

## Minutes of the Hybrid Audit Committee Meeting Held at 5pm on 29 November 2022

Present: Prue Amner, Ashley Cullen (joined at 5.30pm), Shirley Nellthorpe and Pauline Tiller (chair)

Apologies: None

In Attendance: Richard Bott                      Mazars (external auditor)  
Mike Cheetham                      RSM (internal auditor)  
Paola Schweitzer                      Director of Governance  
Maria Vetrone                      COO

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## Minutes

### Standing Items

#### 72 Attendance and Participation

There were no apologies (Ashley joined late due to IT issues).

#### 73 Declarations of Interest

There were no declarations of interest.

#### 74 Minutes

The minutes of the meeting held on 20 September 2022 were **Agreed** as a correct record.

#### 75 Matters Arising

**Minute 50/62: Data Protection Policy:** Maria to agree a deadline for the review of this policy and advise the Committee accordingly (the Vice Principal Information Services had prioritised higher priority issues since joining the College in August).

Governors **Noted** that all other matters arising were either completed or on the agenda.

### Matters for Discussion/Decision

#### 76 Internal Audit Reports: Autumn Term 2022 (paper 270/22/A)

Maria presented the internal audit autumn term 2022 report.

RSM had been appointed as the College's new internal auditors from 01 August 2022. The 2022/23 Internal Audit Plan was approved by Audit Committee on 20 September 2022 and start dates for most audits had been agreed, with the first covering

safeguarding due to start in January 2023. Governors **Noted** the internal audit report autumn term 2022 update.

There was a brief discussion about the Office for National Statistics' announcement earlier in the day that all colleges would be classified in the public sector with immediate effect. It was too early to assess the impact of this change, but it was unlikely to mean any significant changes at City of Portsmouth College at this point in time.

There was a brief discussion about RSM's ASTML project scope, with governors noting that action was dependent on Corporation's decision on 05 December 2022. Maria would advise RSM as appropriate.

## 77 **FEC Report March 2022**

Maria presented paper 286/22/A advising the Committee of the outcome of the Further Education (FE) Commissioner's report following their visit in March 2022.

The report concluded that '*Governors and senior leaders have made good progress bringing together the 2 previous colleges and creating a single college for the city. However, they are fully aware there is still much to do and have plans to address key areas of risk. Some of these are more developed than others.*' The themes identified in the report (there were no recommendations) were revisited in the FE Commissioner's following visit in October 2022. Maria noted that the College remained in intervention and with a financial notice to improve. Governors **Noted** the FE Commissioner's report dated March 2022.

## 78 **FEC Report 14 October 2022**

Ashley joined the meeting.

Maria presented paper 271/22/A setting out the FE Commissioner's report following their visit in October 2022 to follow up on the themes raised in March 2022.

The report concluded that '*We consider the college has made good progress since our last visit and the financial position of the college, whilst still challenging, is being well managed, but future plans are subject to risk. We fully support the ambition of the board to improve quality of provision and to underpin this with sound financial health.*'

Maria confirmed the College had taken up all the suggestions identified by the FEC team, with some already underway. Paola confirmed that FEC had submitted a bid for the College to use Peridot consulting agency to identify two potential governors and the outcome was awaited. Paola would update the Committee following the meeting. Governors **Noted** the FE Commissioner's report dated October 2022.

## 79 **Outstanding Audit Recommendations Follow Up including KPMG Report**

Maria presented paper 272/22/A setting out the outstanding audit recommendations follow up, including actions from the KPMG report.

The report confirmed the progress made by management in implementing internal audit recommendations raised by Scrutton Bland in 2021/22. 39 recommendations were made, 12 of which had passed their original timelines for completion (eight of these concerned the IT infrastructure). Recommendations raised in KPMG's funding

assurance report from February 2022 had been implemented. There were no audit recommendations for 2022/23 as audits had not yet started.

There was a brief discussion about the IT recommendations. Maria stated that £1.1m had been ringfenced in the 2022/23 budget to support IT infrastructure and that measures were in place to mitigate risks prior to actions being completed (the IT team had been concentrating on other high risks). Prue recognised the huge amount of IT work completed over the previous year, particularly given the small size of the team. Mike confirmed that RSM would follow up all outstanding actions.

