

Meeting/Committee	Audit & Risk Committee
Date of meeting	Wednesday 14 th June 2023 at 5pm

1	Declarations of Interest and Eligibility	
	The Chair reminded everyone present to declare any interests that they may have at the appropriate time during the meeting. No specific declarations were made and standing declarations were noted.	
2	Welcome, introductions and apologies for absence	
	Attendees: Stephen Bulley Shirley Collier Roopa Patel-Harji David Grimes	Chair

In attendance:

Maxine Bagshaw
Phil Curtis
Jason Austin
Lisa Smith
Ryan Fells

Director of Governance
Executive Director of Finance and Estates
CEO/Principal
RSM
CavanaghKelly

	Apologies for absence	
	Apologies for absence were received from Sharron Blackburn.	
	Auditors confirmed that they had not requested a meeting with the committee without management present.	
3	Minutes of the meeting held on 25th April 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 25 th April 2023.	
	There were no matters arising.	
4	Actions Progress Report	

	<p>The committee considered the update provided and, in relation to line 2 and the request for deep dive reports at each meeting, committee did not accept the proposal to 'put them on hold'. All agreed that they were needed and felt that it would help to give the risk management system implementation traction. Committee acknowledged that there was still the challenge of getting the organisation to better use the 4risk system and therefore deep dives would be a way of focusing attention. Challenge from the committee was to provide a completion date for this. Executive Director explained that the intention is to start training with staff this month. He committed to provide a proposed schedule of deep dive reports for the 2023/24 meetings at the first meeting in the autumn term (Executive Director F&E, September 2023).</p> <p>In relation to line 4 and the development of the IT and digital plan committee asked whether the delay was related to the new appointment and asked whether October 2023, as the new date, is realistic. It was confirmed that the delay is linked to structural changes and staff expressed confidence that the organisation was on track to achieve the October date. It was explained that the plan itself would be reviewed by the Finance & Resources Committee but that the action sits here as a follow up point from a prior audit and discussion in relation to this. It was confirmed that the strategy itself was scheduled for a presentation to the October F&R meeting (ED Strategic Planning & Corporate Services, October 2023)</p> <p>AGREED: to note the content of the update provided.</p>
<p>5</p>	<p>Subcontracting Self-Assessment 2022/23</p> <p>The report prepared and circulated was considered and RSM were then able to give an update on a number of aspects, including:</p> <ul style="list-style-type: none"> • They have been working with Dan Stanbra to conduct a review in relation to compliance, • Subcontracting audit requirements have been changed for 2022/23. There has been a move away from audit certification to self-assessment. • There are 91 subsections across the self-assessment questionnaire. Once completed the college needs an auditor to review this and this is the work currently underway with RSM, • ESFA makes a determination, • Each of the subsections will be RAG rated as green, amber or red, • Each of the sections are weighted, some have a higher weighting than others e.g. contracts and formal arrangements,

	<ul style="list-style-type: none"> • The outcome of the ESFA determination can be one of four levels, which are: <ol style="list-style-type: none"> 1) If a college meets the requirements then they do not need to complete self-assessment again for 3 years, 2) Colleges may partially meet requirements but still be allowed to continue to subcontract, 3) Colleges could fail to meet requirements and be informed that they cannot continue to subcontract in 2023/24 until they have proved improvements/compliance etc. 4) Colleges can be informed that they are not allowed to subcontract at all. <p>RSM advised that, in terms of the review work completed to date, the team are mostly seeing greens and ambers. There are some reds but these are mostly in the lower weighted aspects. These would be considered the 'nice to have's' and the 'best practice points'. Guidance requires that the self-assessment document has to be reviewed by the audit committee however it doesn't need to be approved by governors. It is the CEO who signs in terms of compliance.</p> <p>A question from one member of the committee was how the actions will be implemented and monitored i.e. how will they be absorbed into internal processes. Challenge from one member of the committee was that they would like to see swim lanes which show the people who are responsible. It was agreed to schedule a review of the questionnaire for the first meeting in the autumn term and that, to sit alongside this, there needs to be an assurance report regarding how any actions will be addressed internally. It was agreed that any actions would be extracted out in to a standalone tracking document (Dan Stanbra, September 2023).</p> <p>RSM expressed a view that the ESFA are likely to reflect upon the content of the questionnaire and the process once completed this year and that, part of this will be whether or not any changes are required going forward.</p> <p>AGREED: to note the content of the update provided.</p>
<p>6</p>	<p>Internal audit</p> <p>A number of aspects were considered including:</p> <ol style="list-style-type: none"> a) <u>Follow up</u> – key matters highlighted were: <ul style="list-style-type: none"> • An updated version of the report was circulated on Friday last week • RSM followed up on thirty actions

