



**3** MINUTES OF THE MEETING HELD ON 29<sup>TH</sup> JUNE 2020

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

AGREED: to approve the minutes of the meeting held on 29<sup>th</sup> June 2020.

There were no matters arising.

**4** ACTION PROGRESS REPORT

The committee reviewed the progress tracker and were pleased with the number of items either completed or on the agenda today for discussion. In relation to line 2, it was noted that this is not next due until February 2021. The Director of Governance put forward the proposal, at line 8, that the updated Risk Management Strategy be deferred to February 2021 as it is not an immediate priority given current time constraints. Whilst the committee were happy to accept this proposal, it was agreed that there may need to be further debate on this later on the agenda when considering the internal audit outcomes in relation to the risk management fieldwork completed.

AGREED: to note the content of the update provided.

**5** INTERNAL AUDIT

Internal auditors presented a number of items for consideration, including:

1) Core financial controls and risk management

Internal auditors drew the committee's attention to the written report, and key matters noted were:

- Section 1.12 provides a summary of the assurance levels available in the overall opinion.
- Section 2.1 provides the findings and conclusions.
- In terms of core financial controls, the fieldwork outcome was: adequate design and control and adequate effectiveness of control.
- Section 2.3 provides some recommendations regarding changes to the Financial Regulations at the next review. Particular attention was drawn to section 8.2 of the regulations and it was noted that the college actually provides a greater degree of oversight than set out within the regulations, with £2,000 being the cut-off point on the electronic system. In discussion, it was noted that the ESFA no longer monitors spend over £20k, and that this is managed by the college internally. The finance director advised that the lower limit of

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£2k is often very useful when considering value for money, and he is happy to continue with this for the foreseeable future. He also advised that there was a need to redefine 'budget holders' in to two different aspects, as the estates team needs greater flexibility to authorise expenditure than is the case with 'other' budget holders. The finance director confirmed that a redraft was due and that it is appropriate to consider the delegated authority limits as part of this. The committee all agreed that there needed to be a realistic balance.

- Section 2.8 indicates that, whilst there is a governor code of conduct in place, it was not found on the college's policies and procedures page and, in addition, there were some links broken to documents like the Financial Regulations 2019 and Public Value Statement. It was confirmed that there is a review of the website planned to address these issues.

The committee considered the information provided regarding the Anti-Fraud Bribery and Corruption Policy at section 2.4 and the alternative reporting route. All agreed that it should include an option to contact the Audit Committee chair or the Corporation Board chair, if they are willing, for an independent view.

In terms of procurement, one member of the committee asked whether the college had to be mindful of staff splitting orders to manipulate the authority limits. The finance director confirmed that there is no evidence of staff actually bypassing, or attempting to bypass, the processes. He confirmed that the college has been working on a number of business improvement projects, one of which relates to procurement, and part and parcel of this is work to make the processes more efficient. The committee asked if there was a supplier-based review taking place. The finance director confirmed that there is. He described it as a little overdue but completed over the summer. He made the observation that it has not been an easy year this year to be sure regarding value for money, given buyer/supplier behaviours which have changed as a result of COVID; however, he provided assurance to the committee that all staff are very conscious of the need to ensure value for money. He confirmed that the most significant spends are through established procurement contracts, e.g. Crescent Consortium, bus service, etc.

A challenge from the committee was that, whilst the fieldwork was completed on only a small sample at 15, there were three out of the 15 occasions where improvements could be made: this equates to 20%. All agreed that the college needs to continue to drive forward improvement processes regarding procurement. The finance director confirmed that he would provide a periodic report to the Audit Committee, and it was agreed that the frequency of this would be agreed with the chair outside the meeting, e.g. six-monthly, annually, etc.

Finance  
Director

Sept.  
2020

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The committee's attention was then drawn to the internal audit report on risk management. Auditors confirmed that, again, the design of controls was felt to be adequate and effectiveness of control also adequate. He indicated that part of the review included consideration of the Risk Management Strategy, and there were some out of date references found in the document. The finance director confirmed that this would be addressed at the next review. One other recommendation from auditors is that the subsidiary company risk registers should be reviewed more frequently than annually. It was confirmed that practically this is done in any event for bksb.

