

Meeting/Committee	Audit & Risk
Date of meeting	1 st March 2022 (via Google Meet) at 5pm

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:

Stephen Bulley	Chair
Sharron Blackburn	
Jo White (until 6pm)	
Roopa Patel-Harji	

In attendance:

Maxine Bagshaw	Director of Governance
Jason Austin	Principal/CEO
Phil Curtis	Executive Director Finance
Tony De'Ath	Executive Director Corporate Services
Lisa Smith	RSM

Roopa Patel-Harji was welcomed to her first meeting and round table introductions were made.

Apologies for absence

Apologies for absence were received from Grant Thornton (external auditors).

Auditors confirmed that they had not requested a meeting with the committee without management present.

3 Minutes of the Meeting held on 27th September 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 27th September 2021.

There were no matters arising.

4 Minutes of the joint meeting held with the Finance Committee on 2nd December 2021

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

AGREED: to approve the minutes of the joint meeting held with the Finance Committee on 2nd December 2021.

There were no matters arising.

5 Action progress report

Director of Governance introduced this item and summarised the progress made since the last meeting. Committee were happy to note the content of the summary provided.

6 Internal audit

RSM introduced this agenda item and explained that it covered two aspects, the first being a progress update against the 21/22 plan and then presentation of the report following audit work on the area of estates management.

- 1) Progress report – key matters highlighted were:
 - One report has been issued in final form which is estates management and will be discussed at the meeting today
 - There are two reviews underway
 - Dates have been agreed with the college for all of the remaining reviews but scopes are not yet agreed. She confirmed that assignment planning sheets, once finalised, will be provided to the Director of Governance so that these can be circulated to committee members (Lisa Smith, March 2022).
 - Information and briefings to management are also provided
 - Planning meeting has taken place regarding audit work in relation to procurement and creditors
 - Planning meetings still need to be arranged in relation to work planned around:
 - a) funding assurance, and
 - b) corporate governance
- 2) Estates management – key matters highlighted were:
 - This is an advisory piece of work and therefore there is no formal assurance
 - Group is in the early stages of implementing a number of estates strategies and therefore it is acknowledged that the current position is 'in a state of flux'.

Following audit work completed RSM have made some recommendations/suggested actions:

- There is one high priority action which is linked to the physical condition surveys for the three campuses. Audit testing found that these are not necessarily being used to inform planned maintenance and therefore some aspects have not been completed on a timely basis. Agreed action is that the condition surveys will be revisited.
- There were also a number of medium priority actions, including:
 - a) Whilst there are planned and reactive maintenance policies in place there could be clearer linkages between the two processes,
 - b) There is a system in place for identifying and recording maintenance requests. This is an online system but is not consistently used and

can be circumvented and the college has been recommended to improve this.

- c) Whilst there are regular updates provided in relation to the estates programme there is no explicit reference to legislative compliance.

In general discussion, one member of the committee asked if there is an overarching planned estates programme in place. Executive Director Corporate Services advised that historically the campuses were dealt with individually, on a campus by campus basis, however the plan is now to develop on a group basis. The intention is to review so that processes and procedures and activity undertaken is far more 'lean' by September 2022. He advised that, post-merger there has not been significant capital available to invest and therefore there has been a period of 'sweating the assets'. Committee were advised that £1.49 million capital investment funding was received and has been spent which has improved the facilities, albeit that there are still some gaps to address.

Committee were reminded that over the last 3-4 year period the group has been divesting assets, however this has not led to significant capital to reinvest in the site because of financial challenges. He confirmed that there was an intention to move to just one system and that this will include rationalisation of the number of contractors utilised.

RSM advised that fieldwork in relation to stakeholder engagement and cyber security had only just started and therefore it was too early to provide feedback.

In terms of internal audit planning for the 2022/23 academic year RSM will shortly be speaking to management so that a proposed plan can be presented to the June 2022 committee meeting.

One member of the committee passed on her congratulations to RSM on the EQA outcome, it being the case that there were no actions required.

Committee asked whether the college is happy with the findings of the audit report. Executive Director Corporate Services expressed the view that it is a fair reflection and provided assurance that he and the team were on track to bring everything together for September 2022. He advised that he is also working to build the team to ensure that there is greater consistency.