Governors **Noted** the outstanding audit recommendations follow up.

## 80 Strategic Risk Register

Maria presented paper 273/22/A setting out the updated strategic risk register including movements in net risk and mitigating management action plans.

The College was expected to maintain an effective risk management framework to ensure that key strategic risks to the achievement of the College's strategic objectives and priorities were identified, prioritised and managed. Audit Committee and Corporation considered the register at every scheduled meeting. The register highlighted changes since the last report, including changes in narrative and scoring. A Risk Management Board, comprising the Senior Management Team (SMT), met every term to review the register and their last meeting was 08 November 2022. In response to a question, Maria stated that governors did not currently attend these meetings but would be welcome as observers. Paola would circulate the meeting dates. Operational risk registers were currently being established for each College area.

The register contained 25 strategic risks of which eight were significant/business critical net risks including failure of key information systems and loss of data, failure to achieve student satisfaction, poor staff morale and failure to maintain sufficient executive management capacity. Maria confirmed that she owned the register and the Risk Management Board (RMB) met termly, prior to Audit Committee meetings. Whilst governors did not attend RMB meetings, they would be welcome. Paola would advise Committee members of the meeting dates. Ashley welcomed the assurance mapping outlined in the report. Mike noted that some colleges assigned individual risks to Committees. Maria confirmed that was the case in 2021/22 but had been phased out, however the Audit Committee could ask Committees to examine risks in greater depth on an ad hoc basis. Pauline asked why the risk associated with student satisfaction had increased, to which Maria responded that student surveys carried out at the start of the academic year had provided some negative feedback on the student experience. This was largely because the new systems and EBS didn't operate as smoothly as anticipated so actions to support the student experience were being implemented.

Governors **Noted** the updated strategic risk register and recommended it to Corporation.

## 81 Financial Statements 2021/22 (paper 274/22/A)

Maria presented the draft audited College group financial statements, including the draft annual report for the year ended 31 July 2022 and an overview of year-end results.

The College was required, under its conditions of funding with the ESFA, to submit audited financial statements by the 31 December. The Audit Committee's remit included consideration of the group's financial statements with emphasis on the governance statements and audit opinions. Finance & Resources Committee had reviewed the financial statements on 22 November 2022.

Portsmouth College was dissolved on 31 July 2021, with its assets and liabilities transferred to Highbury College, which subsequently became the City of Portsmouth College on 01 August 2021. The College Group had three principal subsidiary companies as well as Highbury College (Nigeria) Limited. Only one of these subsidiaries was active during the year ended 31 July 2022, Highbury Apprenticeships (Birmingham) Limited, which was 100% owned by the College and was included in the financial statements. The activities of the company have diminished significantly in year because recruitment and training of apprentices was delivered entirely in-house.

The College had adopted the acquisition method of accounting for the merger of the legacy colleges and prior year comparators were therefore provided for Highbury College. The group posted an underlying operating deficit of £1.62m (£0.90m deficit 2020/21) against a planned deficit of £1.84m for the year ended 31 July 2022, excluding FRS 102 LGPS adjustments totalling £2.20m. The deficit result also included the planned costs of merger which were self-funded. Total income for the group was £28.57m (£17.33m 2020/21), an increase of £11.25m from the previous year. Total expenditure was £32.39m (£19.54m 2020/21), increased by £12.85m from the previous year. As a result, the group generated an operating deficit after other gains and losses of £3.82m (£2.22m deficit 2020/21) including FRS 102 pension costs. Total comprehensive income for the group was a surplus of £25.71m (£5.51m surplus 2020/21) caused mainly by an actuarial gain of £21.33m (£6.35m gain 2020/21) in respect of the LGPS pension scheme and the fair value of net assets acquired on merger amounting to £8.20m.