- Of these thirty, six were high recommendations. Majority of these have been partially implemented with four downgraded to a medium categorisation.
- There was one red RAG rated action which couldn't be tested because of staff absence within the organisation at the time of testing
- Opinion is 'poor progress'
- Suggestion is that RSM conduct a second follow up visit to try and evidence the outstanding actions, with the aim of achieving a reasonable rather than poor progress opinion.
- It is mainly the estates management actions which are outstanding. Auditors expressed the view that they were quietly confident that evidence could be found with access to the right member of staff. Executive Director Finance referred to one of the actions in particular i.e. development of an estates strategy and he confirmed that this was going for board review at the strategy day planned next week.

One member of the committee expressed concern that the absence of one member of staff could so significantly impact upon an audit and expressed the opinion that the organisation should have been able to answer the audit queries. Executive Director indicated that the systems in place to record actions are not where they need to be and explained that the group is moving away from an old system, which is very individually based, to an online live system which can be accessed and updated by various staff. He expressed the view therefore that issues identified may shortly become a legacy position.

One member of the committee asked whether the college needs to review the target dates given the proposal for a second follow up. Staff indicated that the dates should be achievable as the second follow up audit is planned for week commencing 2nd July 2023.

One member of the committee noted that there were a number of documents/policies referred to in the cyber security update position. CEO confirmed that they have been created and that the intention is present them for approval to the July board meeting. Challenge from one committee member was why the policies referred to have not yet come to board for approval if they were, as reported, created in February 2023. Staff advised that they were not ready to come to board earlier and that this is a result of changes to internal processes. It was explained that some time was taken to complete impact assessment which has led to a slight delay.

AGREED: to note the content of the update provided.

b) ESFA funding rules compliance – key matters highlighted were:

- This was focused on 16-19 funding
- Audit completed used same methodology as that utilised by the ESFA
- 30 learners were sampled
- Auditors also looked at PDSAT data
- Nothing was identified that would be considered to be a funding error, however there were some data quality issues identified and examples were given including:
 - Recording of work experience rather than work placement,
 - In relation to grades for learners enrolled, four were not recorded correctly,
 - One learner enrolled on functional skills English and maths should have been on GCSEs as they obtained a grade 3 in prior education. It was explained that this is a system issue on transfer from functional skills to GCSE English and maths.

Auditors advised that PDSAT data is now hosted online and that, unfortunately there was a delay in making this available to some providers, and that a lack of access negatively impacted upon some colleges ability to complete their own data interrogation.

Challenge from one member of the committee was that, if the numbers are extrapolated, there are significant discrepancies and they therefore questioned how these will be monitored and managed. RSM advised that, the working papers that ESFA use are publicly available and that some colleges conduct their own testing/sampling on a cyclical basis. They expressed the view that PDSAT reports need to be analysed and responded to on at least a monthly basis. Executive Director acknowledged that RNN is aware of a number of data accuracy issues and, to try and address this, the new MIS team includes an audit function who will undertake internal testing. This will be both within MIS and wider within the origination. This is a result of a number of audit actions regarding data quality, including OFS and PWC. He confirmed that staff recognise the issue and have made structural changes to try and address this.

