

Meeting/Committee	Audit & Risk
Date of meeting	Tuesday 25 th April 2023 at 4.30pm

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	(From 4.40pm)
David Grimes	

In attendance:

Maxine Bagshaw	Director of Governance
Phil Curtis	Executive Director of Finance & Estates
Dave Cosgrove	Head of Business Intelligence and Performance
Jason Austin	CEO/Principal
Lisa Smith	RSM
Daniel Stanbra	Director of Adult Education and Contracts

Apologies for absence

Apologies for absence were received from Cath Mollart 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 21st February 2023**

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 21st February 2023.

There were no matters arising.

4 Action Progress Report

Committee were happy to note the content of the update. In relation to the proposed risk appetite workshop, committee were advised that a date has still to be identified and that potentially time can be allocated at the June 2023 strategy day.

5 Internal audit 2022/23

1) Framework for HESES returns

Key matters highlighted were:

- Team conducted follow up work on the action plan created following the OfS audit.
- There is a framework in place for HESE returns.
- The last return was submitted to deadline.
- There are three recommended management actions following fieldwork.
- Most relate to housekeeping matters i.e. paperwork, processes, validation checking etc.
- Team did identify some errors during testing.
- In relation to the follow up on OfS actions, there were eight actions agreed, two of which have been implemented. Six are partially implemented, with these including multiple elements. Some aspects of which have been completed and some have not. Outstanding elements are mainly to do with validation checks before returns are submitted.
- Return procedures document has been created.
- Exceptions reporting is in place generally and not just for HE.

Staff advised that the group now has a dedicated HE team identified within MIS and assurance was given that staff have been trained. This sits alongside a new audit team within MIS who will undertake checks across the organisation on a monthly basis. External auditors confirmed that most FE colleges struggle in relation to HE data compliance, as data held in the ILR is fundamentally different to that required by OfS. Staff confirmed that they have confidence regarding the new team and structure in place.

(Roopa Patel-Harji joined the meeting at 4.40pm)

One member of the committee asked what the implications are for students. Staff confirmed that there is limited impact as this is mainly to do with administration points and reflects a different type of reporting. Staff advised that the group is getting better at meeting expectations and that it was highly unlikely that a college would enrol a HE student on to the wrong course. This is primarily an OfS data compliance issue. In terms of potential impact, it could negatively affect OfS registration in the future, however this is very unlikely.

One member of the committee asked whether there are any best practice examples that the college can access in relation to implementing improvements. External auditors confirmed that the review had identified far more positives than issues and that really it is about a tolerance level and how any error proofing improvements can lend support to the processes. External auditors drew committee's attention to appendix A which includes OfS common themes arising from audits and they expressed the view that these should be a focus. They recommended that the organisation makes sure that there are people within the team who are familiar with HE coding and that a number of staff complete the HESE online training, particularly when returns are due. All agreed that central coordination is important. In terms of

tolerance, committee were advised that there isn't one for the OfS and that they report on all test failures.

AGREED: to note the content of the report provided.

2) Progress against plan for the year

Key matters highlighted were:

- Report summarises where audits currently are.
- There is one review ongoing which is ESFA assurance funding review.
- Mental health and wellbeing audit has been deferred to 17th July 2023. Assurance was given that this will be completed before the yearend.
- In terms of the follow up audit, this has been slightly delayed because of challenges collecting all evidence requested, however RSM believe they now have everything available and the report can be issued imminently.

AGREED: to note the content of the update provided.

3) Planning sheets for forthcoming audits – Risk Management

Auditors confirmed that this is the planned audit scope and that the proposed start date for fieldwork is in May 2023. They confirmed that this is a framework type of review.

Question and challenge from one member of the committee was that there seems to be a real problem getting staff to engage in risk management processes and they asked how the group can use internal audit as leverage, given that we know there is a problem. Executive Director Finance confirmed that the staff do manage risk and that the issue really is that they don't use the 4Risk system enough. Governors suggested that, examples of good practice identified within the group would be helpful to share to motivate other members of staff.

Governors attention was drawn to the scope and key matters highlighted were:

- Auditors will look at management training and support
- They will look at how risks link to strategic objectives
- Work in relation to risk appetite is being planned
- They will look at how the RM framework is kept live
- They will look at whether mitigating actions identified are taking place
- They will look for sources of assurance regarding controls and risks
- They will consider reporting arrangements – how are risks escalated, de-escalated etc.

They confirmed that they will tease out where departments are really using the system well and effectively and that good practice can be developed in to a format that can then be shared more widely.

One committee member asked whether the audit will try to identify what the user barriers are. It was confirmed that it will and examples given were; the system is too complicated, training required, not user friendly. Challenge from the committee was that staff need to know that the system isn't complicated. Executive Director Finance indicated that changes in staffing have not helped and that there needs to be a training programme in place to support.

AGREED: to note the content of the update provided.

