

Meeting/Committee	Audit & Risk
Date of meeting	Tuesday 19 th April 2022 at 5pm

1 Auditors meeting with the committee without management present

Lisa Smith from RSM indicated that she had taken the opportunity to meet with committee members without management present so that she could update on the progress against the plan for the year. She acknowledged that the progress report shows limited movement forward and that this is because of a number of issues and challenges regarding two ongoing reviews. She advised that the stakeholder engagement report is still outstanding but that fieldwork has now been completed. She indicated that there have been some staff changes, in terms of responsibilities, which has led to a delay and that the report is currently subject to quality assurance at RSM Committee were advised of the expectation is that there will be three medium and two low priority recommendations.

In relation to the cyber security work, there have been a number of attempts by RSM technology risk assurance colleagues to kickstart the fieldwork but there have been some diary challenges. The college has provided lots of information and evidence which is currently being reviewed and any queries arising in relation to this will be sent this week so that the college can review next week.

Feedback from the college is that staff are stretched and have limited availability to be able to focus on internal audit. She indicated that she had wanted to flag up the challenges to the committee now rather than it become an issue at yearend in terms of an annual audit opinion. She expressed the view that all fieldwork will be completed but that there are challenges and it will mean that there will be a significant number of reports to be presented to the June 2022 meeting and she offered to circulate these in advance, in between meetings, so that there is more of an opportunity to review. She was keen to point out that the issue is not a lack of engagement but it is more to do with staff capacity. A challenge from the committee was that something needs to change so that the college and this committee are not in the same position next year.

(Phil Curtis joined the meeting)

2 Declarations of interest and eligibility

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

3 Welcome, introduction and apologies for absence

Attendees:

Stephen Bulley,
Sharron Blackburn
Roopa Patel-Harji

Chair

In attendance:

Maxine Bagshaw
Phil Curtis
Lisa Smith

Director of Governance
Executive Director of Finance
RSM

Apologies for absence

Apologies were received from Tony De'Ath, Jason Austin, Jo White and from Grant Thornton (external auditors)

3 Minutes of the Meeting held on 1st March 2022

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

Resolved: to approve the minutes of the meeting held on 1st March 2022.

There were no matters arising.

4 Action Progress Report

Committee were happy to note the content of the update provided and asked for further information regarding the requested risk register deep dives at the last meeting. Executive Director Finance indicated that the college is not yet at the stage where it is ready to undertake deep dives on specific risks on the register. Committee indicated that they do not envisage that it will always be the case that every red risk is reported on at each meeting and that it would be helpful for other committees to identify areas of risk that fall within their remit and ask for a report/presentation on these. They agreed that the deep dive reports should include:

- Risk Register description
- Sources of assurance
- Mitigating actions
- Action plan
- How the position sits alongside the risk appetite agreed

Committee all agreed that it was important for report writers to attend meetings and have an opportunity to answer any questions that governors may have. Examples of key risks include funding assurance, IT, academic quality etc. By joining the meeting, it will give governors an opportunity to triangulate with members of staff who have accountability and they agreed that this would share the workload and take much away from the Executive Director Finance. They expressed the view that it will ensure that risk management starts to be embedded further down the organisation. Executive Director Finance indicated that the 4Risk system allows for documentation and evidence to be uploaded which will help to provide the assurance that governors need, however staff need further training on this which is being planned. Committee acknowledged that there is still further work to do in terms of a whole college approach to risk management but indicated that they would want to see the position much improved for the start of next academic year so that deep dive reports can start to be presented. The Director of Governance advised that the Quality and Standards committee do already focus in on risks, with a standing agenda item scheduled at

each meeting. Committee agreed that it was important to build upon this good practice.

AGREED: to note the content of the update provided.