AGREED: to note the content of the update provided.

c) Progress against the 2022/23 plan

RSM drew committees' attention to page 3 of the report specifically and highlighted:

- Majority of medium priority actions relate to processes, documentation compliance etc. and therefore there is a need for the organisation to be aware of this.

	<ul style="list-style-type: none"> • Risk management audit is currently underway with the expectation that the report will be issued in the next few weeks • Mental health and wellbeing audit is planned for July 2023 and there is confidence that all work can be concluded for the year <p>AGREED: to note the content of the update provided.</p> <p>d) <u>Planning sheet for the audit on mental health and wellbeing</u> - Committee were happy to note the content.</p>
<p>7</p>	<p>External Audit 2022/23 plan</p> <p>CavanaghKelly introduced this item and drew committees attention to their report circulated in advance. Key matters highlighted were:</p> <ul style="list-style-type: none"> • This is the audit plan/strategy for the financial year. • It identifies the team who will conduct the audit. • Section 2 is an executive summary. • A key matter is to ensure that all relevant materials are disclosed to the external audit team. • Section 3 confirms independence. • There is a new audit standards this year and all aspects required have been built in to processes. • ONS reclassification is taken in to account i.e. reporting against the Managing Public Money regulations. Audit will include testing on this. • Regularity self-assessment questionnaire, once completed by the college, will be reviewed. • Section 4 identifies the significant risks, which include: <ul style="list-style-type: none"> - Income recognition - Management override - Going concern • Audit will include a review of the ESFAs opinion on subcontracting. • Income will be considered in detail • Section 5 identifies material matters and materiality limits. • Document sets out the team and the timetable, both of which are broadly consistent with the prior year. • Aim is to present the final audit report to the November 2023 meeting of this committee <p>One governor asked whether internal processes and procedures need to change as a result of the change to the audit standard. CavanaghKelly indicated that this is not the case and that it is a more important document for external auditors rather than internally. Challenge from the committee was the need to check that all internal processes align with the MPM expectations and the requirements of the College Handbook once issued. All agreed that staff training in relation to this would be important. Executive Director provided assurance that the Financial Regulations have</p>

	<p>been updated in light of MPM and he explained that the finance team are creating a training package for staff. He indicated that there is a new procurement officer in place who is robustly reviewing all processes.</p> <p>AGREED:</p> <ul style="list-style-type: none"> A) to note the content of the update provided B) to recommend that the board approve the 2022/23 external audit plan as presented.
8	2023 Post 16 Audit Code of Practice – summary of key changes
	<p>Executive Director drew committees’ attention to his written report and key matters highlighted were:</p> <ul style="list-style-type: none"> • Main changes are in response to MPM. • Report confirms that the group has completed the ESFA return required. • Financial Regulations have been updated and the next step is training for staff and ensuring compliance. <p>It was proposed and agreed that compliance with MPM requirements would be scheduled as a standing agenda item for this committee so that the position can be tracked meeting to meeting (Executive Director Finance, standing item). Self assessment questionnaire to come to this committee to ensure oversight. A report will be required specifically in relation to any DfE permissions required. Next return to the ESFA/DFE will be part of the yearend processes.</p> <p>One committee member asked whether senior staff are confident that internally the organisation has responded to all changes required. Executive Director provided assurance that this is the case and indicated that this report just picks out the high level changes.</p> <p>AGREED: to note the content of the update provided.</p>
9	Risk Management
	<p>Executive Director presented the summary of strategic risks and also the full risk register. Key matters highlighted were:</p> <ul style="list-style-type: none"> • As previously reported, risk management is an area for development specifically use of the 4risk system • Report highlights the changes since the last meeting • Strategic risks include: <ul style="list-style-type: none"> - Student recruitment - Meeting conditions of funding - A need to look at reports on future forecasting, particularly regarding student numbers, to ensure that they are robust and realistic

