware of the requirements. Furthermore, an internal audit in this area had resulted in only one minor recommendation.

11. OTHER MATTERS

11.1 Governor training

Members were invited to contact the Chair and/or Clerk in relation to any future training needs.

11.2 Any other business

None

11.3 Date of next meeting

Tuesday 14 June 2022 at 9am

The Chair thanked all members for their attendance and contribution.

The meeting was brought to a close at 10.05am.



Signed by the Chair: _____

On this day: _____ 14 June 2022 _____