

**MEETING OF THE AUDIT & RISK COMMITTEE OF THE CORPORATION
OF THE SOUTH HAMPSHIRE COLLEGE GROUP**

Boardroom, City College, Southampton
Wednesday 19 June 2024 at 17:30

MINUTES

Present:	Ian Harris (Chair) Bernie Topham	Andrew Wannell
In attendance:	Georgina Flood Andrew Kaye Michael Johnson Lesley Heasman Neil McQueen Frances Millar	Director of Governance Chief Executive Officer Chief Operating Officer TIAA – Internal Auditor - left after Item 09ii Group Director of IT - deep dive only RSM – External Auditor - left after Item 09ii

26/23 Item 1: Deep Dive – Cyber Security

The Committee received a ‘deep dive’ session on Cyber Security by Neil McQueen, Group Director of IT. This presentation will be made available via the Governor’s portal.

Members noted the ‘impossible login’ control and queried if the ISP addresses used to track individual log-ins would constitute personal data and as such, do we have restrictions on how we can use it? GDIT confirmed that the detail of the information is not shared with the organisation, just the log-in activity. In response to a question, the GDIT confirmed back-ups are completed daily, weekly, and monthly. A member sought the GDIT views on Cyber Security Insurance? confirmed whilst the general view is if an attack happens you want to keep it quiet (and by having insurance you can’t) they are of the opinion the likelihood of some kind of cyber-attack is so high, that its prudent to have insurance in place.

27/23 Item 2: Welcome and Apologies for absence

Apologies were noted for Kerrie Clark. Members welcomed the temporary addition of Andy Wannell to the Committee to ensure quoracy for this meeting.

28/23 Item 3: Declarations of Interest

Members were asked to declare any interests relevant to the agenda. There were no declarations of interest.

29/23 Item 3i: Minutes of previous meetings

Minutes from the previous meeting held on 13 March 2024 were reviewed for accuracy. Members agreed they were an accurate reflection of the meeting held.

DECISION: Minutes for the meeting held on the 13 March 2024 were approved as an accurate record.

30/23 Item 3ii: Actions/Matters Arising

Members reviewed an 'outcomes' document which outlined the decisions made and actions agreed at the previous meeting. There were no additional comments.

31/23 Item 3iii: Task & Finish Group Systems

The Chair took this item above under actions and matters arising noting that the T&F group met with key staff shortly after the last audit committee. The T&F group received sufficient information and assurance that concerns around oversight and perceived delays were assured. It was noted this, combined with this evening's cyber security deep dive provides sufficient assurance for the T&F group to take no further action.

32/23 Item 4: Items of Focus

The Chair took the opportunity to identify priorities for the meeting as cyber security, risk appetite and a discussion on post-merger accounting method.

33/23 Item 5: Key Performance Indicators – KPIs

The CEO introduced this item noting the single KPI for the Audit & Risk Committee remains at a reasonable/good delivery. Members were reminded the entire suite of KPI's are regularly supplied to DfE and the wider Corporation in full.

The Committee noted the report.

34/23 Item 6i: Risk Management termly review

The COO introduced this report (circulated in advance) providing an update on the main changes to risks and risk controls since the last review during the summer term. The CEO and COO confirmed that the additional 'action' columns used within the cyber security risk (also raised at the Resources Cttee), was due to consistency of input (from individual SLT members) and style of 4risk reporting rather than additional requirements for this risk. It was noted this was being reviewed and will be updated before the Corporation meeting.

ACTION: DG to work with GDIT re: action column in 4risk for cyber security risk

POST MEETING NOTE: Risk reporting amended by DG w/c 24 June

Members discussed at length the residual risk of 'red' for cyber security noting that whilst the likelihood is high, we have significant controls in place to mitigate debating to this end if the residual score be (otherwise we infer that those controls are not working). A member agreed that there are strong mitigations in place, but reflecting on similar conversations in other sectors, whatever controls are in place, the resulting situation still has potentially a very high impact. Members agreed that since this is a risk we can't eliminate, it should remain 'red'/high. The Chair welcomed the constructive debate.

A member queried why the subcontracting remains as a medium risk? COO confirmed that whilst this represents a smaller part of the business overall, its potential impact is still significant. Alignment of practices combined with complex rules suggests this remains a short-medium concern. It was noted that TIAA will be completing a review later in the year, subject to the results of this, we may be able to strengthen control scores for 3rd party review and reduce scoring. A member suggested the risk description might be better articulated.

