

Minutes of Virtual Audit Committee Meeting held at 3.30pm on 26 April 2021

Present: Ashley Cullen, Rob Nitsch & Mark Pembleton (Chair)

Apologies: None

In Attendance: Richard Bott Mazars
Denise Cheng Carter Chief Finance Officer (Designate)
Paola Schweitzer Clerk to the Corporation
Karen Shaw Southern Internal Audit Partnership (SIAP)
Penny Wycherley Interim Principal (Minute 96? Onwards)

Minutes

1 – Standing Items

954 Apologies for Absence

There were no apologies for absence.

955 Membership

Lena had resigned from Corporation the previous week with immediate effect.

956 Declarations of Interest

There were no declarations of interest.

957 Minutes

The minutes of the meeting held on 25 November 2020 were **Agreed** as a correct record.

958 Matters Arising

There were no matters arising that were not covered on the agenda.

2 - Matters for Discussion & Decision

959 Internal Audit Report – interim follow up report on areas of limited assurance

Karen presented paper 2818/21/A setting out the interim follow up report on areas of limited assurance (estates management and procurement and payments), as requested at the previous meeting.

All procurement and payment actions had been completed. Progress had been made with estates management actions but given resource constraints, the College had prioritised health and safety actions. The remaining actions were due for completion by July/September 2021 and would be addressed through the College's £20m bid to the ESFA Transformation Fund.

Ashley, a member of the Shadow Board overseeing the merger process, asked what internal audit work was undertaken at Portsmouth College and, as the date of the possible merger drew closer, what audit preparations were being undertaken. Denise stated that each college was completing its auditing arrangements on a standalone basis for 2020/21 but that the two colleges were collaborating wherever possible. Workstreams were mapping areas such as estates and MIS in preparation for the merger, with the intention that systems would be aligned over time. Karen confirmed that SIAP were the internal auditors for Portsmouth College.

Rob asked who 'owned' the merger risk methodology and risks concerned with, for example, failure to receive ESFA Transformation Funding. Denise clarified that although the bid had been agreed by the Shadow Board and both individual boards, only Highbury, as the GFE and surviving legal entity, could submit it. It was therefore Highbury that owned the associated risks and these were managed through its risk register. The merger risk register was owned by both colleges. Once merged, the new college would have a legal identity and would therefore be responsible for managing property issues and risk. Paola reminded governors that the ongoing due diligence (individual college legal due diligence and joint financial due diligence) provided an additional level of scrutiny and the outcomes would be reported to both college boards in May. Governors noted the existing high level of scrutiny, including the due diligence process, and were assured that risks were well managed.

The Committee **Noted** the interim follow up Internal Audit Report on areas of limited assurance.

960 Internal Audit Report – autumn term 2020 and spring term 2021

Karen presented paper 2819/21/A comprising reports from the autumn 2020 and spring 2021 terms.

Covid-19 risk management: The purpose of the audit was to ensure that risk management procedures and processes had been applied to respond to the effects of the pandemic. The audit gave substantial assurance concluding that *'a sound system of governance, risk management and control exists, with internal controls*

operating effectively and being consistently applied to support the achievement of objectives in the area audited.' There were no management actions. Governors noted this reassuring audit, crediting the College's strong leadership and all staff.

Subcontracting: The purpose of the audit was to ensure that appropriate controls were in place to manage subcontractors delivering education and training funded by the ESFA. At the time of the review the College had subcontracting arrangements in place with one subcontractor: Pompey in the Community. The audit gave reasonable assurance and concluded that there was generally a *'sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.'* Three management actions were identified, two for immediate action and one for completion by the end of May 2021. Mark noted that the first observation, the lack of governor approval of proposed subcontractors in a timely way, was the most worrying and asked Karen if it could happen again. Karen stated that she was unable to give absolute assurance, but that the culture appeared to have changed within the College and it was therefore less likely. Paola confirmed the culture change within the College and that weekly three-way meetings with the chair, principal and clerk minimised this risk.

The Committee **Noted** the Internal Audit Reports from the autumn 2020 and spring 2021 terms.

Penny joined the meeting.

961 Review of Outstanding Audit Recommendations

Denise presented paper 2820/21/A setting out the outstanding audit recommendations from previous audit reports. There was a total of 22 risks, 13 of which had been completed and 9 were ongoing. It was a rolling report, with completed actions removed from the following report.