6 PWC Audit – Outcomes and Action Plan

Executive Director Finance confirmed that the audit has now concluded and a final clawback figure of £237k is the outcome. He confirmed that there are a series of management actions arising from the audit and it was agreed that these would be shared outside the meeting (ED Finance, April 2023).

Committee were advised that there have been three funding areas affected. These are errors in ILR data, including:

- Incorrectly assessed ALS.
- In some cases, a lack of evidence in relation to learner support required.
- Enrolling learners on shorter courses than permitted (number of hours)
- Where there is flexibility regarding end dates, the ILR has not been updated which has meant that the group claimed more funding than it was entitled to.

Committee were advised that, as the audit is now concluded, the group and external auditors are now trying to finalise the 21/22 accounts. This involves an update on the post balance sheet events and detail regarding control weaknesses. Group is currently in dialogue with external auditors to finalise and it is envisaged that they will be circulated within 24 hours and board can then sign off before the end of the week. It was confirmed that there will be no fine issued and that the clawback is entirely related to overclaimed funds, this is either overclaimed or cannot evidence.

Question and challenge from the committee was in terms of how this occurred? Committee were reminded that this audit looks at 21/22 data and it was acknowledged that the MIS team did not historically do enough to support teams out in the college, particularly in relation to funding requirements. Senior team are confident that nothing has been done deliberately and that it is more an issue of support, checking and testing and specific examples given were for the ALS and English and Maths teams. Staff confirmed that part of the restructure will address this. Challenge from one committee member was to consider putting an accountability framework in place so that there is absolute clarity regarding responsibilities.

Question and challenge from the committee was in relation to the level of confidence that there is in relation to 22/23 data. Staff advised that current audit assistants are reviewing some data, almost like a mock OFS review and that a report on this will be prepared. Committee were advised that the £237k clawback will be included within the 21/22 accounts.

Committee were then given an update on the MIS restructure and key matters highlighted were:

- Whilst there are three campuses the bulk of the MIS team is based at DVC with the exams teams at Rotherham Campus and North Notts.
- There is a need to better distribute staff across all campuses.
- Restructure has now completed.
- There are a number of campus specialisms/focus i.e.
 - DVC – compliance
 - Rotherham – HE and planning
 - North Notts – exams
- There are weekly team meetings with each of the Director of campuses/campus managers to ensure better communication.
- There is a new audit officer.
- Two audit assistants in place.
- Individual focus on apprenticeship provision.
- There has already been positive feedback from staff in terms of data accuracy and support.
- Better relationships are being formed.
- All MIS assistants will be multiskilled and this will include HE.

- A better link now between data and business intelligence.

Committee asked how staff are responding to the requirement to be multiskilled. Staff advised that it is a mixed picture but gave assurance that training is in place and that all staff are engaged with this. It will take a little time for the changes to embed but the organisation is very much on the journey now. Staff confirmed that there is a lot of experience within the organisation and that this, combined with new staff and new views, will really help to take the group forward.

AGREED: to note the content of the update provided.

7 ONS Compliance/ESFA Return

Executive Director Finance introduced this item and explained that the MPM (Managing Public Money) return tests compliance with what colleges are now allowed/required to do. This is for the period 27th November 2022 to 31st March 2023. Key matters highlighted were:

- Section 1 – this relates to new financing or changes to borrowing. Group does have borrowing but there have been no changes or new borrowing.
- Section 2 – this relates to write offs. Colleges now have a percentage limit or £45k per item or £200k collective over a year. Group does have robust processes in place to write off with 99 items written off with a netbook value of £1k. None of the write offs have exceeded any of the ESFA limits.
- Section 3 – this relates to third party guarantees. Organisation has not done any of these and is updating the Financial Regulations to cover these going forward.
- Section 4 – relates to novel, contentious or repercussive transactions. Currently there are no systems in place for the group to identify and document these and, as a consequence, the Financial Regulations are being changed. There have been no applicable transactions. One potential transaction identified was the Kiveton sale, however ESFA advice was obtained and they confirmed it was not considered as novel.
- Section 5 – severance payments. Group did have one but this was completed before the 27th November 2022 and is therefore outside the scope of this return. It was explained that, going forward, the organisation may need to give more detail on any severance payments within the yearend accounts.
- Section 6 – this is in relation to assurance regarding fair reflection.

Executive Director Finance confirmed that the return has to be submitted before the month end. Committee were happy that the proposed submission was accurate.

AGREED: to note the content of the update provided.

8 Risk Management

Executive Director Finance introduced this item and confirmed that there had been little change since the last meeting and key matters highlighted were:

- Strategic risk register is the same.
- There is a need to refine the training and development plan.
- Internal auditors will check the current position during the planned audit testing.
- Suggestion is to agree risk appetite as part of a workshop in June 2023.

He explained that, for this meeting, the key focus is a deep dive on MIS and learner records given that there have been a number of audits which identified errors and therefore it is important to capture these in the risk register and the action plan.

