

***Minutes of the meeting of the Audit Committee held on Monday 27<sup>th</sup> November 2023 at 15:30***

**MEMBERS** Neil McDonald, chair  
**PRESENT:** Alison Griffiths  
Theresa Hodgkinson

**ALSO IN** Jon Fearon, Finance Director  
**ATTENDANCE:** Andrew Cropley, Principal and Chief Executive Officer  
Lee Glover, Validera  
Eloise Hopkinson, Clerk to the Corporation

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

- |          |                                                                                                                                                                                                                                                                                                        | <b>ACTION<br/>by whom</b> | <b>DATE<br/>by when</b> |
|----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|-------------------------|
| <b>1</b> | <b><u>APPOINTMENT OF THE COMMITTEE CHAIR FOR 2023/24</u></b><br>The committee were happy to reappoint Neil McDonald as the committee chair for the academic year.<br><br>AGREED: to approve Neil McDonald as the Audit Committee chair for 2023/24.                                                    |                           |                         |
| <b>2</b> | <b><u>WELCOME, INTRODUCTIONS AND APOLOGIES FOR ABSENCE</u></b><br>Apologies for absence were received from Ann Treacy. Theresa Hodgkinson was welcomed to her first meeting of this committee.                                                                                                         |                           |                         |
| <b>3</b> | <b><u>DECLARATIONS OF INTEREST</u></b><br>The chair reminded everyone present to declare any interests that they may have on agenda items to be discussed. No specific declarations were made and standing declarations were noted.                                                                    |                           |                         |
| <b>4</b> | <b><u>MINUTES OF THE MEETING HELD ON 17<sup>TH</sup> JULY 2023</u></b><br>The minutes were reviewed and it was agreed that they were an accurate record of discussions.<br><br>AGREED: to approve the minutes of the meeting held on 17 <sup>th</sup> July 2023.<br><br>There were no matters arising. |                           |                         |
| <b>5</b> | <b><u>ACTION PROGRESS REPORT</u></b><br>The committee were happy to note the content of the update provided.                                                                                                                                                                                           |                           |                         |

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

Date: 06/02/2024

**6** **COMPOSITE COLLEGE RECOMMENDATIONS REPORT**

The finance director introduced this item, and it was noted that there are no actions outstanding.

The finance director highlighted that the date has been changed on one item, but this is a positive thing and is simply because the action has been completed six months early.

AGREED: to note the content of the update provided.

**7** **RISK MANAGEMENT**

The finance director presented the report, and key matters highlighted were:

Risk appetite

- Estates items were not previously included as areas of risk, but this category has now been added and given an appetite of 8 due to the level of capital spend currently being undertaken by the college. Governors confirmed that they are happy with this risk appetite. Such activity is not risk-free, and this is acknowledged.
- No other appetite ratings have changed.

Strategic objectives

- These have been reformatted for this academic year and linked to the risks. This reflects the varying and refocus around employer engagement activity and give more structure around capital projects.
- Some of the quality strategic objectives have been refocused, this year, so the risk register now better fits the strategic plan and reflects the current situation.

One governor challenged that a significant number of risks are multi-year, as shown by the report. The governor questioned whether the college is confident that these risks are at the lowest mitigation they can be taken to, and whether they are covered within the audit plan. The question was also raised as to whether these risks are adequately covered in the quality improvement action plan with a strategic line of sight. The finance director explained that:

- The biggest risk is around capital, and there is a capital audit taking place this academic year – work was not fully underway until this year which is why the audit was not done sooner.
- In terms of quality improvement, each committee has a tab with risks which they regularly review.
- Variance within the risks is seen by executive when the risks are reviewed, as well as by committees at every meeting.
- New information is added throughout the year as it becomes apparent and as situations change.

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

Date: 06/02/2024

- Risks have stayed largely similar over time, and it is sometimes the case that a risk can remain but the cause might vary (e.g. such as with the staffing risk, which was initially due to college culture but now is due to external forces).
- The principal feels that the college is mitigating these risks as well as it possibly can. The Executive team is well challenged through committees to ensure risks are properly managed and mitigated. Furthermore, the Executive is constantly challenging itself to review and tackle risks.

The chair asked that the trend arrows are looked at thoroughly to ensure that even an incremental change can be measured.

FD/Clerk

Dec  
2023

One member of the committee asked whether there is scope for governors to challenge outside of the committee meetings, i.e. if they see something which they feel needs review. The Audit Committee has oversight of the whole risk register, and the principal feels it would be fair for committee members to make a request via the clerk if they feel that a committee needs to focus specifically of a certain risk for any reason – this has been done in the past. The risk register is on the Corporation Board's agenda and is available in its entirety for all governors to see, so there is also scope to challenge at that point. The committee indicated that they found this reassuring.

AGREED: to note the content of the update provided.