Governors noted the clarity of the report and suggested the actions were colour coded to indicate if there were any particular concerns. The Committee **Noted** the Review of Outstanding Audit Recommendations.

962 Merger with Portsmouth College

Penny gave an update on the proposed merger with Portsmouth College, stating that everything was on track for the merger on 01 August 2021.

Some concerns had been raised through the public consultation about the transfer of SEND provision to the Highbury campus in September 2021 and it had therefore been agreed that the transfer would not now take place in the autumn. Discussions with staff were ongoing. The legal and financial due diligence processes were progressing smoothly with some minor issues being raised but nothing of significance. The public consultation and due diligence outcomes would be reported

to the next Shadow Board meeting, followed by the individual college boards. Communications with the trade unions were going well.

The Shadow Board needed to agree the size and composition of the new college board and Simon Perryman, who had advised on the composition of the Shadow Board as a National Leader of Governance, would support this process. Once agreed, Highbury College (as the surviving legal entity) would be able to initiate the process of appointing a Chief Finance Officer (CFO) to replace Denise whose contract ended on 31 December 2021. Failure to address the new college board composition in a timely manner would negatively impact senior postholder recruitment. Penny advised that it was often difficult and complex to organise a new board and the timescale for appointing a CFO was tight as the process needed to be concluded by the third week in July. Penny believed that the CFO appointment was currently the most significant risk associated with the merger.

Governors noted the SPH recruitment timeframe, expressing concern at the risks for which Highbury College was ultimately responsible. They discussed how these risks could be mitigated. Penny had requested quotes from recruitment agencies with the aim of a panel of governors meeting immediately after the next Shadow Board meeting to agree the CFO job description and advertisement. After some discussion governors agreed that Remuneration Committee should be tasked with taking forward SPH recruitment, with Rob supporting the Committee to provide assurance to Audit Committee.

963 Risk Register (paper 2821/21/A)

Penny presented the risk register, which had been updated to 19 April 2021 with new items highlighted in red and a column indicating the direction of travel.

The overall level of risk had dropped, specifically the high-risk areas of IT infrastructure (a new network had been installed over the Easter break) and apprentices (a specialist had been appointed to support this area). However, apprenticeships remained the College's most significant risk. Rob offered to support the College on its apprenticeship activity and suggested the College might wish to explore working collaboratively with PETA. Rob and Penny agreed to discuss this further. Denise concluded by stating that the College was currently reviewing its major disaster plan. This would be completed by the end of May so work could start on merging both colleges' risks registers in June.

The Committee **Noted** the Risk Register.

964 Review of 2018-2019 ILR of HE Students from OfS

Denise presented paper 2822/21A summarising the ILR review of HE students by the Office for Students (OfS).

The OfS, the higher education (HE), had reviewed the College's 2016/17 and 2018/19 returns and found issues regarding their accuracy. These errors had not been fully corrected so the OfS had reviewed 2019/20 data. The outcome of this review was that the College was likely to be subject to a full OfS audit as well as the following clawbacks:

- 2018/19: £64,764
- 2019/20: £48,960 (estimate)
- 2020/21: £22,400 (estimate)

An action plan was attached to the paper to show how the College proposed to deal with the ongoing review. These issues were historical and had been fully recognised and amended in the 2020/21 ILR submission. The College was finalising partnership arrangements with the University of Portsmouth, meaning that it would no longer be subject to OfS regulation. 2021/22 would be transition year seeing out the small number of existing HE students, with the College aiming to deregister with the OfS from 2022/23 onwards.

Ashley asked how significant this issue was for the College. Denise answered that it would be significant if the College's strategy was to pursue HE as a growth market, but that was not the case. Penny stated that HE provision at the College had been inadequately managed and although this has now been rectified through the appointment of an HE manager and regular reports to Learning & Quality Committee, provision at the College wasn't financially viable and classes were too small to offer a valuable learning experience. The partnership with the University of Portsmouth would provide a better student experience and progression routes. Denise noted that Portsmouth College was not registered with the OfS, instead they had Tier 4 status and that deregistering did not therefore present a risk for the new college.

The Committee **Noted** the review of 2018/19 ILR of HE students from the OfS.

Governors thanked Penny and Denise and they both left the meeting.

Date of Next Meeting: 3pm, 15 June 2021 (to be moved back a week)