

## DRAFT MINUTES

### Further Education Corporation Meeting of the Audit and Risk Committee Monday 13 March 2023

<b>Date and timings</b>	<b>18:00 to 20:13</b>	
<b>Location</b>	Via Microsoft Teams	
<b>Present</b>	Louise Parr-Morley (LPM) <b>Chair</b> Rick Olver (RO) Roland Anderson (RA) Linda Everard (LE) (co-optee) Sue Leonard (SL)	
<b>Clerk to the Corporation</b>	Lana Jackman (LJ) <i>Minutes were transcribed by Lana Jackman</i>	
	1 x vacancies	
<b>In attendance</b>	By Invitation: Denise Brown (DB); Matthew Twitchett (MT); Paul Goddard (PG) Scrutton Bland; Roney Brooks (RB); Daniel Olorode (DO); John Newton (JN); Kevin McCooke (KMc); Adam Fahey (AF); Julian Grindell (JG)	
<b>Apologies</b>	Lana Jackman (LJ)	
<b>Quorum (4)</b>	(3 governors)	
<b>Item</b>		<b>Action lead</b>
<b>0.</b>	<b>Risk Management Training Session</b> The Meeting opened at 18:00 with a risk management training session conducted by Paul Goddard (PG) from Scrutton Bland.  The concept of risk management was described as enabling decision-makers to make those important informed decisions to run organisations on a daily basis. It was noted that risk management was not simply about assessing what could be harmful or what could go wrong but about feeling confident to empower the decision-makers to take advantage of opportunities, and to help management and governors make decisions to achieve optimum results. This they could do by being well informed, understanding risk, alignment of	

risks with an appropriate risk appetite, and having a good track record to take on new risks for greater reward.

It was recognised that the key risks across the sector were as follows:

- Cyber Security
- Cash Flow
- It was mentioned that culture, behaviours, expectations were rarely seen on risk registers but it was emphasised that these points reflected on the perception of the organisation both externally and internally.
- Staff: retention, satisfaction, motivation, development and the importance of robust internal systems and processes driven by rigour and regular review of risks.
- Engagement, and checks and balances for monitoring by the Board

PG explained that to make risk management work consistently well was challenging. An essential part of any organisation was clarity on what level of risk was acceptable, the risk appetite of the Board and the embedding of the culture of accountability and responsibilities across the organisation.

It was mentioned that these points should inform the important conversations to make risk management work. It was further explained that at Board level the setting of expectations on how risk was going to be managed, delivered and embedded as well as risk appetite or similar was essential.

It was noted that the Audit and Risk Committee should have the more operational support and challenge oversight responsibility to work with management to develop and succeed in this area.

It was noted that management conversations, sharing and reporting on risks between departments, who was responsible for what risk, risk mitigations, how specific risks were solved based on gross, net risk, residual and targeted risk scores improved knowledge and understanding. PG explained that it was also important to focus on the issues that mattered. The accumulated knowledge and understand would provide a common inclusive language and technical expertise to produce good decision-making.

PG further explained that it was important to view everyone as having some responsibility for organisational risks and having the right line management communication flowing from bottom to top so that concerns at any level of the organisation could be flagged and reported to the Audit and Risk Committee. This could be achieved by way of the risk register, and then through reports to the Board.

PG emphasised that the Board had the overall responsibility for setting the risk appetite aligned with the various risks to the

organisation, and to support and challenge the overall effectiveness of the risk mitigations.

It was noted that when Board discussion was concentrated on the content based on the likelihood or risk, what the big risks were, and how those risks were being mitigated, rather than the format of the risk register document, demonstrated that the Board understood fully its strategic role.

PG explained scenarios around Black Swan events, *unknowing the unknowable*, and suggested that it would be a helpful exercise to have this item on the agenda at a future Audit Committee meeting.