Maria drew governors' attention to the College's performance against the ESFA's KPIs noting that whilst the College had performed well against its targets, they were coming from a low baseline with more work needed to meet the national benchmarks. Maria also drew governors' attention to the assessment of the College as a going concern, an assessment shared by the external auditors, Mazars. Student recruitment for 2022/23 was buoyant and there was no reason why there would be a decline in student recruitment for the 2023/24 academic year. The Group was heavily reliant on revenue growth from apprenticeship provision and new commercial provision and it was anticipated to increase 16-19 student recruitment from the recovery of market share. The financial plans indicated that the Group was capable of increasing its income to £33.4m in 2023/24 however, the cost base was also expected to reach £32.8m. The risks associated with the financial plans for 2022/23 continued to be significant and an operating deficit was budgeted. Strategic and operational risk registers were in place with mitigating action plans. The Group's financial health remained 'requires improvement' in 2022/23 transitioning to 'good' in 2023/24 with more positive ESFA key performance indicators and net current assets if forecasts were met. The College would control the operating position to reflect reduced income wherever possible, and tight management over both pay and non-pay related expenditure. There was a provision of £2.69m of capital spend in 2022/23 to progress the estates strategy. The College was focused on growing income, controlling expenditure and achieving efficiencies to ensure that resources could be re-invested in core teaching and learning activities and income generating activities.

Finally, Maria stated that there were still some minor changes to process but the external auditors had given an unmodified and unqualified audit opinion.

Governors reviewed the statement of corporate governance and internal control ensuring that wording aligned with the Audit Committee's Annual Report to Corporation. Richard confirmed that his report referred to the Office for Students and the governance statement did not therefore need to reference this agency. There was a brief discussion about the outstanding areas, with Richard noting that these would not affect the final opinion. Richard stated that it had been the smoothest of external audits undertaken at the College, something that was particularly impressive considering staff changes. He also noted it was the smoothest audit he had undertaken in a recently merged college. Maria stated it was the most comprehensive audit she had been involved with. Governors thanked Maria for the clarity of her report and congratulated her and her team.

Governors **Approved** the draft audited Group financial statements and annual report for the year ended 31 July 2022 and recommended them to Corporation for approval.

## 82 External Audit Management Letter

Richard presented paper 309/22/A setting out the external audit management letter for the year ended 31 July 2022.

The letter confirmed the audit findings and external audit opinion. Also included was a draft letter of representation, which the Corporation was required to sign and provide to the external auditors. The letter was a standard requirement and stated that information submitted for external audit was accurate and that all material information had been disclosed. The College's external auditors, Mazars, confirmed '*We have substantially completed our audit in respect of the financial statements for the year ended 31 July 2022. [...] At the time of issuing this report and subject to the satisfactory conclusion of the remaining audit work, we anticipate issuing an unqualified opinion, without modification.*'

Governors **Noted** the external auditor's management letter and **Approved** the letter of representation, recommending it to Corporation for approval.

## 83 Audit Committee Annual Report to Corporation

Paola presented paper 275/22/A setting out the Committee's annual report to Corporation.

The report summarised the Committee's activities from 01 August 2021 to 31 July 2022, including a view of its own effectiveness and how it had fulfilled its Terms of Reference and its opinion on the adequacy and effectiveness of the College's audit arrangements, its framework of governance, risk management and control and its processes for securing economy, efficiency and effectiveness. The report concluded that, based on the Committee's work and reports received over the year, the Corporation's assurance arrangements, framework of governance, risk management and control procedures for the effective and efficient use of resources, solvency and the safeguarding of assets were adequate and effective.

Governors discussed the report and suggested some amendments/clarifications to clarify Ashley's membership (he was a member throughout 2021/22) and ensure

cybersecurity wording was consistent with the financial statements. Governors **Agreed** to recommend the Audit Committee Annual Report to Corporation.

#### 84 Fraud Update including ESFA Fraud Checklist

Maria presented paper 276/22/A providing a routine report regarding fraud and the completed ESFA Fraud Checklist.

It was Corporation's responsibility to establish and maintain an adequate system of internal control, to ensure compliance and to prevent and detect irregularities and suspected fraud. Corporations were therefore required to have procedures in place to ensure any suspected or discovered instance of fraud, cybercrime, theft, bribery, corruption, irregularity, major weakness or breakdown in the accounting or other control framework were identifiable. Corporations were required to inform the Audit Committee chair and external and internal auditors as soon as practically possible and, where the fraud or suspected fraud was significant, to inform the ESFA and other relevant funding providers. The accounting officer was required to include any significant fraud in their statement of regularity, propriety and compliance.