Auditors found that the risk register is currently very much owned by the executive, and their recommendation is that it should be more devolved throughout the organisation. In terms of good practice, there is clear evidence of board oversight regarding the risk register, and it was explained that this is not always the case in colleges. Governors' attention was drawn to the survey results, and it was explained that there was a general consensus regarding risk appetite between both governors and management, which is a positive. Overall, there was a very positive response to risk management within the organisation.

A challenge from the committee was that they would like to see evidence of directorate risk registers reviewed on a quarterly basis and a process in place for risks to be escalated to the strategic register. The committee advised that they would like to deep dive on directorate registers on a less frequent basis when compared to the corporate register.

The principal acknowledged that this was the next stage of developing the college approach to risk management; however, an initial step forward suggested is for directorates to identify and monitor the 'top three' risks at an operational level. A challenge from the committee was whether or not the 'top three' was sufficient. The committee were advised that risk management and risk identification does take place on an informal basis; however, it was acknowledged that the ability to track and scrutinise is missing below the executive. The committee acknowledged and recognised the work ongoing within the college, and made the recommendation for directorates to focus on the 'top five' rather than 'top three'.

The committee made a note that the report states that there are 'no champions identified' and indicated that this somewhat takes away from the process of embedding in to all aspects of the college. The principal expressed the view that it was important for this to not become a chore for staff, and it has to be done in a way that the next level below the executive embraces and owns the processes. Internal auditors explained that their reference to 'champions' was in fact the risk management organisers, which would in this case be the finance

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director.

(David Hoose joined the meeting at 3.30pm)

A question from the committee was whether or not someone was supporting the finance director who is adequately trained regarding risk management, given his interim work with bksb. The principal confirmed that risk management has really been a coordinated effort at executive, and he will speak to the vice principal to see if she would be willing to take back responsibility/support Jon on an interim basis.

In considering the report as a whole, the committee felt it was important to acknowledge that the college has made good progress regarding risk management and the risk register; therefore, this report provides further suggestions but there is confidence regarding the arrangements in place. Governors are confident that the risks are well known within the organisation.

AGREED: to note the content of the reports provided.

## 2) Employer engagement

Internal auditors presented their written report, and key matters brought to the committee's attention were:

- The college currently operates two core systems, i.e. Microsoft Dynamics and Connect, and it is felt that the position would be improved by just having one system in place.
- There is no formal documented policy and procedure in respect of capturing, generating or handling enquiries, with processes having evolved over time and being passed on to new staff as they join. However, there is a documented guide on handling enquiries for apprentices, guardians or employers, and to whom the enquiries should be directed.
- There is no monitoring of the service level agreement in place for the business support customer enquiries team.
- Section 2.6 confirms that there is no business information being brought into the college and no analysis of the CRM in terms of catchment area. The college previously subscribed to Mint UK, which is a business information tool for B2B sales and marketing.
- There is no formal marketing strategy in place.
- There is no dedicated telesales team.
- There are no routine reports prepared and presented on the college's employer engagement activities.
- There is limited board oversight of complaints received. It was explained that the work plan for the Standards Committee this year includes six-monthly reports on complaints.

One member of the committee advised that she had attended the

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marketing team meeting last week and felt that there were some fundamentals to be considered first before the team can create a marketing strategy. She expressed the view that the team needs to decide the 'who' and the 'what' before the strategy, which is the 'how'. She indicated that capacity within the marketing team appears to have been a casualty of the financial cuts and, as a consequence, the college is probably not being sufficiently proactive as it could be.

The principal advised that, notwithstanding the cuts made to the marketing department, when the college looks at business turnover and income, it is doing really well in terms of employer engagement in the apprenticeship market. He indicated that it is important for the college to get the quality of its offer right before aggressively going out to win new business. He indicated that employers are coming to the college; however, this is sometimes a strain and there is a challenge in terms of responding, particularly given funding constraints.