ACTION: COO to review the risk description for SR14 Poor procurement and delivery of subcontracted delivery

The Chair queried in light of the recent two serious safeguarding cases under investigation, do we feel that we have the right /sufficient controls in place. The CEO confirmed that one of the cases has been resolved and external review found no fault in respect of the College's actions, both he and the leaderships team are comfortable with this outcome. The Student Support team staffing structure has been finalized and there are now site-specific designated safeguarding leads (DSLs) in all campus on a permanent basis. A member queried if the resignation/change in Safeguarding Governor should be considered a risk? Members discussed the possibility of adding this as a short-term risk but recognised this would potentially raise more concerns than provide assurance. The CEO reassured the Cttee the resources in place and the responses provided by SHCG are sound and in line with the duty we are responsible to.

The Chair noted the Audit Cttee and or the Corporation usually look at overall risk appetite and the 'fit' of risks during the Summer Term i.e., now, but noted ELT thoughts to align this more to the strategic plan – can CEO discuss rationale? CEO reminded members of the risk appetite and risk review work completed by Governors in December 23, alongside strategy where the Corporation set risk appetite against themes, which we then mapped across to the risk register. Since we have just re-worked the 24-26 strategy as an 'addendum' it would be prudent to review and potential retain the same risk appetite for this year (24-25) and then look to align this in the same way going forward. All agreed.

Members discussed the ability of the Cttee (and the other Cttee's) whilst reviewing their risks during the year, to add, remove and or change risk appetite, but acknowledged a 'strategic' review aligned to the strategic planning cycle was sensible. The CEO suggested there may be wider and more generic items whereby the Corporation needs to re-group and assess risk e.g., general election and or potential merger but these can be dealt with on a case-by-case basis.

The DG request (for minutes) to confirm discussion and recommendations that 1) the Corporation review the current risk appetite (agreed in Dec 2023) alongside the strategic plan addendum being presented to Corporation on 3 July, and that 2) in future, the Corporation align risk appetite and wider risk review to the strategic planning cycle. All agreed.

DECISION: The Cttee recommend the Corporation approve;

- **that the risk appetite and review approved by Corporation in Dec 2023, be reviewed and approved for fit with the Strategic Plan addendum for 2024-25 at the Corporation meeting on 3 July**
- **that risk appetite and risk register review should be aligned with the strategic planning cycle**

36/23 Item 7i: Health and Safety termly review

The COO introduced this report noted that there was ongoing improvement in most areas of H&S across the group. The Cttee endorsed the positive direction of travel.

A member queried any underlying issues at Eastleigh campus in particular noting significantly lower scores in nearly all aspects of mandatory training. DG noted there may still be potential issues with data robustness due to multiple systems and processes in place until the implementation of the new HRIS (HR Information Systems). The COO suggested some investigation is completed with CEO noting there is

an upcoming week of directed administration where items such as mandatory training could be prioritised. **ACTION: The COO to investigate any underlying factors behind the compliance rate for mandatory training for Eastleigh members of staff.**

The Cttee noted the report

37/23 Item 7ii: Health and Safety – Report from Cusack

The COO introduced this report informing members it outlined findings from phase 1 of a 4-stage audit, focusing on a review of document, key policies and procedures. The Chair and the Cttee agreed they felt this report provided good assurance that Health and Safety at a governance and corporate level is robust and appropriately prioritised. The Cttee recognised however this was only an initial view and that the wider and next stages of the Cusack audit would provide better insight into delivery and practices.

A member noted that within the items for further scrutiny (Section 11 of the report) was a lack of guidance on bullying and harassment which they assume has been passed to the CPO? CEO confirmed that this likely a missing reference in the widest scope of the H&S policy (which covers mental health and wellbeing) but regardless should link to/signpost related HR policies.

ACTION: CPO to liaise with GDE&F to either add information to H&S policy or signpost relevant HR policies as per Cusack report.

The Cttee endorsed the work completed so far by Cusack and noted their keenness to review the next more in-depth stages that will include physical site visits and interviews etc., The Chair queried if this information was being shared with the wider Corporation. COO confirmed we are able to invite Cusack to present their findings at any point. All agreed this would be a valuable opportunity.

ACTION: DG to invite Sean Cusack to present audit findings to a future Corporation meeting.
The Committee noted the report.

38/23 Item 8i: TIAA Statement of Internal Controls Assurance (SICA) and Annual Plan

Lesley Heasman from TIAA provided an update of the internal audit work completed since the last meeting in the Spring term. Members endorsed the inclusion of some 'best practice' reports.