The College risk register and implementing good practice was discussed whilst thinking about:

- causal links and effects
- likelihood and impact
- inadequate data storage
- unauthorised access
- insufficient backup
- reputational damage
- inability to operate
- Information Commission Office (ICO) fines
- Gross Risk Scores [when thinking about the risk before any mitigation actions]
- Net Risk Scores [how effective were the College's mitigating actions currently]
- Target Risk Scores [the next part of the story, what is the risk capital of the organisation for that particular risk area]
- Risk Appetite [risk appetite should be subject to change and be variable from year to year]

In conclusion PG mentioned that to provide transparency and consistency over business decisions was subject to the support and approval process that aligned with the Board's agreed risk appetite. For assurance, progression, implementing actions and mitigations, continual evaluation, analysis, review for particular categories of risk, and demonstrating how each element of the organisation contributes and is accountable for the overall risk profile was a helpful and empowering part of any business plan proposal, to get something approved by the Board.

*The Chair invited questions and/or comments.*

The Committee noted the colour coded risk appetite matrix illustrating different risk categories, the quality of different assurance mapping available and an example of a specific type of assurance mapping model.

The Committee agreed that more work was needed around its understanding of risk appetite to help manage decision-making on what could be tolerated given the right circumstances or tolerated

more, and could be better defined. It was mentioned that there was the potential for a model document which gave greater clarity and examples that firstly defined the exact meaning, measurables and/or sliding scale for *risk appetite*.

The governors agreed that the presentation was helpful especially relating to determining their own risk appetite for the different risks applicable to the College. It was further agreed that the recommendations relating to assurance mapping was useful. It was understood that there was more work to do.

It was noted that the overriding factors for growth, and implementing a sustainable intelligent risk protocol to be achievable would depend on whether there were sufficient resources and a risk appetite.

The Chair thanked PG for the thought provoking presentation.

ALL AGREED

#### **ACTION**

**0.1** PG to circulate the slides for reference. LJ to upload to the Hub.

**0.2** Black Swan events to be an agenda item at a future ARC meeting as a useful exercise to discuss *unknowing the unknowable* and being prepared.

*MT, JN, KMc and AF left the meeting at 18:45*

#### **1. Preliminary items**

The Chair welcomed everyone to the meeting.

##### **1.1 Apologies for Absence**

Apologies were received and accepted from Lana Jackman (LJ). There were no other apologies received.

##### **1.2 Declaration of Interest**

There were no other new declarations of interest other than those already standing ***(in accordance with the requirements of section 177 of the Companies Act 2006).***

##### **1.3 Committee Membership**

This item was deferred.

##### **1.4 Urgent items of other business**

There were no urgent items of other business notified to the Chair in advance of the meeting

#### **Quorum**

The meeting was quorate.

## 2. **Minutes of the 13 June 2022 meeting, and Joint Policy and Resources Committee Meeting of 8 December 2022**

The Minutes of the ARC meeting held on 13 June 2022 were **APPROVED** as an accurate record subject to one omission - that Roland Anderson attended despite being noted as apologies for absence received.

The Minutes of the Joint Audit and Risk meeting with Policy and Resources held on the 08 December 2022 were accepted and **APPROVED** as an accurate record. The Minutes will be signed by the Chair and sent to the Executive Support Team to be filed in the Approved Minutes Folder.

### 2.1 **Matters Arising**

LJ

On the Minutes of 13 June 2022 Action point 2 to be updated regarding Annual Cyber report from *ongoing* to *completed* after being moved to December meeting.

It was discussed that a risk register for the Institute of Technology (IoT) was submitted as part of the bid and whether it should be monitored at ARC. It was noted that ARC had not yet seen the IoT risk register. It was agreed that ARC did not need to see it on an ongoing basis unless there were items to be brought to the Committee's attention. It was further agreed that the ARC should be assured that there was one in place, and that it was being monitored and by whom.

It was agreed that item 4.2 had been completed.

There were no other outstanding matters arising from these Minutes not otherwise discussed elsewhere on the agenda.

**2.2 RESOLVED** to check with Lee Freeman at the Board meeting whether there is an IoT risk register and who monitored it.

