



Minutes of the Audit Committee Meeting held on Tuesday 14 June 2022 at 8.20am via Teams

- Present:** Mark Dawson (*Parent Governor*)
Susan Jarvis (*Co-opted Governor*)
Andrew Jones – Chair (*Co-opted Governor*)
- In attendance:** Stephen Pringle (*Wylie Bisset – Internal Auditor*)
Mike Benson (*Murray Smith LLP – External Auditor*)
Nicola Tucker (*Murray Smith LLP – External Auditor*)
Michelle Williams (*Vice Principal, Strategy & Resources*)
Graeme Slater (*Observer*)
Ruth Potter (*Clerk*)

PART 1

The Chair welcomed all attendees and the meeting was opened in prayer at 8.20am

- 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. The Chair notified members of an update to his register of interests: he was no longer employed by Fairfield Hospital and instead had a new role as Director of Welfare and Care at Nautilus Welfare Fund.
- 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 15 MARCH 2022 (*previously circulated*)**
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 (*previously circulated*)**
Committee members considered the action log prepared by the Clerk and noted that all arising actions had been closed out.
- 6. RISK MANAGEMENT**
 - 6.1 Risk Management Action Plan (*previously circulated*)**
The Vice Principal presented this report and referred members to the updated Risk Register which had been reviewed in light of the recent cyber-attack on the College.

The following points were highlighted:

- The updated Risk Register contained one significant risk, one contingent risk and five housekeeping risks.
- A new significant risk had been introduced since the last review in relation to the maintenance and restoration of College IT systems.
- The Risk Register and associated action plan would continue to 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 updated Risk Register and Action Plan and governor questions included:

Q – What is the current course retention rate?

A – No live data due to ongoing IT issues, but retention rate at end of April (prior to cyber-attack) was on target.

Q – What is the impact on data for other College key performance indicators (KPIs)?

A – In process of restoring data and re-building reports in order of priority, so ongoing process. Further information in incident report prepared for next agenda item.

The Committee **noted** the updated Risk Register and the management actions put in place to mitigate risk.

6.2 **Cyber-attack Update Report** (*previously circulated*)

The Vice Principal presented her report on the recent cyber-attack and ransomware demand that had happened over the bank holiday weekend (30 April to 2 June 2022). The following points were highlighted:

- Upon discovery of the attack, external cyber security specialists had been engaged via the College's cyber insurance and all College systems had been taken offline.
- External specialists had been managing the forensic investigation into the issue and associated restoration programme.
- Professional legal and communications advice had also been provided to the College via its insurance cover.
- Impact of the attack had been wide-ranging across the whole College, however the decision had been taken to keep the College open in order to reduce the impact on teaching and learning.
- Examinations had been running to schedule and manual workarounds developed in order to facilitate these as effectively as possible.
- Data held on the College systems had been impacted and was in the process of being restored from back up. Some business areas used cloud storage and these had been unaffected.
- Emergency special meeting of the Full Governing Body held on 5 May 2022 to discuss and approve next steps with regard to ransomware demand.

- All relevant external agencies and stakeholders had been notified of the incident, specifically: Action Fraud, Merseyside Police, Information Commissioner's Office (ICO), Department for Education (DfE), Education and Skills Funding Agency (ESFA), Archdiocese of Liverpool, exam boards, College auditors and local authority.
- Full details of data leak were not yet known but would be reported to the ICO once the forensic investigation team were able to confirm the position.
- Principal had been liaising personally with the exam boards to ensure limited impact on students.
- Email communications had been issued to students, parents and staff, supplemented by face-to-face and Teams briefings for staff.
- Impact on staff and student wellbeing.

The Vice Principal reported that in due course the full forensic investigation report would be available for consideration. In addition, a full review of the incident and lessons learned would be commissioned alongside a review of College cyber security, to be undertaken by a suitably experienced external specialist.

A discussion ensued, following which the Chair invited questions from Committee members.

Q – Note impact on staff wellbeing and morale. How will this be recognised and addressed?

A – Held a Jubilee afternoon tea for staff prior to the half term break as a thank you. Staff health day planned for end of term.

The Committee thanked the Vice Principal for her comprehensive report and **noted** the contents.

7. INTERNAL AUDIT

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

The Vice Principal confirmed that all outstanding recommendations made by the Internal Auditors had been completed with the exception of one recommendation arising from the Corporate Governance audit that had taken place in May 2021. In reference to this outstanding action, the Clerk reported that the planned re-design of the governor section of Connect had been due to be implemented by the IT team in early May, however the system outage as a result of the cyber-attack had prevented this from taking place. As a result, a decision had been taken at the Search Committee meeting held on 23 May to proceed with the outsourcing of the governor portal to GovernorHub to avoid further delays. It was anticipated that GovernorHub would be set up and operational in time for the new academic year.

The Committee **noted** the progress report.

7.2 Strategic Planning Report (previously circulated)

Stephen Pringle presented this report and outlined the purpose of the review which was to provide assurance to the Governing Body, via the Audit Committee, that the College's strategic planning process was robust and that

strategic objectives were embedded within the College and subject to regular monitoring. The scope of the review was outlined and it was explained that the Internal Audit team responsible for this review had conducted discussions with relevant staff, reviewed relevant documentation and undertaken sample testing.

