

Meeting/Committee	Audit & Risk
Date of meeting	Tuesday 21 st February 2023 at 5pm

1 **Declarations of interest and eligibility**

The Chair reminded everyone present to declare any interests at the appropriate time during the meeting. No specific declarations were made and standing declarations were noted.

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

Attendees:

Stephen Bulley	Chair
Sharron Blackburn	
Shirley Collier	
Roopa Patel-Harji	

In attendance:

Maxine Bagshaw	Director of Governance
Phil Curtis	Executive Director of Finance & Estates
Lisa Smith	RSM

Apologies for absence

Apologies for absence were received from David Grimes, Jason Austin and Ryan Falls from external auditors CavanaghKelly.

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

3 **Minutes of the Meeting held on 15th September 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 15th September 2022.

There were no matters arising.

Director of Governance confirmed that she would circulate the minutes of the joint meeting with the Finance committee held on 21st November 2022 immediately after the meeting. It was noted that these had been presented to the December board

meeting so that all governors could see the content. (Director of Governance, February 2023)

4 Action Progress Report

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

5 Internal audit 2022/23

Lisa Smith from RSM presented a number of reports and documents and each was taken in turn.

1) Health and Safety Compliance Report

Key matters highlighted were:

- Testing was completed at all three campuses
- The audit looked at specific aspects of health and safety but not all. The areas were focused on areas where management had concerns.
- Audit opinion is 'reasonable assurance'
- There were a number of good practice points identified, including:
 - Estates compliance register. This showed that checks were being monitored and the register made reference to the frequency of checks required and completed.
 - Fire risk assessments were completed annually at all three campuses
 - Health and safety officer is fully trained to complete fire risk assessments

There were two medium actions with points included within them relating to:

- Compliance register
- There were three dates which did not correlate with the actual certificates
- Three dates not recorded on the register
- Fire alarm testing was completed but remedial actions required were not put on to the register
- Seven electrical checks completed and again remedial actions not logged on the register

One member of the committee asked whether, in terms of governance and governor responsibilities regarding health and safety, there is a checklist and/or training that can be provided. Executive Director advised that the DfE have provided a compliance list as part of the FEED. It includes a whole list which is being built in to the groups systems so that staff can move away from utilising spreadsheets. Executive Director confirmed that he would check whether monitoring of the FEED aspects should be at each audit committee meeting or annually (Executive Director Finance & Estates, March 2023). Committee indicated that, what was important for them, is the 'so what' in terms of the changes to be made. Executive Director indicated that the changes will ensure that the group moves away from any subjective risk based approach to testing as the FEED gives definitive timescales for actions required.

In terms of the content of the internal audit report, one governor noted that most of the actions due were for January 2023 and they therefore asked whether they were completed as planned. Executive Director indicated that for most they have been and an example given was electrical testing which is now certificated. He advised that the health and safety reporting action is being completed with one report already having been presented to the Finance & Resources Committee. Incidents reporting systems is now in place. Compliance register is being developed. In relation to policies, not all have been completed yet but are being worked upon.

AGREED: to note the content of the report provided.

2) Budget Monitoring and Forecasting Report

Key matters highlighted were:

- Accurate budgeting is really important given the current economic climate, with organisations needing to stress test regularly
- Group did not meet the AEB allocation in 2021/22 and therefore has clawback which adds pressure
- Outcome of the audit was 'reasonable assurance'
- There were some aspects of good practice identified, including:
 - Detailed commentary regarding assumptions which really helps to understand thinking
 - Good sensitivity analysis
 - Good level of scrutiny by the Finance & Resources Committee
- There was one medium and one low priority action agreed
- Medium action is to ensure that a robust training plan is put in place

In terms of the lack of training, committee asked for a better understanding as to why this had been categorised as medium rather than low, and they asked how much of this risk is actualised i.e. is causing the organisation budgetary problems. Auditors indicated that it is not perceived to be a problem but that there is an acknowledged reliance on a number of staff with expertise, and understanding not consistently spread. It was explained that this came through as a concern when speaking to staff. Committee were given assurance that training is provided but that there is not a formalised training plan in place. Executive Director indicated that there are some new budget holders who need training and that historically this has been provided on an ad hoc basis. Committee were given assurance that if any area flags as a concern then training is provided for that budget holder or group.

One governor asked whether there is real clarity for budget holders in terms of their roles and responsibilities and what they are accountable for. Executive Director indicated that this was not currently formalised. He explained that processes are at present more reactive i.e. via monthly reviews. In addition, currently all orders go through the executive team as they are monitoring every element of expenditure as part of the cost savings exercise underway. Budget holders are being scrutinised in a way that has not been done previously and it is believed that this is helping staff to better understand the need for budget monitoring.

