

<b>Meeting/Committee</b>	<b>Audit &amp; Risk Committee</b>
<b>Date of meeting</b>	16 <sup>th</sup> September 2020

## 1 Declarations of Interest and Eligibility

The Chair requested Governors declare any interests at the appropriate time during the meeting.

## 2 Welcome, introduction and Apologies

### Attendees :

A Phillips (Chair)  
S Bulley  
G Owen

### In attendance:

V Parkes	Director of Governance
K Noble	Executive Director of Finance
L Smith	RSM
K Matkin	RSM

### Apologies for absence

Apologies received R Barnett (RSM).

## 3 Minutes of the Audit & Risk Committee held on the 25<sup>th</sup> June 2020

**Resolved:** The minutes of the meeting held 25<sup>th</sup> June 2020 were agreed as true and accurate record.

### 4a Matters Arising for meeting held on 25<sup>th</sup> June 2020

None noted other than those on the agenda.

**4b)** No further actions as part of the progress report that are not covered under the Agenda.

## 5 Internal Audit

The Chair drew attention to pre-meet slot contained within the agenda and stated that this is not required for each meeting unless specifically requested, save for the committee meeting in which the final accounts are to be signed off.

**Action:** Director of Governance to remove from Agenda unless requested or the final accounts are due to be signed off. As the final accounts sign off is a joint meeting with Finance Committee confirm if they will also attend the pre-meet

RSM gave a brief general update with regards to progress against the audit plan. In all areas there will be substantial assurance conditions except for Health and Safety. It was felt at this stage there would only be a partial assurance given due to there being challenges in obtaining information. It was noted however this was due to COVID-19 and issues arising from the pandemic. A further meeting has been scheduled for next week to go through the findings and it is hoped further information may be supplied which alters the final assurance given. RSM stated this report may require consideration earlier than the next meeting date. It was agreed that the report would be circulate outside of the normal meeting schedule and if necessary an additional meeting will be convened by the audit committee to discuss.

**Action:** Executive Director of Finance to circulate the final report once received.

**Action:** The Chair to confirm whether an additional meeting is to be scheduled to discuss the report findings.

RSM informed the members that Robert Barnett will be replacing Chris Williams who is due to retire soon. They confirmed the other members of the internal audit team would remain unchanged and therefore allow for continuity.

#### **(i) Governance**

RSM gave an overview of the key themes arising within the report noting that overall the systems and controls in place were well designed and operating effectively. The report raising findings which have led to three management actions: one medium and two low, as stated below:

1. Medium Category Action: A succession plan/policy will be developed for the Chair and Vice Chair for the Board and Committees and presented at the next meeting of the Search and Governance Committee.
2. Low Category 1: Governors will sign off to confirm that they have attended the induction and have read and understood their roles and responsibilities.
3. Low Category 2: Completion of the remaining two actions arising from the FE commissioners report regarding Governance which relate to succession planning (see medium category action) and the development of an effective performance management system for the CEO and senior postholders.

The Chair raised the deadline specified for the first two actions arising as being the day before the new Director of Governance started in post and therefore time was needed to allow for these actions to be reviewed and completed.

**Action:** Director of Governance to review the management actions and report back at the next meeting.

RSM highlighted that also contained within the report was the findings from the questionnaire responses received via the survey sent to Governors regarding their views on governance within the RNN Group. In addition, the report also contains the questions used. The Chair noted that it may provide greater insight in the future if the questions were tailored to RNN rather than lifted from the generic list of questions provided.

## **ii) Follow up**

RSM gave an update regarding the follow up on progress made by the Group to implement the previously agreed management actions from the following audits from 2018/19:

- Payroll 2.18/19
- Budgeting and Forecasting 3.18/19; and
- Creditors 4.18/19.

Eight management actions were considered in this review which comprised of six medium and two low priority actions raised in the above reports.