5 Internal Audit

Lisa Smith presented the progress report and advised that no reviews have been completed since the last meeting and that two reviews are ongoing. In relation to stakeholder engagement, RSM are aiming to get the draft report to the college this week and it is expected that there will be two medium and three low priority recommendations. In relation to cyber security, the fieldwork has been delayed which is as a result of availability challenges, both for staff at the college and RSM. RSM are currently reviewing all the evidence documents provided and will provide a list of follow up questions/queries this week so that the college can respond next week. Early review has already identified that there are some missing policies and procedures and the detail on this has already been shared with the college. The aim is to have the report completed in week commencing 2nd May 2022. She observed that the IT department are very busy generally which has meant that staff availability has been a challenge.

Committees attention was then drawn to the remaining reviews and key matters highlighted were:

- Scopes for all of the reviews have now been agreed and also circulated to committee members.
- Fieldwork in relation to procurement and creditors has started
- The three remaining reviews are; procurement and creditors, ESFA mock funding audit and corporate governance. The scopes for each have been agreed and start dates confirmed.

She advised that she was still confident that RSM would be able to conclude all planned work and be in a position to give an assurance opinion for the year.

In relation to the procurement and creditors review one member of the committee asked whether all invoices go through a matching purchase order process. Executive Director Finance indicated that there may be some that don't and an example given was in relation to utilities, exam fees etc. RSM confirmed that they will test where they are available and, where there is no purchase order, they will review that the payment was authorised by an appropriate person. She confirmed that the team will test and check to ensure that there is appropriate segregation of duties.

AGREED: to note the content of the update provided.

6 Composite Audit Recommendations Report

Committees attention was drawn to the document and it was explained that a lot of the information included within it is now historic. It was confirmed that the follow up audit piece from RSM will test that the historic actions have been completed. Executive Director Finance put forward the proposal that, going forward, all of the actions are embedded within the risk register rather than there being a separate way of tracking and he confirmed that the Estates Management actions have been added to the risk register which can be seen at agenda item 9 later in the meeting. He confirmed that this will allow any risks associated with the actions to be scored and monitored. Committee were happy to approve the suggested approach.

RSM advised that they do have software called 4Actions which would allow tracking, however they acknowledged that this is just one mechanism and that the college approach would also work.

AGREED: to note the content of the update provided.

7 Exceptions report

The Executive Director Finance advised that there were no matters to bring to the committees attention at this meeting.

8 OfS Audit Outcomes and Action Plan

Executive Director Finance advised that the college has not yet had feedback and has not received the formal report. Auditors first attended on site on 23rd and 24th March 2022 but the audit has not yet concluded and they are still requesting further evidence. There appears to be an issue in relation to the format of evidence they expect and the colleges ability to quickly provide information requested. As the audit is now four weeks on and, the fact that it is not concluded, would imply that there may be some issues that need to be addressed.

Committees attention was drawn to the last OfS audit undertaken in 2020 which led to 24 actions. Most of these have been addressed, however there are issues in terms of the colleges ability to quickly provide information. It was explained that RNN uses a number of systems and that this seems to be an issue for OfS.

RSM advised that it is quite common for further education colleges to be criticised by OfS in terms of data availability. HE and FE are fundamentally different in terms of systems and processes, with FE being far more complex. Executive Director Finance indicated that there are risks in terms of potential implications and sanctions however they are relatively low. OfS have indicated that they want to work with the college in terms of any improvements that can be made.

Committee asked whether a risk in relation to this should be added to the risk register. Executive Director Finance confirmed that it would be added as soon as the audit outcome report is received. Committee asked what the risks are in terms of potential sanctions. Executive Director Finance expressed the view that the risks are relatively low and the committee therefore acknowledged that it was not necessarily a requirement to add this to the risk register now. Challenge from the committee was to consider the likelihood of sanctions. Executive Director Finance indicated a view that the likelihood is low however, if sanctions are imposed, it could have a high impact.

AGREED: to note the content of the update provided.

9 Risk Management

Executive Director Finance introduced this item and explained that he has taken the current version of the risk management policy and has started to update it in terms of the language used, so that it is much more user friendly and then can then be rolled out across the organisation. An example given was on page two and the descriptions. Committee acknowledged that they were more user friendly and easier to understand, an example given was a reference to Ofsted when considering the teaching and learning risks and staff absences for HR risks. He advised that he is looking to have something tangible that is easier to talk about and can be measured/calculated/quantified. An example given was in terms of scoring and the need to clearly articulate, through use of examples, what would be minor, moderate, significant etc. He expressed the view that it would then make it easier to understand the impact.