In terms of the action agreed, the committee asked what the format of training will be. Executive Director indicated that it will be a mix including workshops, face to face scenarios and a quiz on meta compliance. He indicated that budgeting is currently per student but that he would like to move away from this to a focus on what is needed to deliver the learning outcome.

Committee asked for further information regarding the monthly budget reports provided to budget holders. It was explained that these are prepared physically by the finance department and then circulated with follow up meetings agreed. It was explained that it is not a 'self-serve' system where budget holders are expected to access themselves. All agreed that the organisation would need to have the right responsibility culture in place before a self-serve system can be utilised effectively.

AGREED: to note the content of the report provided.

3) Progress Against the Plan for the Year

Committees attention was drawn to appendix A and key matters highlighted were:

- HE data review fieldwork started in January. Focus is on the returns required and also the items identified in last years OfS review.

- Follow up work has stated this week. There is no assignment planning sheet for this audit as it is solely intended to check that actions previously agreed have been implemented.
- ESFA mock funding scope is within the papers with a planned focus on study programmes and T Levels. Planned field work for this aspect has been deferred slightly because of the restructure and the time that staff are having to focus on this.
- Mental health and wellbeing audit fieldwork is due to start on 3rd April 2023

Committee observed that there appeared to be three reports which would be completed later than planned and after the yearend and they therefore asked for a better understanding of the impact of delay and the impact on the 2023/24 plan. RSM confirmed that all fieldwork will be completed before the yearend but reports not necessarily issued and agreed before the final meeting of the year. Expectation is that the September meeting will have reports on:

- Risk Management
- HE
- Mental Health and Wellbeing
- ESFA mock funding audit and
- 2022/23 annual report

Challenge from one governor, in relation to the mental health and wellbeing planned audit, is that the timing is not helping the organisation to drive forward change. She indicated that staffing is currently a critical focus and felt that the report commissioned was an important aspect to consider. Challenge from the committee was that they would want to see as many completed reports presented to the April and June meetings as possible.

Committee asked whether there will be any negative impact in relation to auditors ability to provide an annual opinion. RSM confirmed that, as all of the fieldwork planned will be completed before yearend, there will be no issues regarding them providing an annual report. Executive Director commented that currently there is quite a lot of staff capacity taken up by other audits and therefore it may be difficult to bring forward any timescales.

Challenge from the committee was that, in terms of the next years plan, they will need to be really clear on timescales so that as much is done as early as possible to have greatest impact in year.

AGREED: to note the content of the update provided.

4) Planning sheets for forthcoming audits

Committee were happy to note the content of the planning sheets in relation to audits planned for:

- Mental health and wellbeing
- HE data
- ESFA mock funding assurance

6 **OFS closure letter in relation to the 2021 audit**

Executive Director introduced this item and referred to the closure letter. He confirmed that the OfS were happy with the plan agreed and that the next step is for them to have sight of the outcome of the RSM review which is now underway.

One member of the committee indicated that this report does raise questions in terms of the capacity of the Q&S committee to look at both FE and HE in enough detail and

she questioned whether the controls, at a governance level, are sufficient as the HE sector is so highly regulated by the OfS. Executive Director indicated that, following the MIS department restructure, the organisation will be looking to do more internal checking, sampling etc. and that this should go some way to mitigating risks. Challenge from the committee was that, if the RSM report identifies data quality, process etc. concerns then there may be a need for the board to review monitoring arrangements.

AGREED: to note the content of the update provided.

7 Progress on actions arising from the ESFA mock funding audit completed previously by RSM

Executive Director Finance introduced this report and confirmed that the eight management actions agreed would be checked as part of the follow up which is currently underway. He reminded that the focus of this piece of audit was on apprenticeship provision. He indicated that this area of provision is now regularly tested on a sample basis with no concerns having been flagged internally. He described some of the actions agreed as relatively 'easy fixes'. RSM highlighted the fact that the rules have changed yet again and therefore all agreed that the organisation cannot be complacent. They indicated that, it is important that MIS and those working directly with apprentices are fully aware of the rules and regulations and compliance aspects required.

AGREED: to note the content of the update provided.

8 PWC Audit Update

Executive Director provided a verbal update and explained that the audit is taking longer than anticipated and that this means that the group cannot yet sign off the 2021/22 accounts. He indicated that there have been some changes since the accounts were reviewed by the board which has meant some redrafting, although not significantly.

Executive Director explained that PWC have identified errors in relation to non-regulated aims and that, because of this, a much larger sample size was requested. He provided an example in relation to ESOL learners where the outcome should have been delivered over 60 hours but were instead delivered over 20. PWC then completed a 100% sample and it was found that all were the same 20 hours because of an error in recording which could mean clawback. Because of this they have asked for further testing on other income lines with this work still ongoing.

