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| <b>Meeting/Committee</b> | <b>Audit &amp; Risk</b>                                     |
| <b>Date of meeting</b>   | 27 <sup>th</sup> September 2021 (Via Google Meet at 3.15pm) |

## 1 Declarations of Interest and Eligibility

The Chair reminded governors to declare any interests at the appropriate time during the meeting.

## 2 Welcome, introduction and apologies for absence

### Attendees:

S Bulley, Chair  
G Owen

### In attendance:

M Bagshaw  
G Teasdale  
J Austin  
L Smith  
T D'Ath

Interim Director of Governance  
Executive Director of Finance  
Principal/CEO  
RSM  
Executive Director Corporate Services

Interim Director of Governance confirmed that auditors had not requested to meet with the committee without management present.

### Apologies for absence

Apologies for absence were received from Jo White, Roopa Patel-Haji and Debra Watson from Grant Thornton (external auditors)

## 3 Minutes of the Meeting held on 6<sup>th</sup> June 2021

The minutes were reviewed and it was agreed that they were an accurate record of discussions.

AGREED: to approve the minutes of the meeting held on 6<sup>th</sup> June 2021.

There were no matters arising.

## 4 Action Progress Report

Committee were happy to note the content of the update provided.

## 5 Internal audit reports

Lisa Smith from RSM introduced this item and a number of matters were discussed and considered.

- 1) ESFA funding compliance audit report – key matters noted were:
  - Audit had focused on AEB classroom based activity and a comprehensive review of the PDSAT reports
  - 100% audit undertaken on PDSATs
  - There were a number of queries arising from the audit which is not unexpected given that it covered all funding streams
  - Team reviewed 30 AEB learners and took an identical approach to an ESFA funding audit
  - There were some funding issues identified and also some data quality issues, these were:
    - a) One instance where a date of birth was incorrectly recorded – this presents a slight risk in relation to funding
    - b) Non regulated learning aims – these are programmes where there is no formal awarding organisation however there needs to be some form of achievement evidence. Recommendation is that the college introduce a formal internal certification process.

Auditors confirmed that these were quite common issues and therefore did not raise any significant concerns. She explained that some were data issues and some were simply timing issues as colleges often wait to do one large final data cleanse at yearend. This does raise a risk if the ESFA choose to audit in year, however as an overall view there were no 'ground breaking' concerns as issues identified are quite common.

CEO asked for further clarification on the recommendation made regarding the non regulated provision approach and specifically asked how this recommendation could be addressed. Auditors indicated that the college could choose to ask tutors to sign off the ILP or the college could develop its own internal certification document and process.

- 2) Follow up – key matters noted were:
  - Audit covered 30 management actions, 4 of which were high, 15 medium and 11 low
  - For the low recommendations auditors did not carry out direct testing but relied upon management confirmation
  - Outcome of the audit is reasonable progress with 21 out of the 30 agreed actions fully implemented
  - 8 were partially completed and 1 superseded
  - As a result of the audit, those high actions remaining have been reduced to low as some mitigation has been taken in year
- 3) Subcontracting

Auditors indicated that the draft report is currently with management for comment. They are awaiting a response and a college signature before it can be finalised. They reminded that this is a prescribed annual requirement by the ESFA and they are required to report on factual findings.

Auditors identified two issues with associated actions, these are:

- a) Subcontracting strategy – recommendation is to have an annual rather than 3 year strategy. This is an ESFA requirement.
- b) One subcontractor that the college is working with did not appear on the learner records system.

Interim Executive Director Finance confirmed that the college will accept the recommendations made and will, as a matter of urgency, respond to the draft and sign as required by RSM. Auditors indicated that the deadline submission to ESFA is this Thursday, staff committed to providing responses urgently.

Auditors advised that 2021/22 will be the last year that this type of audit is required by the ESFA and that a subcontracting standard is to be introduced instead.

#### 4) Draft annual report 2020/21

Auditors presented their report and confirmed it was their draft annual opinion which confirms that the college has an adequate and effective control environment in place however there are identified areas for improvement.

Committees attention was drawn to page 4 which has an overview of assignments undertaken in year. They confirmed that the partial assurance opinion in relation to apprenticeship enrolment did not limit their opinion. This is because issues identified did not relate to funding and were more to do with efficiency and effectiveness.

Committees attention was drawn to page 6 and it was explained that it is usual to refer to the internal audit annual opinion within the governance statement for the year. They indicated that there was nothing in particular that they felt needed to be highlighted.

Committees attention was drawn to page 10 which summarises additional work undertaken during the year i.e. risk management. It was confirmed that this work was undertaken by a separate team and therefore does not represent a conflict. In addition, the subcontract controls review previously discussed was also undertaken. This was an agreed upon procedures piece of work and therefore again it was felt to present no conflict.

Auditors advised that, RSM as a firm is currently going through an external review to test quality assurance and compliance, and that once this report it received it will be sent to all clients. Last external review was undertaken in 2016 when the company was given a clean bill of health.

Auditors confirmed that their annual opinion remains draft until they have received the final return on the subcontracting report currently with college in draft. They confirmed that they have been able to conclude all of the planned work required in the 2020/21 academic year.

AGREED to note the content of the updates provided.

## **6 Scopes for planned audits in 2021/22**

Auditors confirmed that dates have all been agreed for the areas of review planned for 2021/22 and that there is confidence that all of the work will be done in the academic year. Committee were advised that three audits are planned to commence shortly and that assignment planning sheets have been circulated and agreed with management, these are:

- Cyber security
- Stakeholder engagement
- Estates management

It was agreed that it is good practice to allow audit committee members to review assignment planning sheets before work commences and therefore it was agreed that these three documents would be provided to the interim Director of Governance for email circulation and comment and that all other assignment planning sheets for the remainder of audits scheduled for the year would be presented to the next meeting (RSM, September & November 2021).