Deep Dive – MIS and Learner Records

Governors' attention was drawn to the document at 8c which is the risk register and key matters highlighted were:

- None of the actions have been removed even though the vast majority have been implemented, this is to ensure continuing focus.
- MIS team use the 4Risk system.
- This system identifies existing controls and the actions required. Specific example shared was in relation to apprenticeship provision.
- There is a detailed process in place regarding paperwork required.
- KPIs are set.
- Clear timelines.
- Identified controls.
- Identified actions.

Team will now be able to produce monthly audit reports which will give monthly summaries to staff.

Question and challenge from the committee was how broadly staff update the system i.e. is it a collective or a single person. Executive Director Finance acknowledged that there was a need to assign the risk actions more broadly going forward. He advised that the system allows documents to be attached to evidence the fact that an action has been completed. All acknowledged that there was a real need now to use the system in earnest.

Question from one governor was in relation to the overall view of organisational strategic risks and they asked whether the 4Risk system will do this, rather than piecemeal reports. Governors' attention was drawn to document 8b which lists the strategic risks and it was explained that 4Risk is a mechanism to cascade. Through the system it is possible to link the operational risks with the strategic risks and an example given were aspects that impact on income. It was explained that whilst there are 13 strategic risks there are over 200 risks inputted on to the 4Risk system. It was agreed that the deep dives are intended to look at the high-risk areas.

AGREED: to note the content of the update provided.

9 Subcontracting Standard – Assurance Review Self-Assessment

The Director of Adult Education and Contracts introduced this item and explained that the self-assessment covers the subcontracting framework which ESFA now requires colleges to complete every year. This is the first self-assessment in this format. He explained that the group is in the planning phase with RSM and that they will be used to check the position before submission. He expressed confidence that RNN has robust subcontracting systems in place and indicated that RSM have been complimentary regarding preparations and preparedness. It was confirmed that a fully populated document/table would be provided to the board before the submission deadline in July 2023 (Daniel Stanbra, July 2023).

One governor asked whether the organisation was confident in relation to its processes before RSM's input. It was confirmed that it was and also noted was the positive feedback provided at Ofsted inspection. External auditors confirmed that it will be the ESFA who determines whether the college is compliant not RSM. It was agreed that an update report on this would be provided to the June audit committee meeting (Daniel Stanbra, June 2023).

He explained that there are 91 questions which need to be RAG rated and that this will clearly show the level of confidence that the organisation has. It was confirmed that there is still time, after the planned review by RSM in May 2023, to put other actions in

place if they are required. Staff will work with auditors to ensure that as positive a report as possible is submitted, it being acknowledged that not meeting the standards could have significant implications. Committee asked whether there is any tolerance applied during the self-assessment process. External auditors indicated that some of the 91 questions are weighted more heavily than others and therefore some red RAG rated elements would be more significant than others.

AGREED: to note the content of the update provided.

10 Opportunities Register

Executive Director Finance drew committees' attention to his report and he explained that this is a list of opportunities that may flow from external funding. It gives an idea of the sort of applications that have been and are being made. All agreed that it would be useful to share this at each meeting to ensure oversight that activities planned meet the objectives/aims (**Executive Director Finance, standing item**). Challenge from the committee was that it would be useful to better see where each opportunity/application fits in to the strategic objectives. A further challenge was to capture any learning from any missed/lost opportunities as well as the positive outcomes. It was agreed that the Executive Director would add a number of additional columns so as to be better able to link to strategic objectives and provide the narrative on the why.

AGREED: to note the content of the update provided.

11 Student Union Audited Accounts

Executive Director Finance indicated that, upon reviewing the Instrument and Articles it has become apparent that SU accounts need to be audited but that this has potentially not taken place. He is currently trying to identify who manages this internally. He confirmed that it is known who holds the bank account but that staff churn may have impacted upon internal processes so as to create a gap. It was agreed that an update report would be provided to the next meeting (**Executive Director Finance, June 2023**).

12 Further Education Estates Planning (FEEP) Compliance

Executive Director Finance introduced his report and confirmed that the organisation is now developing its management of estates matters through a new system called Evri. Whilst there is a need to embed this, current position is positive with no red RAG rated items. Challenge from the committee was that there is a need to better identify who will be responsible for what, where and when.

Question and challenge from the committee was whether or not the organisations understanding of 'partial' is the same as those creating the FEEP. They asked whether it is defined or subjective. Executive Director Finance confirmed that there are thresholds but that DfE have not really given guidance on the RAG ratings, so some aspects are based upon the groups own view and interpretations. He advised that, as a result of completing the compliance assessment, there will be some process changes made.

AGREED: to note the content of the update provided.

13 AOB

There were no items of additional business.

14 Date and time of next meeting

This was confirmed as 14th June 2023.

15 Confidential items

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

(Staff, RSM and Roopa Patel-Harji left the meeting at 5.53pm)

The meeting closed at 6.10pm

Signed _____ Chair

Date _____