

Meeting/Committee	Audit & Risk
Date of meeting	Tuesday 8 th June 2022 at 5pm

1 **Declarations of interest and eligibility**

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

2 **Welcome, introduction and apologies for absence**

Attendees:

Stephen Bulley	Chair
Sharron Blackburn	
Roopa Patel-Harji	

In attendance:

Maxine Bagshaw	Director of Governance
Phil Curtis	Executive Director of Finance
Jason Austin	CEO/Principal
Rob Barnett	RSM
Aaron McDondald	RSM

Apologies for absence

Apologies were received from Tony De'Ath, Jo White and 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 19th April 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 19th April 2022.

There were no matters arising.

4 **Action Progress Report**

Committee were happy to note the content of the update provided and specifically highlighted were lines 1 and 3. It was confirmed that, at the board workshop held on 18th May 2022, it was agreed that relevant committees would review the proposed

risk scores/appetite in relation to the strategic risks and that, in addition to this, the Executive Director Finance has also been asked to develop a thematic based approach to risk appetite. In relation to the request to start to deep dive certain aspects on the risk register, Executive Director Finance confirmed that the intention is to start reporting on these at the first cycle of meetings in the new academic year.

AGREED: to note the content of the update provided.

5 Internal audit

RSM presented a number of reports and each was considered in turn.

1) Stakeholder Engagement

Key matters highlighted were:

- This audit was designed to assess the level of stakeholder engagement and the processes in place to support this
- Overall conclusion is reasonable assurance
- Five identified areas for improvement, three of which are rated as medium and two low
- The three medium priority management actions agreed are:
 - 1) The group does not have a tailored communication plan for each stakeholder to ensure effective communication is maintained
 - 2) The group does not formally identify in documents strengths and weaknesses in relation to group stakeholder engagement process and therefore there is currently no mapping of performance to monitor and identify areas for improvement. In addition, analysis is required in relation to the labour and competitor market to improve performance and adapt courses for the needs of employers and students within the demographic region. This is currently not undertaken.
 - 3) RSM were informed that a dedicated communications plan is in place relating to events and the details of engaging within the local community, however this was not provided and therefore could not be confirmed or tested.

In relation to the latter point, committee asked whether it does exist. CEO confirmed that it does but explained that a new one is being developed for August 2022.

One member of the committee asked what informs the level of the action/recommendation and the assurance provided. RSM confirmed that they use their judgement and that a set formula is not utilised. They also benchmark against other clients and previous reports to the group. They confirmed that each of their reports goes through a quality assurance process. Another factor is the level of risk in the area to be audited.

Executive Director Finance confirmed that he has started to move the actions agreed over in to the risk register with the planned deadline dates so these can be monitored regularly.

AGREED: to note the content of the report provided.

2) Procurement and Creditors

Key matters highlighted were:

- Audit was undertaken to assess compliance and the utilisation of processes to ensure value for money
- Overall assurance opinion is substantial

- No control failings identified
- No management actions recommended
- RSM undertook data analytics to test and the detail in relation to this can be found at appendix A which summarises the work. There were no issues identified e.g. duplicate invoices and therefore committee can take assurance that there are no risks in this area.

Committee all agreed that it was pleasing to see the outcome of this audit which was very positive having talked about this at board previously.

AGREED: to note the content of the report provided.

3) ESFA Mock Funding Audit

Key matters highlighted were:

- This is an annual review which simulates an ESFA audit
- Focus was particularly on apprenticeship provision as this is known to be a high risk compliance area in the sector
- Sample size was thirty learners
- Eight management actions were identified and agreed. These are not categorised as they all relate to compliance points.
- The key findings were:
 - Five cases where the apprenticeship agreement was not signed after the agreed initial enrolment dates, however it was noted and agreed that this was a historical issue and the process has since been updated.
 - In twenty cases auditors identified that the apprenticeship agreement does not cover the full duration of the practical period set out in the ILR
 - In twenty one learner files the 20% off the job requirement had been incorrectly calculated. In one case it was noted that the learner had already completed their programme and not met the minimum OTJ requirement.
 - One in the sample had no evidence of on programme activity for over five weeks
 - Within twelve cases auditors found the delivery location did not reconcile to any of the documentation provided within the evidence pack. It was acknowledged that this was an input error.
 - In two cases the funding adjustments had been recorded within the ILR but no evidence of assessments was available to explain the reason for reduction
 - In one case auditors found the apprenticeship agreement was in a combined document with the commitment statement
 - In one case it was found that there was no evidence of participation for one aim on the ILR. Through discussion with the compliance and funding manager it was confirmed that the learner was incorrectly registered for this aim on the ILR.
- The team also undertook a review of the provider self-assessment and section 4 of the report summarises the results

Committee asked how good or poor these findings were. RSM indicated that it varies between colleges and that what is important is to identify these early so that errors can be addressed. They indicated that there are a lot of rules regarding apprenticeship provision so it is not uncommon for there to be some issues identified at audit. Committee were advised that one way to resolve the issues is for the college to undertake a full audit itself.