RSM noted that reasonable progress has been made with four actions closed and four ongoing. The four actions still ongoing relate to Budgeting and Forecasting and to Creditors. All remaining actions are in progress and have been categorised as:

Budgeting and forecasting:

Management Action 1 (medium category): update to the financial administration procedures - the action has been partly though not yet fully implemented.

Management Action 2 (medium category): budget setting processes to be carried out as per the College timetable for 2020 - the action has been partly though not yet fully implemented.

Management Action 3 (low priority): formally review the bi-monthly process between the management accounts team and budget holders - the action has been partly though not yet fully implemented.

Management Action 4 (medium priority): reminder to staff and list of those suppliers not requiring a PO number - the action has been partly though not yet fully implemented.

RSM noted that there is also an additional element to management action 4 however this is not due for completion yet.

The Executive Director of Finance stated that two of the remaining four actions have now been completed.

## **iii) HR – Mental Health & Wellbeing**

Report to follow.

## **iv) Subcontracting Controls**

RSM gave an overview of the context in which the report had been written and stated that all providers who subcontract have to have their financial controls reviewed by an external auditor. This is a requirement from the EFSA. Due to the nature of this report there is no formal assurance opinion given or level of opinion given.

RSM confirmed that there isn't anything concerning within the report and certainly nothing which is out of line with what they see at other providers. It was noted that there is a timing issue with the report in that the ESFA issued their guidance for subcontracting controls in November 2019 and, as you would expect, subcontracting contracts had been signed prior to the academic year starting.

RSM stated that there was nothing evident within the report which would preclude the signing of the certificate to confirm that the RNN's arrangements are satisfactory, as required by the ESFA.

The Chair queried who was responsible for signing the certificate which RSM confirmed was anyone within the organisation who had delegated authority.

The Chair led a discussion regarding whether a template should be drawn up for subcontracting however RSM stated that the ESFA were currently changing the rules and therefore in a transition phase. This could lead to a template being out of date.

All subcontracting requests currently go through the Executive Director of Finance.

**Resolved:** Consideration to be given to a template once the revised rules are known.

**v) Health & Safety**

Report to follow.

**vi) Draft Annual Report**

RSM confirmed that fieldwork has been completed for all of the seven audits within the 2019/20 internal audit plan. Two reports are currently in draft with management for review and comment (06.19/20 HR: Mental Health and Wellbeing and 07.19/20 Health and Safety) and will be presented to a future meeting.

RSM provided a brief verbal update regarding Health & Safety, highlighting the earlier conversation that not all actions had been completed and therefore this would not receive a Head of Internal Audit opinion. The Chair asked whether this would adversely impact on any external stakeholders which RSM confirmed it shouldn't.

**vii) Plan for 2020/21**

RSM stated advised that there is nothing further to report on this item given it is the start of the academic year.

**6 ILR Audit Report**

Report still awaited, it is unlikely to give rise to any concerns, the Executive Director of Finance will circulate and call an extraordinary meeting if there are concerns in the report.

**7 OFS Audit Report**

As ILR Audit Report above.

**8 Audit Recommendations Report**

The Executive Director of Finance presented the report and highlighted its layout to allow for recommendations raised in the previous meeting to compared against progress made.

The Executive Director of Finance noted that Risk Management was still showing as Red as there was no progress made on this area currently.

The Chair queried the RAG rating and a discussion was had about whether completed items should be green, blue or hidden once completed. The general consensus was that green indicated items were on track rather than completed and it was therefore agreed that completed items should be blue. It was also agreed that amber should be saved for items where there is a known issue or problem which will prevent the deadline from being achieved. Red should indicate an item where the deadline has been missed.

**Resolved:** Completed items on the Audit Recommendations Report should be highlighted in blue. Amber should be used where there is a known issue affecting the deadline. Red to be used for deadlines missed.

RSM stated that all completed items should remain on the report until they have been tested and confirmed by RSM. Currently there is an annual follow up where completed will be tested however concern was raised about the timing of this and that ten or eleven months could in fact pass before an item was tested and potentially discovered to not be completed. It was agreed that where possible follow up should be completed prior to each committee particularly on high/medium risk items.