Committees attention was then drawn to page 3 and, in terms of the 'likelihood', the Executive Director Finance explained that he has tried to use phrases that are understandable and that giving examples of frequency will help e.g. daily, weekly, termly and/or a lifetime event. He indicated that he was trying to help operational users so that risk management is easier to engage with.

Committee asked how the changes will be tested with colleagues. Executive Director Finance indicated that he has tested with the executive team and, in particular, a focus on IT and estates. Feedback so far has been positive.

One member of the committee noted that reputational risks have been removed from the impact measurements and they asked why this was the case. Executive Director Finance advised that it will be included within the leadership and management risks.

Committees attention was then drawn to the risk appetite section and it was explained that the colour coding has not changed. Committee acknowledged that there was a piece of work for the board to do in terms of agreeing the risk appetite for each of the strategic risks and it was confirmed that this would take place at the planned governor development session on Wednesday 18th May 2022.

A question and challenge from one governor was whether or not the colour coding should be reversed in terms of the red areas i.e. a risk hungry approach to be green and a risk averse approach to be red. RSM explained their approach and all acknowledged that training will be key to success and the Executive Director Finance confirmed that training has been relaunched within the college. His aim is to have a fully functioning risk register for the start of the 22/23 academic year.

Challenge from the committee was that governors should only receive information on strategic and not the operational risks. They acknowledged that operational risks need to be reported elsewhere but that governor focus needs to be on strategy and not get lost in the detail of operational activity. Committees attention was drawn to pages 6 and 7 which are the strategic risks and it was explained that, sitting underneath this, are the operational risks which are monitored by staff.

Committee agreed that it was important for staff to use data to inform analysis of the operational risks and that these in turn may then inform what are considered to be the strategic risks. Committee considered page 8 and acknowledged that the target priority risks will determine the colour coding.

Question and challenge from the committee was when the college will get to a point where risk management is considered to be 'business as usual' rather than there still being 'more to do'. Executive Director Finance expressed the view that the challenge will be getting managers to engage and not use their own systems which have been in place in some areas for a number of years. The aim is to ensure that everything is on the risk register by September 2022 and that, the challenge then will be ensuring that everyone keeps on top of the requirement to continually update so that the risks are relevant and accurate at all points in time.

Committee asked how often internal auditors review risk management. RSM advised that there are elements tested each year and that the larger reviews are on a cyclical basis. RSMs proposal is to review the overarching framework in 22/23 and that they will use a 4Questionnaire tool to survey staff and that this will test staff understanding and application.

AGREED: to note the content of the update provided.

10 Counter Fraud Policy

Executive Director Finance reminded that what is presented today is an update and he confirmed that RSM have provided feedback which has been incorporated. The only action outstanding now is to include some examples of what may constitute fraud. Executive Director Finance confirmed that he would circulate a final version, with everything included, so that it can then go to board for approval at the May meeting (ED Finance, April 2022).

Challenge from the committee was to cross reference this document with the ACOP update and the antifraud checklist included. They asked that staff doublecheck that this policy picks up everything that is expected. Subject to this final review, and the additions noted, committee were happy to recommend to the board for approval.

AGREED: to recommend that the board approve the updated Counter Fraud Policy.

11 Fraud, Irregularity and Whistleblowing

Executive Director Finance confirmed that there were no matters to report.

12 AOB

There were no items of additional business.

13 Date and Time of Next Meeting

This was noted as 8th June 2022. RSM acknowledged that they will need to be quick in terms of the turnaround for presentation of the audit reports. RSM confirmed that the annual plan to be proposed for 22/23 will be available at the June meeting and that discussions regarding this have already started which means that there is confidence in terms of having it available to present.

14 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 6.20pm.

Signed _____ Chair

Date _____