## 3. **Terms of Reference**

- i. The format and content of discussion related to the ARC Terms of Reference (ToRs) to align with Audit Code of Practice (ACOP).  
LE explained that the ARC terms of reference did not reflect the supporting guidance. This had been raised at the June 2022 ARC and a working sub-group led by the Chair of ARC, was tasked to put together a work program to research and rewrite the Committee's ToRs. It was mentioned that the draft was scheduled to be presented at the Audit Committee in September 2022. The September meeting had been cancelled. The members of the sub-group had all since left the organisation.

It was proposed that a sub-group be reinstated and instructed to begin work on aligning the Committee's ToRs with the guidance.

LE explained that she had reviewed the other Committees' ToRs and noted that the structure was not consistent indicating they may have been written by different people. LE suggested that it was a good opportunity to align structure of the ToRs across the Committees.

It was mentioned that it would be worth considering deep dives into the processes to ensure that the ARC was getting the proper assurances on how things were being managed and which Committee should be monitoring them, therefore consistency in policy writing, content, style and format of the ToRs was a priority.

PG gave examples of where other organisations had refreshed ToRs to fully align with the ACOP. PG agreed to share examples of ToRs with the Committee.

It was noted that if the Committee were to rewrite the ToRs that the latest version of the ACOP should be used. Updated versions of ACOP was published in April and September<sup>ii</sup>

The governors asked for clarification on whether each Committee is responsible for reviewing and rewriting its own ToRs to align with the ACOP or whether the responsibility should fall to the ARC or the Director of Governance.

The Chair requested an Executive response on whether there was resource available to conduct the work.

It was noted that this particular matter would fall to the Director of Governance and would be factored into LJ's work plan to ensure consistency of style across all the ToRs that also covered and aligned with the ACOP.

ALL AGREED

The Chair and JG offered full support to work with LJ to complete the work.

**3.1 RESOLVED** that Paul Goddard will share the latest version of the ACOP to LJ.

**3.2 RESOLVED** that DB would speak to LJ about redrafting the ToRs to be consistent across the Committees to align with the ACOP.

**3.3 RESOLVED** that LPM will have a follow-up conversation with LJ regarding the action of redrafting the ARC ToRs and look at the Corporate Risk Register.

**3.4 RESOLVED** that JG will support LJ and LPM to complete the redrafting of the ARC ToRs.

- ii. ARC Terms of Reference format discussion for other Committees and recommendations to Board.

It was agreed that the initial step was to bring to each Committee a revised ToRs that was consistent in style, policy look and structure that governors could recognise from one Committee to the other to be ready for next year's calendar of meetings. It was agreed that each Committee will be responsible to check its own version of the ToRs once drafted and each draft will be brought back to ARC to give a level of assurance that the ToRs align with the latest version of the ACOP.

JG offered help in this matter.

**3.5ii RESOLVED** that each individual committee to agree terms of reference recognisable from one committee to the other but consistent in policy, structure, and feel and to align with the guidance. LJ to redraft with the support from LPM and JG

### **3.6 ACTION**

- i. To agree new terms of reference for all committees with ACOP alignment.
- ii. For other committees to agree on their new terms of reference for ARC approval, by the next ARC meeting.

## **4. Corporate Risk Management**

The Papers were circulated prior to the meeting and taken as read. DO summarised the Risk Reporting Methodology to Committees for Board Assurance, to provide governors with an update on the actions being taken and progress made in mitigating the risks that had been identified on the risk register. DO reiterated PG's presentation on the rationale behind the importance of aligning risk management with risk appetite.

It was noted that the risk register had been updated since the last meeting. It was reported that new measures had been taken on the viability of the principle income for the College going forward and in terms of risk it was noted that it was again apprenticeship related. It was recognised that some of the current issues were around a digital operative service for obtaining National Insurance (NI) numbers for learners. DO explained that there were mitigations in place for those risks to improve achievement rates and apprenticeship provision.

It was noted that the risk register had now become a standing agenda item in the sub-committee meetings and the Quality and Executive Board, where risks were discussed and minuted.