8

#### **EXCEPTIONS REPORT**

The finance director presented the draft 2022/23 regularity self-assessment questionnaire, and key matters highlighted were:

- There is only one item of exception to be reported in-year to the external auditor, and this is the issue of compliance and the administrative failure around obtaining a specific consent from the Charity Commission. This related back to 2019, and the ESFA has established that this process was not completed correctly. There will be more discussion of this in the joint meeting. It was confirmed that the Charity Commission has now issued a draft order granting the necessary consent required.
- There are no other items to declare. The self-assessment questionnaire points out a number of regulatory and compliance issues across the sector and how to avoid failure in these areas and, again, the external auditor will confirm in the joint meeting that there is comfort in the college's overall position, with the only reportable item being the Charity Commission issue.
- There has been a clean bill of health on external audit for three years running.

AGREED: to note the content of the update provided.

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

Date: 06/02/2024

**FRAUD, IRREGULARITY AND WHISTLEBLOWING**

The finance director confirmed that there was nothing to report.

Governors were informed that the last whistleblowing issue was in terms of a former subcontractor, dating back to around 2021. A joint investigation was done alongside the ESFA – the subcontractor was removed as a partner and reported to City & Guilds, who found no fault.

Governors questioned how often staff, stakeholders and partners are briefed on the Whistleblowing Policy. The finance director explained that all budget-holders within the organisation have to complete an online declaration of interest, and this involves two updates about what fraud is and how this might occur. They are prompted to come forward if they see any inappropriate activity displayed by a colleague. The college's subcontractors are quite small, but there is not a single person controlling that relationship – there is no single point of decision making. The fraud update has been consciously put in place for the budget-holders, and these people cover a large part of the management of the college.

The chair challenged whether the college carries out any annual fraud or whistleblowing updates – this is not something that is currently in place, but it is felt that the college has done a lot to ensure there is an open culture. Reports have been made in terms of concerns over the years, but the principal agreed that more could be done to remind colleagues of their responsibilities in this regard. This will be picked up in the principal's opening briefing of each academic year.

There has been internal debate around exam processes, and this matter was then also discussed with the awarding body – the finance director asked whether this sort of thing should be reported to Standards Committee even if it does not result in a sanction or a breach. The principal will have a conversation with the vice principal: curriculum and quality around what would be a sensible threshold for reporting on this. He does feel that it should always be reported if the college were to reach a point where it was at risk of sanction. None of the matters referred to this year have been near this – they have only resulted in a query in relation to the process followed or activity carried out. The chair indicated that staff should be aware of when they need to be making a report. This will be discussed by the Executive in their team meeting.

One suggestion made was to communicate the exam processes at the point of update, but the audience needs to be targeted as this information does not necessarily need to be shared with everyone. The information also needs to be delivered well. Thought will be given to this by the Executive when they discuss the matter.

AGREED: to note the content of the update provided.

Principal

Annually

Clerk

Dec  
2023

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

Date: 06/02/2024

**INTERNAL AUDIT**

The internal auditor presented a number of reports.

**Annual report**

- This closes the audit work for 2022/23 and was described as bringing up 'no surprises'.
- The table on page 4 includes all audit opinions and the number of recommendations arising within each one. The auditor indicated that this should give governors comfort in relation to a clean annual opinion.
- The report indicates adequate and effective risk management; adequate and effective governance; and adequate and effective control processes.
- One member of the committee asked where this annual report goes next, and the response was that it can be referred to in the Audit Committee's own annual report. Furthermore, from next year, it is likely to be necessary to send a copy of these annual reports to the ESFA. The college's termly conversation is taking place next week, so the internal audit annual report could be shared with them then. The Audit Committee's own report is shared with the ESFA, and this takes key information from the auditor's annual report.

**Internal audit strategy**

- An updated version of the document was presented, which has now been refreshed and updated to ensure it aligns with the risk register. All key areas are covered within the internal audit strategy. The real gist is in the key findings section which details the messages from the conversations held with the finance director, e.g. around the capital projects audit, health check (including whistleblowing), and a few other small amendments that have been worked into the Strategic Plan. This also includes key emerging sector issues, and the new financial handbook will also have an impact on this once issued. The Audit Code of Practice is expected to be mandated in the new handbook.
- The auditor indicated that the college is in a good place, which is not the case for all colleges, and an update will be provided once the new handbook is available.
- All main risks are covered within the strategy and there is nothing the auditor expects to revisit. The idea of a corporate governance review in 2024/25 was positively acknowledged.
- The auditor explained that the meat of the document is on page 7 and, as always, the college is welcome to communicate if there is anything to add or amend.

One governor challenged that there are 51 days' audit work planned for next year and quite a large number of audits planned within this time. It

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

Date: 06/02/2024

was clarified that some days were saved last year due to having rolled the capital audit forward, so there is a larger audit activity this year.

One governor challenged in relation to a previous conversation in terms of struggles with apprenticeships and employer engagement. The latter audit is scheduled for next year, and she wondered whether this needs to be brought forward considering the challenges. The principal feels that there is still so much turbulence due to the LSIF work having only just been contracted; he thinks some patterns will now start to emerge, but this would be hard to audit at the moment. The finance director agreed with this. Also, there might be some more allocation which will help to reshape the plans. Under the devolved authority, there will be more of a focus on skills, whereas the ESFA's policy on skills has not been always connected to economic development. This will take time to shift, and the college is working hard on this. The benefit is that the college is now able to do this on a local basis rather than having to have a generic 'East Midlands' approach. Governors were also assured that employer engagement and apprenticeships have been the focus of audits in the past and have not been ignored. Therefore, it was acknowledged that the employer engagement audit does not need to be brought forward at this time.