Maria stated that it was the first time the ESFA Post-16 Audit Code of Practice's anti-fraud checklist had been completed by the College. The checklist showed that all areas had been implemented, except for *Does the provider have a regularly reviewed counter fraud strategy, fraud risk assessment processes and a fraud response plan?* Maria stated that a fraud policy was currently being drafted and she hoped to bring it to the next Committee meeting. The list (with any updates published by the ESFA) would be reviewed by the Committee periodically.

Governors **Noted** the fraud update and the completed ESFA fraud checklist.

#### 85 Health & Safety Report

Maria presented paper 277/22/A setting out the health & safety report.

The report provided an overview of policies and procedures, insurance, fire, training, HSE Committee updates, inspections/audits, accidents/incidents/RIDDOR, off site activities and risk assessments. The College has recently appointed a new Health & Safety Manager with responsibility for ensuring that health and safety was fully embedded in all College tasks, activities, and processes and to encourage the continued development of the Health and Safety Management System. The College's Health and Safety Policy was updated in June 2022. Most procedures now needed to be reviewed to ensure that they were appropriate, fit for purpose and compliant. Two RIDDOR reports had been made to the HSE. There has been an increase in off-site activities for students.

Maria stated that future reports would be more detailed. Pauline stated that she had attended the health and safety self-assessment validation meeting and found it to be very professional. Prue asked if insurance arrangements for students on work placements were in place for the College and the company. Maria would confirm after the meeting. In response to a query, Maria confirmed that risk assessments were carried out for individual students as well as the location. Paola noted that Search & Governance Committee would shortly recommend to Corporation that Graham Goddard, lead health and safety governor, would join this Committee. Governors **Noted** the Health & Safety report.

## 86 Whistleblowing Annual Report

Paola presented paper 278/22/A setting out the annual whistleblowing report, in line with the Committee's responsibility for overseeing the College's whistleblowing policy and received an annual report on whistleblowing.

Information on whistleblowing was available on the College governance webpage and included a link to the whistleblowing policy and a dedicated whistleblowing email address. Also provided was the ESFA whistleblowing email address and link to their whistleblowing procedures. The whistleblowing policy was revised and agreed by Highbury College Corporation in December 2019. A City of Portsmouth College Policy Register had just been finalised and the whistleblowing policy would be reviewed in line with the agreed cycle. Paola stated that there were no whistleblowing allegations in 2021/22 at the College. Pauline asked if it was unusual that there weren't any whistleblowing allegations, to which Mike confirmed it was very common and it was either because individuals were unable to raise them or there weren't any. The key thing was to make sure the policy was well publicised. Richard stated that he had not been able to locate the policy through a Google search and Paola agreed to pick this up with the marketing and communications team.

Governors **Noted** that there were no whistleblowing allegations in 2021/22 and that the whistleblowing policy would be reviewed as part of a broader review of College policies.

## 87 Data Protection Breaches

Maria reported that she was not aware of any data protection breaches at the current time.

## 88 Audit Committee Training & Development

Paola presented paper 279/22/A setting out the Committee's proposed training and development plan for 2022/23.

The report assessed the Committee's skills and knowledge and proposed training and development for 2022/23. This was in line with the Joint Audit Code of Practice requirement for Audit Committees to '*consider the development of members and put in place appropriate training to ensure their skills and knowledge are up to date.*' The Skills Audit showed that collectively Audit Committee had high/good audit knowledge/experience across the areas of accountancy and financial matters, audit matters and risk management. Training suggestions were drawn from the online Governance Development Programme and Paola invited governors to suggest other topics they wished to explore. Governors **Noted** the Audit Committee training and development requirement and the training and development suggestions for 2022/23.

Maria left the meeting

## 89 Meeting without Staff & Students Present

Pauline invited comments. Richard stated he was pleased the College had a permanent COO and believed there were all the ingredients necessary to take the College forward. Pauline noted the stretch within the leadership team.

The meeting ended at 7pm.