The committee was advised that the employer engagement strategy is being developed and it will include segmentation, with key employers clearly identified. In terms of the future, developments would need investment and there would have to be a growth plan to support this. The principal expressed the view that there needs to be a careful balance as the college is currently pretty much full and that, whilst there is an aspiration to grow, this needs to be organic. He indicated that, if the college has a good product, people will come. A challenge from the committee was that the current approach is very much short-term, and the college would benefit from having a plan in place for years 2, 3 and 5. The principal acknowledged that there was a need to optimise what the college does and use its resources smartly. A challenge from the committee was that this is more about taking control rather than waiting for people to approach the college. They didn't believe that the audit findings were a concern for this year, but did raise concerns for the future. The committee expressed the view that there needed to be a market assessment and a look forward into the future so that the college can be clear in terms of its USP and how this will contribute to the area.

In considering the actions, the committee questioned whether the timescales were realistic, and it was agreed that these would be reviewed outside of the meeting.

The principal advised that there were some key partnerships being developed with stakeholders and that these should allow the college to leverage relationships and opportunities; however, these will not become certain/clearer until 2021. In terms of the March 2021 date within the actions agreed, it was explained that this links to the curriculum planning process.

In terms of employer engagement and marketing, the committee all

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agreed that there was nothing wrong with the college having an interim plan versus a strategy. It was agreed that the management responses to the audit would be reviewed to better explain the intention to create an interim plan and then complete a strategy at a further point in time.

AGREED: to note the content of the report provided.

3) Updated plan for 2020/21

Internal auditors presented an updated audit strategy for 2020/21 to 2022/23. He advised that the only audit currently ongoing is in relation to the curriculum plan review and that this, together with the annual report for 19/20, will be presented to the next meeting. He confirmed that the work planned in relation to student records has been postponed from 19/20 in to 20/21, with a larger audit planned.

He drew the committee's attention to page 6 of the report, which is the planned areas of review for the next three years. He described the document as more succinct, and explained that it also summarises the key findings following review and discussions with the finance director. Page 6 clearly sets out the first year proposals for 2020/21, and the committee were particularly asked to note that a large amount of work is to be dedicated to student records.

The committee considered the proposals, and there were a number of questions, observations and challenges, including:

- In relation to IT, the college has just gone through a huge transformation in terms of use. It would be helpful to have the work in this area completed early. The college thinks it has done well in terms of the transformation, but it would be helpful to have a view of the college's response and any gaps. The principal particularly asked that the review focus on key changes made and whether they are effective, best practice, or could be improved.
- There is work planned in relation to performance management and HR health checks. The committee indicated that it was important to make sure that these two pieces of work align. The principal indicated that there was a lot of work on HR systems planned early in the year and, therefore, an audit later in the year would be useful to test the changes and also shape the college's response for the future. As a point of clarification, internal auditors indicated that the heading 'performance management' specifically related to KPI reporting to the board, not staff performance management. It was agreed that a different heading may be clearer in relation to this.
- The committee all agreed that it was really important to look at the lessons learned regarding IT and business continuity, so that the college can capitalise on what it has learnt so far.

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- The committee were advised that there was an increasing risk of cyber-attacks in FE and. Therefore. there is a need to look at the robustness of the system. Internal auditors confirmed that this would be one aspect of the review.
- A challenge from the committee was to ensure that the new governor data dashboard is up and running and embedded before the performance management audit is undertaken.
- In relation to student records, a challenge from the committee was to undertake the maths and English review early, as this was last completed in 16/17 and maths and English has been a focus for the college for a number of years now.

In relation to student records, auditors confirmed that they would complete a lot of detailed testing. The principal and finance director agreed that they would also want auditors to look at the college's interpretation of the new funding opportunities and compliance to ensure that there are no gaps in this area.

In line with comments made at the meeting and the points of clarification agreed, the committee were happy to approve the internal audit plan as presented for 2020/21.

AGREED: to approve the internal audit plan for 2020/21.

## 6 **COMPOSITE COLLEGE RECOMMENDATIONS REPORT**

Catherine Walker presented this item and it was noted that, going forward, she would take a lead on this to the committee given that, in practical terms, she has internal responsibility for collating and updating. She advised that two further actions were now complete: these relate to the HMRC and health and safety actions.

In terms of future reporting, the committee indicated that it would be useful to succinctly know what has changed since the last report and that this should form the basis of narrative. A challenge from the committee was that there appeared to be a lot of actions due by 31<sup>st</sup> December and to be completed by the finance director. They questioned whether this was doable, given increasing work commitments. The finance director indicated that many of the actions link to the planned review of Financial Regulations, therefore he was comfortable with the timescales.