In relation to the sample size, committee asked whether they were historic or current learners. RSM advised that most were recent but with one being historic going back to 2017. Challenge from the committee is that there is a real need to ensure that all

off the issues and errors identified are addressed, with a clear focus on this in the risk register. It was agreed that progress updates would be provided at each meeting (**Executive Director Finance, standing item**). Executive Director Finance confirmed that a lot of the actions have already been addressed and progressed by the MIS team. Challenge from the CEO was that as there is a new interim Apprenticeship Manager working with an FEC advisor and it is important to make sure that this information is shared with her (Executive Director Finance, June 2022).

AGREED: to note the content of the report provided.

4, Corporate Governance

Key matters highlighted were:

- As this is an advisory review there is no overall assurance conclusion
- There was one medium action and five low priority actions agreed:
 - a formal self-assessment against the code has not yet been undertaken, however there are plans in place to ensure that the self-assessment will be completed by the end of the current academic year (low).
 - Once the complete self-assessment against the code has been undertaken an action plan will be developed to address the areas of noncompliance with the code (low).

Through a review of all the 'must' aspects of the code it was confirmed that evidence was maintained by the group and available to support compliance, with the following exceptions:

- There is no scheme of delegation in place at present, however there is a draft in the process of being produced (medium)
- There is no publication scheme available via the groups website (low)
- The whistleblowing policy available via the group website is dated June 2016 and therefore deemed to be requiring a review (low)
- An external review of governance had not yet been undertaken in line with good practice being every 3 years (low)

They confirmed that overall this was a good result and indicated that, in other audits completed they do tend to see more aspects requiring attention. College has confirmed that five of the six recommendations will be implemented by the end of this academic year. All agreed that it was a sensible response regarding the action plan required.

AGREED: to note the content of the report provided.

4) Follow up

Key matters highlighted were:

- This audit checks that actions agreed have been implemented
- Seventeen actions were reviewed
- Auditors found reasonable progress which was positive with thirteen fully completed, one superceded and three partially completed. In relation to the latter it was explained that some actions have been taken but not fully over the line yet. It was explained that these predominantly relate to the risk register work and the Executive Director Finance confirmed that this is being progressed and, as a consequence, it should be possible to soon move these to fully implemented soon.

Auditors flagged up the fact that these partially implemented actions did relate to an earlier follow up so should actually have been addressed between two to three years ago. One action not implemented was in relation to apprenticeship enrolment and, as

it was a high priority recommendation, it does remain a risk. Auditors confirmed that the apprenticeship rules do change and therefore it is important for the group to keep on top of these. They confirmed that a new action plan is now in place.

Question from one member of the committee was how far behind the group is in terms of implementation, specifically how over due are some of the items. RSM confirmed that they would track back on this and summarise in an email which would then be circulated to committee (RSM – June 2022).

6) Progress against the 21/22 plan

Key matters highlighted were:

- This report summarises where the group is in relation to the plan
- There is one report left to finalise which relates to cyber security. Draft report has been provided to the group
- Auditors confirmed that the work undertaken during the year is sufficient to provide an annual opinion
- No changes were made to the plan in year

They took the opportunity to thank management for their support in concluding the various aspects.

AGREED: to note the content of the report.

7) 22/23 proposed plan

RSM presented this document and explained that it is their proposed internal audit strategy for next academic year. Key matters highlighted were:

- Page 4 explains how RSM have developed the proposal i.e. using the risk register, sector experience/known issues, previous assurances and discussions with staff.
- Page 5 provides a proposed plan for 22/23. It provides a high level summary which is to then be followed by detailed scopes. Aim is to spread the work required throughout the year.
- Fee is in line with the tender
- All the reports and proposed plan is subject to RSM internal quality assurance arrangements
- RSM are confident that there are no conflicts
- Appendix B puts forward a strategy up to 23/24, however it is 100% flexible and can be adapted. Any changes will be brought to the committee so that they can discuss and agree.
- Appendix C is RSMs charter

A question from one member of the group was in relation to apprenticeship enrolment. It was noted this was audited in 20/21 and a red/amber rating and therefore they asked whether this area needs to be reviewed again. Auditors and staff expressed the view that, as this is a priority area it is important to maintain a focus, as is the HE data given this years OFS audit. All agreed that considering AEB in November would be helpful with a look back at the 21/22 position. This will help to form early improvements required for 22/23.