AGREED: to note the content of the reports provided.

7 Audit recommendations report

This report was presented by the Executive Director Finance and he advised that it was based on external audit recommendations only. It was agreed that the Director of Governance would provide him with the last report on internal audit actions so that these could be picked up at the next meeting as part of a composite report covering all audit recommendations and actions (**Director of Governance, March 2022**).

Committee were asked to note the two external audit recommendations and he described these as low level and not material and, on this basis, the committee were happy to note.

AGREED: to note the content of the update provided.

8 Exceptions report

Executive Director Finance advised that there was nothing to report at this stage which would eventually require a comment in the regularity self-assessment questionnaire completed at year end.

9 OfS audit

Executive Director Finance introduced this item and key matters highlighted were:

- College has received notification of intended OfS audit later in the month
- They will be following up on the 2019 audit findings and actions
- Following early review there are two items that are likely to still be an issue for the college, these are:
 - a) Undertaking an external independent audit/external validation, and
 - b) Not using part of the OfS tools available to identify any errors. In relation to this the college has been resolving queries 'offline' rather than through the OfS system.
- Following the audit there will be a full report provided
- OfS are interested to see how the college has changed its systems based upon the 24 points identified in 2019. Save for the two already identified, the college has done something to address the other 22 points, however to what extent is still to be determined.

Committee asked whether there were any potential implications following negative findings in the audit. Executive Director Finance indicated that it could mean further intervention and/or loss of funding. RSM advised that they were not aware of OfS taking any substantive action in relation to FE colleges. She indicated that HE provision and associated income in FE tends to be minimal/marginal and therefore OfS perceive it to be a lower risk.

AGREED: to note the content of the update provided.

10 Risk Management

The Executive Director Finance presented a number of items, including:

- 1) Risk Register 2021/22 – he confirmed that this had been circulated and then provided a summary of the current position:
 - Implementation of the risk register is still in its early stages
 - College has started to populate the system but there now needs to be more operational activity and engagement
 - Page 49 identifies the key strategic risks, however there are also operational risks which need to be added. This will make it a much larger register and it will take time to filter down through the organisation.
 - He drew committees' attention to the red RAG rated items, including:
 - FIN4 – which is the risk associated with under recruitment against ESFA 16-18 target. He advised that the 22/23 allocation has now been received and the college is to be funded for 56 fewer students than expected which has a value of circa £250k. In addition, there is £134k clawback as a consequence of not meeting some conditions of funding. To offset this, rates have increased. Increase to allocation is circa £500k, which is not the £900k expected.

In general discussion he advised that the ESFA are using R06 data rather than R04 because of the high number of withdrawals and he explained that the college is still trying to unpick why withdrawals are higher than expected. Challenge from the committee was that if the general trend regarding student numbers and associated funding is reducing then it is important to plan costs on this basis. Committee were advised that demographics suggest that there are more students in the locality, however they are at this stage not coming to the RNN group.

A question and challenge from the committee was whether or not there are any internal audit plans scheduled in relation to people data e.g. using surveys to staff/students to get a better understanding of the influencing factors rather than assuming there are organisational issues. RSM confirmed that they were able to do this using their 4questionnaire system.

- QR3 – risk in relation to apprenticeship achievement rates. Committee were advised that there are still some actions underway to reduce the risk on this in the long term. Committee noted that there may be an impact on future funding given ESFA rule changes i.e. the level of withdrawals (15%+ leading to sanctions).

Committee were advised that the group has just appointed to a new Marketing Manager and it is her intention to review the whole marketing strategy. College has already identified the 16-18 risks and withdrawals. Further analysis has been undertaken as it is believed that some students could have gone in to employment which, whilst a positive for them, does negatively impact upon college data.

In relation to apprenticeship provision, committee were reminded that the college did have an issue with one subcontract in relation to electrical apprentices which has had a significant impact on the current position.

A challenge from the committee was that a number of the action dates within the register actually relate to 2021 and therefore need to be reviewed and updated. Executive Director Finance confirmed that he would review with executive next week and present an update to the next meeting (ED Finance, April 2022).