The steer from the committee in terms of future reporting is to focus on what has changed, what is important, and what is relevant. As a point of clarification, it was explained that the tab in the spreadsheet headed 'HW – awaiting verification' identifies what the college believes are completed actions but have not yet been audited as part of the follow-up.

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AGREED: to note the content of the report provided.

**7** **EXTERNAL AUDIT STRATEGY MEMORANDUM – ADDENDUM**

External auditors introduced this item and confirmed that this document pulls out key aspects of the updated code of practice. The committee were particularly asked to consider the changes made regarding OfS and ESFA reporting. What will also be considered this year is the impact of the pandemic. The committee were advised that the ESFA has extended its deadline for filing yearend accounts to 31<sup>st</sup> January 2021; however, it is not envisaged that the college will need to utilise this extension as no delay to the audit process is expected.

The committee's attention was drawn to the third bullet point in section 1 and the comment made regarding subcontracting arrangements. It was explained that the main change is the requirement for colleges to submit a subcontracting rationale to the ESFA. The finance director confirmed that this will be presented to the Finance & Estates Committee at the next meeting. The committee were advised that the ESFA is also introducing limits on the levels of subcontracting. The college does not have any concerns regarding this for the 2020/21 year; however, a few years into the future, this will become an issue if subcontracted activity is not reduced, and could lead to a reduction in income.

In considering the update provided, it was acknowledged that the college needs to revise the anti-fraud checklist, which is an addendum to the policy. This was described as a refinement rather than a re-write.

Finance  
Director

Nov.  
2020

AGREED: to note the content of the update provided.

(David Hoose left the meeting at 4.25pm)

**8** **RISK MANAGEMENT – RISK REGISTER 2020/21 (FIRST DRAFT)**

The finance director introduced this item and confirmed that the college has taken a new approach for a new year. He explained that many of the items are RAG-rated as red because this is the start of the year, and the college will look to reduce the RAG ratings month by month. He explained that, in most cases, the controls have not yet had the desired effect, which impacts on the RAG rating.

In terms of the 2020/21 year, he expressed the view that there will be significant turbulence in terms of risks, including:

- Potential £2.2 million income that has to be spent quickly, i.e. £1.3 million within six months and £900k for the remainder of the year.
- Generally, the increased income position is positive; however, the college does need to respond to the challenge that this

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brings.

- The college is currently circa 400 learners ahead of the funding target. It is expected that this will be reduced and may come down to 250. This should be compared with 2019/20, when the college was 100 students ahead. The college will be looking to the ESFA to see what is available to fund this growth.

In terms of the format of the register, it was confirmed that the residual risk is where the college is now and the target is where it aims to get to. A challenge from the committee was whether or not the target residual is just to get to within the risk appetite agreed. The finance director explained that, if the residual risk is higher than appetite, the college will look at what more can be done to improve the position. It was confirmed that the further action required identifies what needs to be done to get to the agreed risk appetite.

The committee made the observation that, in terms of the numbers, there were some anomalies, particularly:

- Lines 3, 4 and 8
- Line 1 has three separate risks but only one risk score. They suggested that the lines be split out with one appetite score sitting against each risk.

In light of the comments made, the finance director indicated that the format would again be reviewed for the next iteration. That said, the committee were happy to note the content of the update provided.

AGREED: to note the content of the first draft of the risk register presented for 2020/21.

## 9 **EXPENSES POLICY**

The finance director introduced this item and indicated that, fundamentally, there is nothing wrong with the policy; however, there are a couple of additions that would be helpful but would require reference to the trade unions. He explained that changes proposed would not be significant to any employee within the organisation, given the limited applicability.

The committee discussed the proposal to remove first class travel as a potential option, and it was acknowledged that, in some circumstances, inexpensive first class rail travel can be secured and/or staff may choose to personally pay the difference as this would help to facilitate the ability to work whilst travelling. The committee all agreed that first class air travel should be removed as an option; however, in relation to train travel, they felt that, subject to cost and rationale, this could be approved by a line manager in advance of expenditure being committed.