**Action:** The Executive Director of Finance to amend reporting for RAG rating and request follow ups as appropriate.

## 9 Regulatory Self-Assessment Questionnaire

The Executive Director of Finance stated that this is a requirement of the external auditors and at this stage it hasn't been completed. RSM stated that interim self-assessment should be completed and brought to this committee to allow for greater scrutiny and challenge.

**Action:** The Executive Director of Finance to prepare an interim report to be circulated prior to the next meeting.

## 10 Risk Management

### i) Summary of Urgent Risks

No urgent risks noted.

### ii) Risk Register 2020/21

The executive Director of Finance gave an overview of risks highlighted within the risk register and invited comments/questions. The Chair highlighted that within the Critical Incident or Disaster tab there was a risk which had a higher residual risk score than the inherent score. The Executive Director of Finance stated this was a mistake and that this would be rectified.

**Action:** Executive Director of Finance to amend the residual risk score for 'impact of critical incident'.

RSM stated that they should be added to the register as a third line of assurance.

**Action:** Executive Director of Finance to add RSM to the register as a third line of assurance.

### iii) Review of Risk Appetite

There was no review of risk appetite available for this meeting. It was agreed that an action plan relating to how this would be cascaded down through the organisation. Executive Director of Finance to follow up and report on at the next committee meeting.

**Action:** Executive Director of Finance to prepare an action plan to be reported upon at the next committee meeting.

- iv) Plan to improve Risk Management activity, processes and procedures

It was noted that at this time of year (academic) it is typical to have this number of risks noted. G Owens asked about the risks which are outside of the college's control and whether or not these should be deemed red asking whether contingency plans actually allow for the risk to be downgraded. It was discussed that the likelihood may be downgraded thus reducing the overall grading however when considering the current pandemic, which we are currently in the middle of, it should remain red.

A conversation was had regarding highlighting which committee was reviewing which risk and that there may be occasions where items needed to be passed across to another committee such as Quality and Standards. It was agreed that there needs to be a system put in place for items to be raised within in other committees for comment or action and that this should be done via the Director of Governance. This process would then allow for an audit trail of issue raised and its resolution.

**Action:** Director of Governance to communicate a process for raising risk items within other committee groups.

## **11 2020 Update to the Audit Code of Practice**

The Chair stated that a copy of the code had not yet been circulated and therefore it wasn't possible to review the changes. RSM gave a brief overview of the update and stated that RSM had prepared a briefing regarding the changes and their organisations interpretations of it, which they would be happy to circulate.

**Action:** RSM to circulate a copy of the Audit Code of Practice briefing.

## **12 Audit Service Sector Update**

The Executive Director of Finance advised that there is nothing further to report.

## **13 Fraud, Irregularity and Whistleblowing – 2019/20 Report**

The Executive Director of Finance advised that the final report is not yet available. G Owen asked whether there was a requirement to raise greater awareness of fraud, irregularity and whistleblowing especially on the less obvious areas such as those relating to a member of staff. The Executive Director of Finance stated that the quality team deal with both internal and external complaints and there are procedures in place to do so.

The Chair questioned how the organisation is raising awareness of fraud and how concerns should be raised. It was recognised that there are several other areas where awareness should be raised and that Covid is probably the priority.

**Action:** The Executive Director of Finance to raise this with the Principal/CEO and The Executive Director of Human Resources, Organisational Development and Marketing. To determine what

areas may warrant awareness raising with staff and students how we would best do. The committee requested that the area of fraud, irregularity and whistleblowing be one area.

**14 Any other items of urgent business**

During discussions it became apparent that there were concerns in several quarters that students may be coming to us less mature and personal developed than would normally be expected given the extended period of absence from education. This was felt by the committee to be a possible risk area impacting the quality of our delivery. This concern is to be passed to the quality committee for comment. (This is an example of item 10.iv above)

**15 Date & Time of next meeting**

Wednesday 2<sup>nd</sup> December

Signed \_\_\_\_\_ Chair

Date \_\_\_\_\_