It was explained that the draft funding allocation had been received and showed this year's allocation had increased though there were 200 fewer students. It was explained that this was due to the funding weighting given for different types of courses.

Following a governor's question JG explained that the overall increase in rates was approximately 2.2%.

Governors discussed the report in detail. DO was challenged on the difference between what was control and what was risk and felt there needed to be an additional column explaining this point.

DO was further challenged on the colour coding of the rag rating scale. It was suggested that it would be helpful to have a quantifiable measure in terms of rag rating next to the risk as each risk moved through the rating scale. It was felt that this would be a more accurate identification to help governors measure and see the real value of the progress set against each risk.

It was mentioned that descriptions on actions and mitigations were not consistent and clearly defined and it was important for owners of the risks to fully grasp the difference between control and risk highlighted in DO's report, and the need for management to have a collective responsibility in terms of risk effectiveness. It was reiterated that accurate formatting of the risk register was vital for operations, with regard to quantifying action, numbers, and progress, where possible. It was emphasised that governors needed to understand where progress was made and to have a quantifiable value set against that progress.

#### **4.1 ACTION**

It was agreed that DO to arrange training on risk effectiveness to help provide improved clarity and description of risks and actions.

It was further suggested that risk item 6 needed to be updated.

It was agreed that risk be added to the next Governor away day.

The Committee noted the detailed, thorough reporting of the risks. The updated risks were noted. The Committee commended DO on a useful report.

## **5. Internal Audit**

**Scrutton  
Bland**

PG summarised the following items:

- i. Progress to date  
It was mentioned that the ARC received the reports first instead of all of them being taken to the Board.
- ii. Report - Staff and Student Experience. Green significant assurances were given in both measures. It was discussed and proposed that on reflection following the restructure of the College a full staff survey would be placed in the May 23 cycle.

- iii. Income and Expenditure Forecasting Audit that was completed in early March. It was confirmed that the draft report had been shared with Management.
- iv. Subcontracting preparedness audit
- v. It was noted that the draft plan on the Apprenticeship Learner Journey will be scheduled to be completed next academic year.

It was acknowledged that PG expressed his appreciation to all the staff that assisted the auditors to conduct the audit.

It was **AGREED** that there was work to do on staff engagement and feeling connected enough to participate to achieve staff response rates in future surveys.

**ACTION** It was noted that there would be no further action required.

- 6. Audit Recommendations Monitoring Report** **JG**  
The committee noted that a number of the audit actions had been completed and reviewed the few that were in progress.

**ACTION** none required.

- 7. Whistleblowing and fraud termly report**  
*Confidential Item forms Part B of the Minutes.*  
This item was taken at 3 on the agenda to allow RB to leave before the main body of the meeting.  
It was noted that the report for February 2023 gave the ARC an update on any Whistleblowing events for this year and actions taken.

The Committee noted the position. It was agreed that no further action would be required.

*RB left the meeting at 19.10*

- 8. Auditor Performance review 2022**

- i. **External Auditors**  
It was agreed that a pre-meet with Price Bailey so that the ARC understood what would be covered and the concerns. It was mentioned that Price Bailey would be required to complete a more rigorous report following updated audit guidance. There had been more positive progress since last year although it was recognised that there were areas for improvement relating to Price Bailey.
- ii. **Internal Auditors**  
It was mentioned that it was a positive experience and the auditors came prepared and added value.

**8.1 RESOLVED** that JG and DO to engage with Price Bailey to agree a robust plan to be brought to the next ARC Meeting to be held on 19 June 2023.

## 9. Year-end Accounts

It was noted that the six month extension with Barclays had been completed. It was further noted that JG was in communication with the DfE and would be submitting the financial forecast to them to support the refinancing in July. It was explained that without a letter of comfort from the DfE the going concern issue could not be addressed. It was commented that this was a sector wide issue following the ONS reclassification.

It was mentioned that there were two issues. These were as follows:

- i. External Auditor partner retires at the end of the month
- ii. The subsidiaries accounts needed to be filed (within nine months) at the end of April.