A total of one low grade recommendation had been raised regarding the development of a dashboard and RAG rated report to enhance management reporting on the strategic plan. There were also a number of areas of good practice highlighted within the report. The Internal Audit opinion stated that the Governing Body could take strong assurance that the College's strategic planning processes were strong and robust.

The Committee:

- **noted** the contents of the report
- **approved** the recommendations contained therein.

7.3 **Business Continuity Report** (*previously circulated*)

Stephen Pringle presented this report and outlined the purpose of the review which was to provide assurance to the Governing Body, via the Audit Committee, that the College's business continuity planning arrangements were adequate and represented good practice. The review covered operational procedures for emergency response handling, business impact analysis, contingency planning and business resumption. In addition, the review included an assessment of the steps taken by the College since the period of the Covid-19 lockdown to ensure that sufficient arrangements were in place should similar events occur in the future. The scope of the review was outlined and it was explained that the Internal Audit team responsible for this review had conducted discussions with relevant staff, reviewed documentation and undertaken sample testing.

A total of three low grade recommendations had been raised regarding scenario testing, staff training and annual reporting. There were also a number of areas of good practice highlighted within the report. The Internal Audit opinion stated that there was strong assurance over the College's business continuity plan, including lessons learnt from the Covid-19 pandemic.

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

Q – Could we benchmark our business continuity scenario testing with other colleges?

A – Yes, this could be arranged.

Q – How would lessons learned from the recent cyber-attack be used to inform future business continuity planning?

A – Upon receipt of the full investigation report, College would review and implement all recommendations.

The Committee:

- **noted** the contents of the report

- **approved** the recommendations contained therein.

ACTION – Add Business Continuity Annual Report to Audit Committee’s cycle of business.

7.4 Annual Follow Up Report *(previously circulated)*

Stephen Pringle presented this report and explained that the Internal Audit follow up work was designed to provide the Audit committee with assurance that the previous year’s internal audit recommendations had been implemented in line with expected timescales. He went on to report that there had been 13 recommendations from 2020-21 and all bar one of these had been fully implemented. The partially implemented recommendation arising from the Corporate Governance audit had been reported on under item 7.1. The Internal Audit opinion stated that the Governing Body could take strong assurance that the College had made appropriate efforts to implement previous recommendations.

The Committee **noted** the contents of the report.

7.5 Internal Audit Annual Report *(previously circulated)*

The Committee considered the Internal Audit 2021-22 Annual Report.

Stephen Pringle highlighted the following points:

- The Internal Audit opinion was that the College had adequate and effective risk management, control and governance processes to manage its achievement of the College’s objectives.
- The Internal Audit opinion was that the College had proper arrangements to promote and secure value for money.
- 20 days audit work had been completed as planned.
- Six low grade recommendations had been raised in total.
- When benchmarked against similar colleges this number of recommendations was lower than average.
- All internal audit key performance indicators had been met during the year.

The Committee thanked the Internal Auditor and **noted** the contents of his report.

7.6 Internal Audit Plan 2022-23 *(previously circulated)*

The Committee considered the Internal Audit Plan 2022-23 prepared by the Internal Auditor. Stephen Pringle highlighted the following points:

- Internal auditors had been appointed by the College for a period of five years, up to 31 July 2024.
- Original Audit Needs Assessment (ANA) had been approved by the Committee in October 2019 on the basis that it would be reviewed each year for suitability.
- Meetings had taken place recently with the Chair of Audit Committee, Clerk to Governors and Vice Principal in order to discuss proposed areas for inclusion within the audit plan.
- The proposed audit plan for 2022-23 included the following areas:
 - special educational needs and learning support
 - procurement and contract management
 - safeguarding

- mental health and wellbeing
- follow up review.
- Two visits were planned for October 2022 (reporting to Audit Committee in November) and three for April 2023 (reporting to Audit Committee in June 2023).
- Additional services offered by the Internal Auditor were highlighted, including governor training sessions.

A discussion ensued on the proposed areas for audit and the need for robust assurance on College IT systems and cyber security following the recent incident. As reported under item 6.2, it was agreed that a separate, specialist IT and cyber security external review would be commissioned from an appropriate provider. This should provide the necessary assurance to governors that lessons had been learned and robust controls put in place to mitigate against future issues.

Committee members considered the training offered by the Internal Auditor and agreed that risk management training should be arranged to precede a meeting in the Autumn Term.

The Committee:

- **noted** the Internal Audit Plan 2022-23 and the separate proposed specialist review of IT and cyber-security
- **recommended approval** of the Internal Audit Plan 2022-23 to the Full Governing Body.

**ACTION – (a) FGB agenda item – Internal Audit Plan 2022-23
(b) Internal Auditor to provide risk management training to Audit Committee in the next academic year**

8. EXTERNAL AUDIT

8.1 Audit Strategy Memorandum for the year ended 31 July 2022 *(previously circulated)*

The Committee considered the document prepared by Murray Smith LLP that had been previously circulated. Mike Benson confirmed that the audit approach would encompass:

- audit report on the financial statements
- audit report on the regularity audit
- audit highlights and management letter reporting on the main findings of the audit
- audit report on the Teachers' Pension Agency return.