AGREED: to note the content of the update provided.

## **7 ESFA funding fact sheet**

Interim Executive Director Finance provided a verbal update and indicated that, despite best endeavours, he had been unable to track down this document which was referred to by external auditors at the last meeting. Internal auditors advised that the ESFA have issued some guidance but that it is called something different which is 'ILR data integrity guidance'. She explained that this links in to the changes made to the audit code of practice and gives hints and tips to governors on questions to ask management and auditors. She advised that, if audit committees follow the guidance it will ensure that they and the board knows where to obtain assurance regarding funding.

It was agreed that the guidance document would be circulated immediately after the meeting (interim Director of Governance, September 2021).

AGREED to note the content of the update provided.

## **8 Audit recommendations report**

The interim Executive Director Finance drew the committees attention to the comprehensive report and explained that this is the internal tracker used by the college to monitor the completion and/or progress of the actions agreed. Key matters noted were:

- Two items concluded and removed since the last report with one item added
- In relation to the outstanding actions these include points made in relation to:
  - AEB enrolments – issue highlighted arose during lockdown and was as a consequence of insufficient training. Assurance was given that the college is now addressing this.
  - Curriculum planning – recommendation made was that areas should aim to hit a contribution target of 50% or above. Assurance was given that this is monitored. In addition, all courses run are intended to be financially viable unless a decision is made to run them for reasons that are justifiable if not viable. Approval process will be recorded albeit that the minutes will not be verbatim.
  - Budget forecasting – this is currently RAG rated as amber and it was confirmed that budget planning now includes a sensitivity section as recommended.
  - Apprenticeship enrolments – college has been doing a lot of work in relation to this and there are two meetings each week to review and there is also an apprenticeship task and finish group established to give greater governor oversight.
  - Funding assurance – internal auditors have just completed a very thorough review and therefore the expectation is that this item will now move to a green RAG rating.

AGREED: to note the content of the update provided.

## **9 Regularity self-assessment questionnaire (required by external auditors)**

Interim Executive Director Finance presented the document completed for 19/20 and the format for completion in 20/21. He explained that completion is ongoing and that, in the main, questions are identical or very similar and therefore it is likely that the colleges responses will likewise be similar. He confirmed that a fully populated document would be presented at the next meeting ([Interim Executive Director Finance, December 2021](#)).

## **10 Risk Management**

Interim Executive Director Finance confirmed that the college was taking a new approach to risk management and that they have worked with RSM to create and develop an online system using 4risk. This was described as a much improved system and a move away from old style spreadsheets. View expressed was that the college still has a large risk register and that work is currently being undertaken to assess each area and complete ready for the next meeting. It was described as an easy access system which can be used on a daily basis and assistant managers can update on a live basis.

Committee were given assurance that the risk register is reviewed by the executive team on a weekly basis. Fully populating the system is still a work in progress and it was also acknowledged that it will continually change as risks and actions will need to adapt.

He confirmed that the college has summarised the strategic risks which align with the strategic plan. There are some red RAG rated risks, however after mitigating actions there is only one remaining red risk which relates to apprenticeship achievement rates.

Aim is for all college management to update risks by the 17<sup>th</sup> October and once done it will be possible to easily print out reports by 21<sup>st</sup> October. The intention is to have the system and information fully up to date and ready for the FEC visit in November.

It was explained that the system uses a risk matrix to assess likelihood versus impact and therefore gives real clarity in relation to the areas of concern that require focus. The efficiency of the system allows staff to spend more time actually looking at how to address the risks themselves rather than updating documents.

Committee discussed risk appetite and the Executive Director Finance expressed the view that the new 4risk system really moves the college forward in terms of practice. It was noted that the next agreed step is for the executive to propose a risk appetite statement and this will be presented to the December meeting. ([Interim Executive Director Finance, December 2021](#))

AGREED:

- a) To note the content of the risk report provided
- b) Note the content of the current risk register for 2021/22
- c) Receive a risk appetite statement at the next meeting.

## **11 Audit service sector update**

RSM confirmed that there were no further changes to report since the last meeting. It was noted that the new terms of reference proposed for this committee include expectations set out in ACOP. She advised that the sector is just waiting to see any potential impact of the cabinet reshuffle. ESFA are also undertaking their own reviews and the new subcontracting standards will be the first of changes anticipated.

AGREED: to note the content of the update provided.

**12 Fraud, Irregularity and Whistleblowing – 2020/21 annual report**

The interim Executive Director of Finance confirmed that there had been no instances of fraud, irregularity and/or whistleblowing in the year.

AGREED: to note the content of the information provided.

**13 Committee updated Terms of Reference**

The interim Director of Governance presented proposed changes to the Terms of Reference and confirmed that they had been developed using ACOP as the template to ensure all of the phraseology and wording used was aligned.

AGREED: to recommend that the board approve new Terms of Reference as presented.

**14 AOB**

There was one item of additional business discussed and it was agreed that this would be recorded on a confidential basis.

**15 Date and time of next meeting**

Committee Chair advised that he was unable to attend the scheduled meeting on 9<sup>th</sup> December 2021 and therefore it was agreed to try and find an alternative date/time in early December.

**16 Confidential items**

It was agreed that these would be recorded on a separate basis.

**The meeting closed at 4.20pm.**

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

Date \_\_\_\_\_