**9.1 ACTION** a letter of comfort from DfE was still outstanding. JG explained that he was in communication and chasing the DfE.

**9.2 RESOLVED** that DB will contact David Hughes, the Chief Executive for the Association of Colleges (AoC) to inform him that the Audit and Risk Committee was dissatisfied and demanded a response from government on this issue.

ALL AGREED

It was mentioned that this sector wide issue would be raised at the Committee of Chairs and Auditors Forum.

## 10. ESFA Subcontracting Standard 2022/23

It was noted that for an ESFA sub-contracting standard to be achieved a clean bill of health had to be awarded via an external audit scrutiny on ten detailed areas. It was noted that new subcontracting contracts could not be taken on until this was resolved.

The Committee noted the position. The actions under Section 4 were **APPROVED**.

*PG left the meeting at 20.08*

## 11. Urgent Other Business

There was no other urgent business notified to the Chair in advance of the meeting.

## 12. Committee Evaluation

Governors discussed the value of the Committee Evaluation as a standing item and agreed that this needed ten minutes included into the agenda to provide meaningful discussion.

**LJ**

**12.1 ACTION** Provide ten minutes in the agenda for appropriate evaluation based on agreed structure model.

### 13. Dates of Future Meetings

Monday 19 June 2023 at 18:00 Teams

***There being no further business the meeting ended at 20:13***

Signed.....Dated.....

### MATTERS ARISING

**Actions completed will be removed from the table**

Actions from the meeting held on the 13 March 2023

Item	No	Action	Initial	Status
0	0.1	PG to circulate the slides from presentation for reference. LJ to upload to the Hub.	PG/LJ	
0	0.2	Black Swan events to be an agenda item at a future ARC meeting as a useful exercise to discuss <i>unknowing the unknowable</i> and being prepared.	Agenda item 19 June 2023	
2	2.2	To check with Lee Freeman whether there is an IoT Risk Register and who monitors it	LPM/LJ	
3	3.1	PG to share the latest version of the ACOP with LJ	PG	
3	3.2	DB to speak to LJ about redrafting the ARC/Committees ToRs to align with the ACOP	DB/LJ	
3	3.3	LPM to have a follow up conversation with LJ regarding support in redrafting the ToRs with ACOP alignment, and to look at the Corporate Risk Register	LPM/LJ	

<b>3</b>	3.4	JG to support and contribute to complete the redrafting of the ToRs	JG/LPM/LJ	
<b>3</b>	3.5ii	that each individual committee to agree terms of reference recognisable from one committee to the other but consistent in policy, structure, and feel and to align with the guidance. LJ to redraft with the support from LPM and JG	LJ/LPM/LE	
<b>3</b>	3.6	For other committees to agree on new terms of reference for ARC approval, by the next ARC meeting.	Committees June 2023	
<b>4</b>	4.1	DO to arrange more training on risk effectiveness to help governors understand risk reporting.		
<b>9</b>	9.1	a letter of comfort from DfE was still outstanding. JG explained that he was in communication and chasing the DfE. JG to update the Committee as soon as the letter is received.	JG	
<b>9</b>	9.2	DB will contact David Hughes, the Chief Executive for the Association of Colleges (AoC) to inform him that the Audit and Risk Committee was dissatisfied and demanded a response from government on this issue.	DB	
<b>12</b>	12.1	Committee Evaluation Model to be a standing item. Ten minutes to be provided on Agenda.	Agenda Item	

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<sup>i</sup> The code of conduct for Governors requires governors to be honest and open with regard to conflicts of interest (either real or perceived). Governors must not use their position for personal gain in business, political or social relationships. Therefore, a governor who has, or may be perceived to have, such a personal interest in a particular matter under consideration should declare that interest, withdraw from all discussions relating to it and take no part in any vote on such matter.

<sup>ii</sup> It was noted at the time of writing the Minutes for the Meeting that there were no updates to the ToRs in September 2022. The April 2023 version has yet to be published.