AGREED: to approve the 22/23 plan as proposed and presented, however a challenge from the committee was to revisit periodically as the risk register gets updated for 22/23.

6 External audit – update on appointment

Executive Director Finance confirmed that the audit appointment of Cavanagh Kelly was approved by the board at their May meeting. He reminded that they are new to the market and are therefore familiarising themselves with FE. A neighbouring college has also appointed them and the intention is to liaise with them so that any early potential issues can be identified and addressed if required. Contract with them does involve an early exit option in case this is needed. Sitting alongside this is the additional funding testing required.

He advised that both parties are in a cooling off period and therefore the group has not yet had the plan for the year but the intention is for the work to start at the end of September 2022.

AGREED: to note the content of the update provided.

7 Exceptions report

Committee were reminded that this is an opportunity to flag up anything that is likely to be disclosable as part of the Regularity Annual Self-Assessment Questionnaire. Executive Director Finance confirmed that there was nothing to bring to the committees' attention on this.

8 OFS audit outcomes and action plan

Executive Director Finance advised that the group has still not received the audit report, however feedback is that there are issues relating to data input/accuracy. He gave assurance that the issues do not relate to the learning experience. He confirmed that there are still some actions outstanding from the previous audit which need to be addressed. It was confirmed that these will be picked up as part of the RSM internal audit review planned in the autumn term. Executive Director Finance shared details of possible sanctions, however provided assurance that early indications are that OFS are willing to work with the group to resolve rather than issue a sanction. He confirmed that, once the report is received, there will be an action plan identified and risks logged on the risk register.

AGREED: to note the content of the update provided.

9 Risk Management

Executive Director Finance drew committees' attention to his report and also the updated risk register. He described the 4Risk system as being really effective. All old paper based systems have now transferred to the electronic database and all areas are being populated and risk owners assigned. It is being rolled out now with more and more people involved.

He indicated that a real benefit of this system is that the way of measuring is consistent across the whole organisation and, in many areas, it is broken down by site. He advised that it is likely that there will be a number of actions that address a risk over many sites as well and an example given was student numbers for art.

He advised that he was currently in discussion with RSM to consider how it might be possible to assign/cluster the risks in to themes e.g. reputation, financial etc.

He highlighted the fact that financial risks remain high as a result of the current position in relation to:

- AEB
- Apprenticeship provision
- Allocations
- Student numbers generally

AGREED: to note the content of the update provided.

10 Fraud, irregularity and whistleblowing

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

11 Committee annual review

Director of Governance introduced this item and indicated that it was an opportunity to reflect back on the year and discuss any aspects that could be improved. Comments and observations were:

- In relation to membership, it was agreed that the Director of Governance would speak to Jo White as unfortunately she has missed a number of the meetings this academic year.
- In the work plan to specifically reference external audit and to also cross reference with the joint meeting with Finance Committee explicitly
- In relation to self-assessment, it was agreed to circulate and utilise a questionnaire next year setting out performance against ACOP expectations and sector best practice (**Dir of Gov – May 2023**). It was agreed that RSM would share some examples in relation to this (**RSM – June 2023**).

Committee asked whether there were any best practice recommendations from RSM. Auditors felt that feedback on this would be best placed from Lisa Smith and it was agreed that she would be asked to complete the self-assessment checklist as part of the annual review next year.

AGREED:

- a) To note the content of discussions
- b) To recommend to board that the terms of reference continue in to next academic year unchanged
- c) To recommend no changes to Audit Committee membership.

13 AOB

There were no items of additional business.

14 Date and time of next meeting

It was confirmed that this will be scheduled in September 2022. It was noted that the committee will receive the full cyber security internal audit report at that meeting but it was agreed that this would be circulated as soon as received as will the external audit plan from Cavanagh Kelly (**Executive Director Finance, June-September 2022**).

15 Confidential minutes of the meeting held on 19th April 2022

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

AGREED: to approve the confidential minutes of the meeting held on 19th April 2022.

There were no matters arising.

The meeting closed at 6.20pm.

Signed _____ Chair

Date _____