	<p>- Achieving budget</p> <p>Actions taken to mitigate the risks include:</p> <ul style="list-style-type: none"> • Early curriculum planning • Creating and appointing to a new Vice Principal post • Stakeholder engagement strategy • Catering provision tender • Sports centre business plan update • Improved reporting in relation to AEB <p>He confirmed that the aim going forward is to invite a wider staff base to attend these meetings so that they can give updates on the particular risk areas that they have responsibility for.</p> <p>Committee were advised that risk training starts next week with sessions planned on Tuesday and Thursday. He confirmed that external expert support would be utilised as and when needed.</p> <p>AGREED: to note the content of the update provided.</p>
10	Opportunities Register
	<p>Executive Director drew committees' attention to the log of bids and opportunities circulated and he particularly highlighted the success in relation to the Post 16 Capacity Fund. He confirmed that the important thing now it to look at how to mitigate and manage the risks in relation to this.</p> <p>One member of the committee noted the reference to risks associated with Sport England funding and asked for an update on this. Executive Director advised that unfortunately the organisation is not eligible to apply for these funds and that any development works, in relation to the changing facilities at DVC, will have to be funded in some alternative way.</p> <p>Committee flagged the risk of winning the bids, particularly in relation to capacity if all opportunities came to fruition. Challenge from the committee was whether or not this needs to be added to the risk register. Executive Director Finance indicated that part of the capital funding secured allows for appointing additional project management capacity which will go some way to mitigate this risk. It may also be possible, depending on the conditions of funding, to use this resource for other operational aspects. He confirmed that Bond Bryant are keen to continue to work with the organisation and that procurement and engagement processes in relation to this are underway.</p> <p>AGREED: to note the content of the update provided.</p>

11	Student Union Audited Accounts
	<p>Executive Director Finance provided a verbal update and indicated that, unfortunately he was no further forwards in terms of identifying where these are stored. He assured committee that there was no suggestion of any wrong doing and that it is just an issue because of staff changes in a number of areas. He confirmed that the organisation is making a number of system changes to ensure that there is a central repository for key documents.</p> <p>AGREED: to note the content of the update provided.</p>
12	FEEP – Compliance Update
	<p>Executive Director presented his written report and confirmed that, in terms of RAG ratings, staff have identified some issues in relation to record keeping and therefore have taken a cautious approach to confirming it exists and therefore compliance. He provided assurance that staff are working hard to address any perceived gaps and that this involves the Health and Safety team independently looking for the evidence in the estates team files.</p> <p>Key risks are:</p> <ul style="list-style-type: none"> • Asbestos – he explained that the organisation cannot evidence executive annual review and sign off. To address this, group will complete a refresh of annual surveys and will then update the registers. He described the organisation as being overly cautious but that this is on the basis that it cannot be proven that the register is regularly updated. One consequence of this is that it may be costing the organisation slightly more than it should be, given the cautious approach that has to be taken. He confirmed that there will be an asbestos management plan in place going forward. • Electrical fixed wire testing – this is something that is required every 5 years, however there is a lack of evidence on this in relation to the Clifton and North Notts buildings. Group cannot track documentation required and is therefore undertaking complete re-reviews using an external company. It is envisaged that it will take four weeks to complete the Clifton review and the group may need to consider the timing of any remedial works required given future plans for the site. It was confirmed that if there is anything urgent that is identified then this would be communicated to the committee. • At North Notts the company are completing remedial works as they complete testing.