Challenge from the committee was that there needs to be deep dives on a number of the risks identified. It was agreed that, for the next meeting agenda deep dives would be scheduled on any red risks. These are to be flagged on the agenda and reports provided with narrative and also members of staff responsible would be invited to the meeting to give a presentation on mitigating actions. (ED Finance, April 2022).

2) Risk Appetite

Committees attention was drawn to page 9 which sets out proposals. It was explained that, if agreed, this will help drive management in terms of controls, targeted risks and residual scores.

Committee discussed how best to tackle agreeing the risk appetite and agreed that it was important to look at risk themes, with an ability to focus and challenge on those that have been RAG rated as red for some time. RSM expressed the view that agreeing the risk appetite needs to be a whole board decision and that this includes an acknowledgement that risk appetite can

change over time. RSM offered to share risk appetite materials outside of the meeting (RSM, March 2022).

AGREED: to

- a) Note the content of the update provided
- b) Request that the board as a whole consider the risk appetite proposals presented.

11 Counter Fraud Strategy/Policy

Executive Director Finance introduced this document and advised that this explains how the group will deal with bribery, fraud and corruption either actual or suspected. He confirmed that having this policy in place, which is regularly reviewed, is a best practice audit expectation. RSM indicated that they would be willing to share this document with their fraud team if helpful and the Executive Director Finance agreed to follow up on this outside of the meeting (ED Finance, March 2022).

In considering the document, there were a number of questions and challenge from the committee including:

- It could include something on deterrents, including publicising any actions taken by the group
- Checklist at appendix A – who would complete it? It was confirmed that this would be the chair of any investigation should there be any instances of any suspected bribery, fraud or corruption.
- Should the document include more narrative in terms of examples e.g. what is considered as fraud by the group. Committee felt that this would better inform when the policy needs to be invoked.

Roopa Patel-Harji agreed to share a counter fraud checklist with the college (Roopa Patel-Harji, March 2022).

It was agreed that any update to the strategy/policy would be brought back to the next meeting, however committee agreed that they were happy for the current version to be used as a framework in the interim.

AGREED:

- a) In principle to adopt the strategy/policy as presented as an interim framework
- b) Request that the Executive Director Finance take up the external offers to review
- c) Bring back an updated document to the next meeting

(Jo White left the meeting at 6pm).

12 Fraud, irregularity and whistleblowing

The Executive Director Finance confirmed that there were no instances reported in 2020/21 and that there was also nothing to report for the 21/22 academic year.

A challenge from the committee was to check that the whistleblowing policy aligns and is complementary with the counter fraud strategy/policy being updated (Executive Director Finance, March 2022).

13 Audit Service Sector update

RSM provided details on a number of issues shared across the sector, including:

- Continued financial pressures
- Financial pressures exacerbated by devolution of AEB and the bidding processes
- Recruitment and retention of students continues to be a challenge because of covid changes
- Increased cost pressures e.g. mental health support
- Students not used to the learning environment
- ESFA now starting to be more interventionist, as are FE Commissioner and OFS
- FE is a very challenging environment and therefore colleges need to be really clear in terms of financial plans and only spend to earnings and not allocation as there could be clawback. Colleges need to use the ILR to assess actual earnings.
- No sign of the ESFA changing their mind in terms of additional external audit testing needed in relation to income

Committee were advised that there are number of influencing factors at RNN which has led to a decline in student numbers, these include:

- More students staying on at school to do A Levels
- More students going in to non-vocational jobs e.g. warehousing, call centres, distribution outlets etc.

It was noted that the ESFA has issued a good practice guide on the role and scope of the Audit Committee. It was confirmed that the Director of Governance has circulated this.

Committee discussed AEB and the impact of devolution on the group in both D2N2 and the Sheffield city region. Committee were advised that there are a lot of organisations struggling to spend their allocation and were given assurance that staff regularly reprofile and that a sensitivity analysis is going to be presented to the next Finance Committee.

AGREED: to note the content of the update provided.

14 AOB

There were no items of additional business.

15 Date and time of next meeting

It was agreed to slightly amend the date with the new date confirmed as 19th April 2022 at 5pm via Google.

16 Confidential items

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

(Lisa Smith left the meeting at 6.10pm)

The meeting closed at 6.20 pm.

Signed _____ Chair

Date _____