The External Auditor's independence was asserted and it was confirmed that all ethical standards had been complied with in this regard.

Mike Benson referred members to the key audit risks set out in the Memorandum and reported that these risks were common to most colleges. In addition, it was confirmed that the audit would consider regulatory compliance (particularly with regard to the cyber attack).

The audit timeline was presented and Mike Benson confirmed that there would be some flexibility, if required, should there be any issues in accessing data affected by the cyber incident.

The Committee **noted** the contents of the Audit Strategy Memorandum for the year ending 31 July 2022.

8.2 **Sector update** (*verbal report*)

Mike Benson confirmed that there were no specific updates to present to the Committee. Reference was made to the requirement introduced last year in relation to individual learner records (ILR) assurance work. Work relating to this area of assurance would take place once access to the College MIS system was fully restored.

9. **ANNUAL REPORTS**

9.1 **Fraud and Corruption: annual review of incidents** (*previously circulated*)

The Vice Principal reported that there had been one instance of fraud, namely the cyber-attack and ransomware demand (May 2022) reported on separately under item 6.2.

The Committee **noted** the annual review and the contents of the separate incident report on the cyber-attack.

9.2 **Whistleblowing: annual review of incidents** (*previously circulated*)

The Clerk reported that no issues of concern had been reported to or raised directly with her during the previous 12 months and therefore a nil report was submitted to the Committee in connection with clause 9.1 of the Whistleblowing Policy.

The Committee **noted** the annual review.

10. **REGULATORY UPDATE**

10.1 **ESFA Post-16 Audit Code of Practice 2021-22** (*previously circulated*)

The Vice Principal referred to the ESFA's updated document 'Post-16 Audit Code of Practice 2021 to 2022' which had been previously circulated. The Code set out the overarching assurance and accountability requirements for post-16 providers as well as specific responsibilities for sixth-form college corporations and their external auditors/reporting accountants.

The Vice Principal referred to her covering report which provided an overview of all the changes and provided assurance to the Committee that the College would comply with all requirements set out in the Code.

The Committee **noted** the Post-16 Audit Code of Practice 2021-22.

10.2 **ESFA College Accounts Direction 2021-22** (*previously circulated*)

The Vice Principal referred to the ESFA's updated document 'College Accounts Direction 2021 to 2022' which had been previously circulated. This document set out the ESFA's financial reporting requirements for sixth-form college corporations for the financial year ending 31 July 2022.

The Vice Principal referred to her covering report which provided an overview of the changes and highlighted the following points:

- Confirmation that the finance record for the year 2021 to 2022 was a single year outturn statement only.
- Office for Students (OfS) accounting and audit requirements were not applicable as the College did not receive any direct HE funding.
- New reporting requirements in the statement of corporate governance in relation to governance reviews and development activities for governors and clerks/governance professionals.
- Related party transactions – where there are none to report, a statement must be made to this effect.

The Vice Principal confirmed that the College would comply with all requirements.

The Chair thanked the Vice Principal for her report and the Committee **noted** the requirements set out in the College Accounts Direction.

10.3 **DfE External Governance Reviews Guidance** (*previously circulated*)

The Clerk confirmed that the Department for Education (DfE) had recently finalised its guidance document 'External governance reviews: guide for FE college corporations and designated institutions'. The guidance set out how to arrange an effective external review of governance with specific reference to how to select a reviewer and prepare for a review.

The Clerk reiterated that under the terms of its ESFA Funding Agreement, the College was required to:

- arrange an external governance review every three years
- conduct an annual governance self-assessment
- share the results and associated actions with the DfE upon request.

She referred Committee members to the section of the guidance document that confirmed for colleges that had participated in the Education and Training Foundation's (ETF) pilot reviews, their next review would be due three years after the pilot exercise. Therefore, as the College had participated in an ETF pilot external governance review in the summer of 2021 the next external review would be due in summer 2024.

In the meantime, the Clerk confirmed that annual governance self-assessments would take place in accordance with the framework set out in the Governing Body Handbook and the Governance Self-Assessment Annual Cycle.

The Committee:

- **noted** the contents of the DfE guidance on external governance reviews
- **confirmed** the timeline for the College's next external governance review to be academic year 2023-24.

11. **OTHER MATTERS**

11.1 **Future agenda items**

None raised.

11.2 **Governor training**

Members were invited to update the Clerk on any training activities they had completed since the last meeting. No activities were reported.

11.3 **Any other business**

None

11.4 **Date of next meeting**

Tuesday 27 September 2022. The Chair invited members' feedback on the start time for future meetings and it was confirmed that 8.20am was preferred.

ACTION – Amend calendar of governance meetings to reflect new start time for Audit Committee meetings.

The Chair thanked all members for their attendance and contribution.

The meeting was brought to a close at 9.20am.



Signed by the Chair: _____

On this day: _____ 27 September 2022 _____