	<ul style="list-style-type: none"> • Fire risk assessments – there is an annual requirement to complete these. Staff are currently working through all assessments now and are using the fire service model. This is something that has been introduced following a fire service check/audit. He provided assurance that the organisation does have systems in place to manage fires effectively and that testing on these is undertaken, including evacuation. <p>One member of the committee asked what had triggered the fire service check. Executive Director indicated that a set of double doors were locked in a building and a member of the public noticed this and referred it to the fire service. This was followed up by an inspection. Committee asked whether there are any other consequences following inspection. Staff indicated that there were no consequences and that, in fact, the group would welcome them to come in and visit other sites and undertake reviews.</p> <p>Committee asked how proactive the organisation is being in relation to Health and Safety. Executive Director indicated that this is an area for improvement and confirmed that risk assessments, once all up to date, need to be followed and implemented. He confirmed that internal processes are being reviewed to identify risks. There are policies in place which are robust and the Health and Safety team now need to conduct compliance testing. It was explained that the Finance and Resources Committee has oversight of Health and Safety reporting to governors.</p> <ul style="list-style-type: none"> • Legionella – there has been a change to the testing provider and group is asking them to retest so that there is confidence regarding all documentation in place. <p>Committee noted the change of processes and procedures to an online system and asked whether there were any timeline restrictions to the move over to the Everi system. Executive Director confirmed that the aim is to have everything transferred over in the next two weeks, with any works required being completed as soon as possible. He confirmed that going through this process itself is actually mitigating the risks. CEO provided assurance that additional capacity has been brought in to the organisation to ensure that all aspects move forward swiftly.</p> <p>AGREED: to note the content of the update provided.</p>
<p>13</p>	<p>Fraud, Irregularity and Whistleblowing</p>
	<p>Executive Director Finance confirmed that there are no further incidents to report, other than the one investigation previously highlighted.</p>

	<p>AGREED: to note the content of the update provided.</p>
<p>14</p>	<p>Committee Annual Review</p> <p>Director of Governance introduced this item and explained that this is an opportunity to look back on the academic year and consider governance aspects, including terms of reference, membership etc. and then look forward to the scheduling of meetings for next year. She thanked governors for completing the annual self assessment questionnaire and summarised key aspects highlighted, including:</p> <ul style="list-style-type: none"> • The need to find a replacement for Roopa Patel-Harji on the committee next year • The size of the committee feels about right, with the desire to ensure that it is five • Training would always be helpful • It would be helpful to see how an audit committee at another college operates • There could be more structure in place in terms of setting internal and external auditor KPIs and then assessing their performance • Key staff to attend meetings and answer any questions that committee may have on their areas audited • Explicitly report on value for money at least annually as part of the yearend reporting cycle • Need to embed risk management throughout the organisation • There is need to be more assured and hold the executive to account in relation to audit actions agreed. Committee to have much clearer sight that audit actions are being tracked and implemented and any delays flagged. • Better sight and tracking of prior year audit reports • First ten minutes of any meeting to be for auditors and committee discussion and not just at the request of auditors • Need to ensure that all papers can be accessed <p>In general discussion, committee agreed that it would be a step forward to be able to assess impact as well as achieving the objectives set out in the terms of reference. It was suggested that, a review of this nature, should give clarity in terms of the input and outcomes expected from this committee. Director of Governance confirmed that she would ask the clerks network for any suggestions in relation to this. Committee felt that it should be more than just setting KPIs.</p> <p>Committee were happy to recommend to the board that terms of reference and membership, save for the additional recruitment of a co-optee should roll forward unchanged in to 2023/24.</p>

	<p>In terms of meeting dates for next academic year committee felt that sequencing this year had worked well and therefore they would be happy to replicate.</p> <p>AGREED:</p> <ul style="list-style-type: none"> a) To note the outcome of the self-assessment process completed this year b) To recommend that terms of reference roll forward into 2023/24 unchanged c) To recommend that committee membership remain 'as is' save for the addition of a new external co-optee appointment.
<p>15</p>	<p>AOB</p> <p>As a matter of additional business one member of the committee took the opportunity to observe that it is clear that there is a huge amount of change in the organisation and that this is on top of 'business as usual'. They felt that there is a lot of good work taking place and took the opportunity to thank the executive and staff.</p> <p>It was noted that this is RSMs last meeting as their contract ends and they were therefore thanked for their contribution to improvements over the last few years.</p>
<p>16</p>	<p>Date and time of next meeting</p> <p>Director of Governance confirmed that this was still to be finalised but would be in September or October 2023.</p>
<p>17</p>	<p>Confidential Items</p> <p>It was agreed that confidential items would be recorded on a separate basis.</p>

The meeting closed at 6.55pm

Signed _____ Chair

Date _____