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The committee discussed the position regarding overnight accommodation and particularly discussed what would apply to consultants who stay away from home as part of any engagement with the college. It was agreed that this would need to be part of a remunerated package and, therefore, taxable by the individual rather than claimed as a college expense.

The finance director confirmed that he would circulate a copy of the updated policy once it has been discussed with the TU.

Finance  
Director

Dec.  
2020

AGREED to note the content of the update provided.

**10**      **PROCUREMENT – REPORT ON LEVELS BY SUPPLIER FOR 2019/20 AND AN ANALYSIS OF TOP SUPPLIERS**

The finance director presented this update and explained that it excludes subcontracting, as this is dealt with by a different set of processes and controls.

The committee's attention was drawn to the summary in table 2.1, and the finance director confirmed that the college is part of the ESPO/Crown Purchasing Consortium for major tenders. In relation to staff agencies, the college uses a number (11 or 12) to enable recruitment of a broad range of technical skills. The largest element (43.9%) relates to 'other', and assurance was given that the college makes use of CPC and ESPO in relation to this.

The committee's attention was drawn to appendix 1, which provides analysis of larger transactions. Key matters brought to the committee's attention were:

- Stannah Lift Services Limited – this relates mainly to emergency work required.
- G Lamb – this relates to summer works and includes a high number of single quotes which were approved because of lead time requirements. He acknowledged that the trend in relation to this could not continue but explained that many were COVID-related.
- MCL Energy Limited – this relates to the air conditioning system. There is a £20k annual core maintenance contract cost, which will be tested at the next point of review.
- Try Soft Limited – this is works required to equip rooms, and they were able to deliver more quickly than alternatives.
- Juice Electrical Supplies Limited – this will be reviewed through the CPC.

In terms of procurement processes in these difficult and challenging times (particularly COVID-related), the committee felt that there would be benefit in:

- Presenting a policy to the Finance Committee regarding

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- operating outside the norm, and
- Ensuring that there is a clear evidence trail to detail the exceptional decisions taken and why this was considered appropriate and necessary.

The finance director indicated that the college does now have a new online waiver form that went live a few weeks ago and explained that this will help in terms of the evidence required. There will also be a retrospective approvals report that goes to the next Finance and Estates Committee meeting.

AGREED: to note the content of the update provided.

**11**      **EXCEPTIONS REPORT**

The finance director advised that the college has received a complaint from two former employees of one of the subcontractors. The college is currently carrying out investigations and payments are on hold. The complaint relates to activity undertaken in 2016/17.

He advised that the first stage of the investigation does not seem to substantiate the allegations; however, there does seem to be a trend of certificates not being received and this does raise a red flag. The college is aware that the awarding body also had concerns regarding that period and required extra work from the subcontractor. The allegation is that this further work required was falsified; however, this was reviewed by the awarding body and qualifications confirmed and, as a result, the college will have to rely upon this.

The second part of the complaint relates to functional skills tests (of which there are approximately 1,800 for the period). The allegation is that some of the tests were sat by staff and not students. The college is undertaking some sampling but the position in relation to this is not yet clear.

The committee all agreed that this was another good reason for continuing to reduce the use of subcontractors. The finance director confirmed that a contract would not be issued to this subcontractor for 20/21. It was explained that, in the 2019/20 academic year, there were challenges and delays in obtaining data from the subcontractor. Assurance was given that the college has completed its own checks with learners and has not identified any evidence of false learners. It was agreed that an update on the investigation would be provided at the next meeting.

Finance  
Director

Nov.  
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AGREED: to note the content of the update provided.

**12**      **FRAUD IRREGULARITY AND WHISTLEBLOWING – 2019/20 YEAREND REPORT**

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Date: 26.11.2020

The finance director confirmed that there was nothing to report in relation to this.

**13**      **CONFIDENTIAL MINUTES OF THE MEETING HELD ON 29<sup>TH</sup> JUNE 2020**

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 29<sup>th</sup> June 2020.

There were no matters arising.

**14**      **AOB**

There were no matters of additional business.

**15**      **DATE AND TIME OF NEXT MEETING**

This was confirmed as Thursday 26<sup>th</sup> November 2020 at 3pm.

Meeting closed at 5.10pm.

Signed : \_\_\_\_\_  \_\_\_\_\_ Chair

Date: 26.11.2020