The Cttee noted the report.

39/23 Item 8ii: Internal Audit Report – Emergency Planning

Lesley Heasman from TIAA introduced this item informing members this was a wide review looking at the systems in place within the Group for assessing and managing incidents and emergencies.

The Cttee were asked for their feedback on the various responses and recommendations.

The Chair initially raised his concern with 'one' word management responses noting his keenness to ensure that the COO and wider management team recognised they have the endorsement of the Cttee to be confident and capable of providing robust feedback and challenge. The COO took onboard the feedback and offered by explanation the short turnaround of the report/feedback due to meeting report deadlines. The COO went onto reassure the Cttee that an open and constructive dialogue existed with TIAA and 'push' back and or challenge was mutually acceptable.

In respect of the score of 'limited assurance', the Cttee were reminded that ELT had already recognized this was an area of weakness, and as such moved this review forward/earlier in the programme in order

to help prioritise any suggested works and improvements. A member queried if there was any sense that findings were across the Group fairly consistently or if there were any particular campuses of concern? TIAA confirmed apart from some of the obvious differences relating to context /location and related safety e.g., Southampton there were no clear differences. The CEO endorsed the varied approach due to locations, noting despite a view the Fareham campus is generically 'safer' it remains very 'open' and as a result improved security e.g., turnstiles and fencing/boundary work is being scheduled over the summer.

The Committee noted the report.

40/23 Item 8iii: Review of Internal Audit Recommendation Tracker

TIAA continued by introducing this report noting that one historical action had been completed from the Data Protection Audit at Fareham College and requests for two extensions as highlighted.

A member queried the retention of some of the cyber security actions and their outstanding actions. COO agreed to look into these with the GDIT. Members agreed that it was important to ensure when setting recommendations and actions with deadlines, that these deadlines are realistic.

ACTION: COO to work with GDIT to resolve these outstanding actions.

The COO noted the intention to ensure that any of the 3rd party/external review actions e.g., Cusack audit work would be added to this TIAA recommendation tracker to ensure oversight in one place. The Cttee endorsed this intention.

ACTION: COO to expand TIAA tracker to include any 3rdparty/external (non-TIAA) audit recommendations

TIAA noted that actions from the recent key financial controls audits (KFC) had not been included on this tracker. It was noted these would be added before the next review.

ACTION: COO to liaise with TIAA to ensure that KFC recommendations are added to the tracker.

The Committee noted the report.

41/23 Item 9i: Method of Accounting – Merger v Acquisition

The COO introduced this report reminding members from the financial year 2023/24 onwards, SHCG will report its financial statements as a single entity and must consider its approach to reporting – whilst from a Department for Education point of view, the merger is considered a Type B merger (a corporation is dissolved and its property, rights and liabilities are transferred to an existing corporation) this definition has no basis in accountancy and so we must consider what approach we take. Members were asked to note the various options as well as the recommendation to adopt 'merger accounting' in line with both the view of the Group's external auditors (RSM) and Eversheds.

DECISION: The Cttee approved the recommendation to adopt 'merger' accounting as the preferred method for reporting for the financial statements ending 31 July 2024

42/23 Item 9ii: Review of Preparations for the closure of accounts

Frances Millar from RSM reported to the Committee the headline approach to the account for the year ending 31 July 2024 and noted the previous agenda item confirming method of accounting. The Cttee

were informed the audit would take a similar format to previous years, using the same processes and scope. An opinion will need to be made for Eastleigh College Ltd (despite intention to make dormant/reduce its role) due to activity within the financial year. A detailed timetable has been shared with the COO with the majority of fieldwork scheduled for October.

Members were informed that key 'significant' risks (applied by a matrix required by the auditing standard) have been assessed as

- income recognition – ILR recognition and audit
- mgmt. override of controls –circumstances of exceptional intervention
- subcontracting controls – increased size across group, sector-wide concern re: complexity
- LGPS Pension scheme - technicality around recognizing (or not) as an asset
- Going concern -lower than previous years but stress testing 'beyond' DfE funding
- Capital projects, specifically in ensuring costs and funding are accounted for to year end.
- Re-classification - still quite new, checking compliance against MPM
- Merger and acquisition accounting – recognised system but more complicated than previously

The Chair noted his concern that merger has not been considered a higher risk – can RSM explain why they feel this is not a concern? RSM confirmed that once a decision has been made in the respect of merger and acquisition accounting it's a fairly straightforward process. There is a general risk in that the process is inherently more complicated, but this has been completed many times before and as such there is a template/blue print for this. A member endorsed the concerns querying by the ongoing capital projects do not score higher in the risk review? It was noted there are potentially significant variables in capital work e.g., impairments etc. and that the numbers are high at c. £[REDACTED].