Internal  
auditor

2024

In relation to curriculum planning and budgetary control, the finance director and principal are very interested in how these link up, so the principal asked the auditor to focus a part of this audit on the links between those two items.

One governor advised that she is happy to represent the college as well as her own organisation around the table in terms of devolution – it is necessary to be able to influence this across all districts and elements, and she feels that the Audit Committee would be right to have a watching brief. The principal welcomed her to have some time with him and other Exec colleagues to ensure devolution is being driven correctly and beneficially. The principal and chair of the board have had very positive meetings with the three mayoral candidates, and plans are in place to bring the three candidates in to meet with the D2N2 colleges, hopefully to be hosted at WNC. The clerk will arrange an hour for Theresa Hodgkinson to meet with the principal and the two vice principals to look at devolution and how this agenda can be driven.

Clerk

Dec  
2024

The chair would like to see an item on the Corporation Board agenda in the spring to look at how the Employer Engagement Strategy has evolved, what is emerging, and how to be on the front foot. It was confirmed that the vice principal: communications, engagement and student experience is bringing a paper to February's board meeting in relation to this, which might answer some of the questions and will enable the opportunity to discuss ideas.

VP: CESE

February  
2024

Audit briefs – performance management, capital and HR.

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

Date: 06/02/2024

The committee were asked to put forward any observations, concerns, or interest that can then be built into the scope.

- There were no comments in relation to capital.
- In relation to the HR health check, the chair referred to a formatting error in this part of the document, which the auditor indicated would be resolved. The principal asked that the audit look at 1) recruitment, i.e. whether the processes are slick, fast and inclusive enough; and 2) the use of agency staff, the control of this usage, and their integration into teams. The auditor will work these points in.
- The performance management audit is around data and reporting KPIs, the function and effectiveness of the balanced scorecard, and other related matters. The principal asked for a judgement on the impact which the balanced scorecard has driven, if possible. The auditor will give this some thought – he feels that the views of corporation members and whether this gives the information they need would also be valuable, but the concern is that there might not be enough consistent board members still around from before its implementation to be able to comment in this way. The principal indicated that he would still value the auditor's view on this. It was also suggested that, if possible, this could be benchmarked against best practice seen within other colleges that use a balanced scorecard.

Internal  
auditor

2024

Internal  
auditor

2024

AGREED:

- to approve the first draft of the audit plan
- to approve the audit briefs
- to note the content of the update provided.

11

**AUDIT SERVICES – ADDITIONAL (NON-AUDIT) WORK UNDERTAKEN IN 2022/23**

The finance director gave a verbal update, confirming that there were four pieces of work, as follows:

- Subcontract audit, the outcome of which was forwarded to the ESFA. No response has been received, but the report itself only contained minor points.
- Mazars tendered to undertake the Teachers' Pension Scheme audit and presented a certificate on the accuracy of submissions.
- Strategic Development Fund final audit report.
- The Taking Teaching Further contract was taken from the ETF and went to the DfE, and each recipient of the fund then had to have an audit report in funds received. This will need to also take place in future years. For 2022/23, it was picked up and completed in a very timely manner by Mazars.
- The price of this activity has been included within the audit report.

AGREED: to note the content of the update provided.

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

Date: 06/02/2024

12

**AUDIT COMMITTEE ANNUAL REPORT 2022/23 – DRAFT**

The clerk to the corporation introduced the first draft of this document and invited the committee to make any observations, including requests for change and/or additions. A number of matters were highlighted and agreed, including:

- Reference to Haines Watts is to be amended to HW Controls and Assurance Limited (or the full name to be included at the start and then abbreviated to HWCA).
- Assurance from the internal auditor is included within the report, which is standard. The report is produced every year in a templated format.
- Point 9.2 needs to be finalised in terms of how this will be reflected in the annual accounts. This wording will be matched to the wording used within the accounts.
- The chair challenged whether it is necessary to include a reason for the former director of governance's resignation, referring to 8.1. It was agreed to remove the reason for this as this information is personal and is not appropriate for inclusion within this report.
- Reference to the OfS needs to be removed as the college no longer deals with this particular body.

The clerk to the corporation confirmed that she would update the document, and it was agreed to delegate authority to the committee chair to approve the final updated version.

Clerk

Dec  
2027

AGREED:

- a) to note the content of the draft report prepared
- b) to delegate authority to the committee chair to approve a final version once the above amendments have been made.

13

**AOB**

There were no items of additional business.

14

**DATE AND TIME OF THE NEXT MEETING**

Tuesday 6<sup>th</sup> February 2024 at 17:00.

It was agreed that confidential items would be noted separately. Lee Glover left the meeting at 16:40.

Meeting closed at 16:45.

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

Date: 06/02/2024