Committee were advised that the ESFA have provided an extension for filing the 21/22 yearend accounts to the end of March 2023.

In relation to the ESOL students, the Executive Director explained that whilst there is no qualification at the end of the period of study there is an expected learning outcome. Committee asked for an estimate of the potential value of clawback. Executive Director indicated that it could be circa £100k. View expressed by the committee was that the impact would be significant if there was also a negative qualitative consequence.

One governor asked whether it is a 'real error' or a system error. Executive Director Finance explained that the 20 delivery hours expectation was input in to the system and then staff delivered to this, when in fact 60 hours should have been put as a requirement. He explained that an internal review was currently taking place to ascertain why this happened and the impact on students. Committee all agreed that it was important that an outcomes report focusing in on the impact on students was

presented to the Q&S committee and the Director of Governance was asked to add this to the agenda for the meeting planned on 22nd March 2023.

Committee asked for further information in terms of what is causing the delay. Executive Director indicated that RNN has had some capacity challenges in relation to being able to provide data given the number of audits underway and then sitting alongside this there have been PWC delays too. Governors asked whether PWC have given any indication when they will conclude their audit. Executive Director Finance indicated that their feedback is 'when they are satisfied'.

AGREED: to note the content of the update provided.

9 Risk Management

Executive Director Finance introduced this item and drew committees' attention to the short annual report and the updated Risk Register for 2022/23. In terms of risk management generally he described it as 'in development' i.e. risk management is undertaken but staff are not yet fully utilising the 4risk system. He expressed the view that implementation has not been as quick as it could have been.

Committee asked for an overview of the division of risks which appear on the strategic versus the operational registers. Executive Director indicated that there are ten strategic risks that come from the strategic plan and that these are what are planned to be reported to governors. Underneath these sit a number of operational risks which are spread across a number of areas of the group. He indicated an intention for this committee to periodically see the full risk register which currently has circa 200 risks on it.

Challenge from governors was how to better focus is on what will 'really bring us to our knees' and then look at how to manage this.

In terms of the content and tone of the report, a challenge from governors was for the Executive Director to be really frank i.e. is there a problem with staff take up regarding the 4risk system. Executive Director Finance indicated that there have been a number of staff changes which has limited the ability to cascade the use of the system and that more 'buy in' is required to accelerate better utilisation. One suggestion made was that a way to manage the 'buy in' could be through the governor committee structure i.e. committees holding staff to account for the use of the 4risk system.

Suggestions made by the committee was to:

- Allocate aspects of the risk register to the committees
- Establish a proper training plan and rollout that doesn't just rely on internal staff delivering training as this will have capacity challenges.

One governor asked what the level of 'buy in' is lower down in the organisation. Executive Director indicated that risk management does occur at an operational level but that it is not always labelled as 'risk management'. challenge from the committee was that there needs to be consistency across the whole organisation but acknowledged that it would take time to achieve this. All agreed that the risk register needs to be discussed at all levels and that it needs to become 'just the way we do things around here' and needs to be embedded in business as usual activities.

Challenge from the committee was that:

- Governors need to use the risk register more
- There is a need for the board as whole to discuss tolerance and risk appetite

Committee acknowledged that if the framework currently in place is not yet right then it is going to be difficult to have meaningful deep dives. It was agreed that the Executive director would arrange and propose a facilitated workshop for the board (**Executive Director, March 2023**). One governor suggested that the Executive Director look at risk appetite materials available from the Good Governance Institute as they have a good risk appetite framework in place. In terms of the workshop, suggestion made was to either use voting software or a pre-session questionnaire to get a better understanding of commonality and differences from governor to governor.

AGREED: to note the content of the update provided.

10 Fraud, Irregularity and Whistleblowing

The Executive Director confirmed that there was nothing to report.

11 Whistleblowing Policy – 2023 update

Director of Governance explained the context for this further update given the work of the information governance team to ensure that the public documents available meet the ICO requirements. She indicated that part of this work had included a broad review of best practice in the sector which has led to the creation of the document now presented.

One governor asked whether there needed to be a clearer cross reference with the fraud policy. In discussion it was acknowledged that the whistleblowing policy is designed for something different to the fraud policy and also the disciplinary policy will more clearly cross reference in relation to fraud. On the basis of this, committee were happy to recommend the policy as present for board approval.

AGREED: to recommend that the board approve the Whistleblowing Policy as presented.

12 AOB

As a matter of additional business one member of the committee asked whether it is possible to develop an 'opportunity register' which would include things like bids submitted and planned. Executive Director Finance indicated that the college does have an internal bids tracker and it was agreed that the content of this could be used to start to formulate an opportunities register (**Executive Director Finance, April 2023**).

13 Date and time of next meeting

This was confirmed as 25th April 2023.

The meeting closed at 6.30pm.

Signed _____ Chair

Date _____