A member noted that the only risk that has increased is sub-contracting. Taking into consideration the exposure in the scheme of the revised turnover £1.5 m of over £46m does these even meet materiality concerns? RSM confirmed that the risk was less based in the materiality (even though the scale has increased significantly from previous years) so this combined with previous issues at Eastleigh and the inherent complexity of subcontracting rules and application means this remains a significant risk.

The Cttee went on to discuss the proposed fee querying if this was likely to reduce for future years (post the initial merger/accounting year) and also if in this first more complex year if it was fixed and covered sufficient resource. RSM confirmed that the cost for 24-25 would potentially reduce in future years once there was harmonisation to a single site/system. In respect of this year, subject to any exceptional findings or unexpected issues this was a set price for the work expected. RSM confirmed that adequate resourcing has been planned since last autumn and is in place.

Due to the conclusion of the internal and external audit business, both Frances Millar from RSM and Lesley Heasman from TIAA were asked to leave the meeting.

19.06 FM and LH left the meeting.

The Chair and some members of the Cttee expressed genuine concern in RSM not listing merger as a key risk and agreed that it was important that the Corporation were sighted on this less there are future changes to scope/price and or delays to the audit. It was agreed the above discussion would be shared with the Corporation via the Chairs report.

The Cttee noted the report.

43/23 Item 10: Governance SAR – ToR & Annual Cycle of Business

DG presented this item to the Committee noting as part of good governance and SAR preparations, The Committee are asked to review their Terms of Reference and Annual Cycles of Business as fit for purpose for the academic year ahead (2024-25)

DECISION: The Cttee approved the current version of their ToR and cycle of business for the academic year ahead.

44/23 Item 11: Annual Fraud Report – Self-assessment ESFA 10-point checklist

DG introduced this item noting this was a self-assessment against the ESFA suggested 10-point checklist, appended to this document where the relevant policies and procedures as well as the Fraud Response plan.

The Cttee noted the report.

45/23 Item 12: CONFIDENTIAL: Tender for IA and EA for services from 2025 onwards

The COO introduced this report reminding members of the decisions made post-merger to carry over the services of both RSM as external auditors and TIAA as internal auditors. The Cttee reviewed this report noting that regulatory rules and governance best practice mean that both audit services are either within or slightly overdue timeframes for competitive tender. Members discussed the small market for both services (notably internal audit) recognising that it was possible any tender exercise will not provide a particularly wide field to choose from. The COO offered to circulate the members of the tender consortium to the Cttee Chair.

ACTION: COO to circulate tender consortium members to the Cttee Chair for info

POST MEETING NOTE: Members circulated to the Chair of Audit & Risk via email 20 June

A member queried if working with other colleges or training providers to appoint services might be worthwhile (this is common practice within other sectors). The COO and DG noted this was not common practice in FE, but that this was a potential option should appointment not be made via the usual means. The CEO offered to float the idea with Hampshire Principals at their meeting later this week.

ACTION: CEO to discuss option/interest in pooling services e.g., audit at Hampshire Principals meeting on 21 June

Members discussed the relative merits/benefits of tendering both services at the same time and queried the interdependence of the internal audit to the external. It was generally agreed this wasn't sufficient to change plans. Members agreed with the recommendation to seek Corporation approval to tender services and this to seek appointment for both Internal and External services at the Audit & Risk Committee in November.

DECISION: The Cttee recommended that the Corporation approve the decision to tender for Internal and External Audit firms with an intention to appoint services at the Autumn A&R Committee.

46/23 Item 13: Any other business

The Chair reminded members it was customary practice to re-elected at the first meeting of the academic year the roles of Committee Chair and Vice-Chair. It was noted that any decision on the role of

VC would be delayed until new audit members had had time to join and settle within the Committee. The Chair confirmed that there were no additional items of business.

The date of the next meeting: Audit & Corporation (Joint) is Tuesday 4 December 2024, taking place at Fareham College.

47/23 Item 14: Meeting reflection/impact assessment

Members were invited to participate in a short SLIDO poll to assess engagement and impact. The meeting ended at 19.30.