

Minutes of the meeting of the Audit Committee held on Tuesday 7th February 2023 at 5pm

MEMBERS Neil McDonald, Chair
PRESENT: Ann Treacy
Robert Docherty
Alison Barker

ALSO IN Maxine Bagshaw, Director of Governance
ATTENDANCE: Andrew Cropley, CEO/Principal
Jon Fearon, Finance Director
Irene Mortimer, Haines Watts

		ACTION by whom	DATE by when
	Auditors confirmed that they had not requested a meeting with the committee without management present.		
1	<u>WELCOME, INTRODUCTIONS AND APOLOGIES FOR ABSENCE</u>		
	Robert Docherty was welcomed to his first meeting, and round-table introductions were made. Apologies for absence were received from David Hoose and Catherine Walker.		
2	<u>DECLARATIONS OF INTEREST</u>		
	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.		
3	<u>MINUTES OF THE MEETING HELD ON 28TH NOVEMBER 2022</u>		
	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 28 th November 2022.		
	There were no matters arising.		
4	<u>ACTION PROGRESS REPORT</u>		

Signed : _____ Chair

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The committee were happy to note the content of the update provided.

5 **COMPOSITE COLLEGE RECOMMENDATIONS REPORT**

The finance director presented the report prepared by Catherine Walker, and key matters highlighted were:

- There is only one item remaining for 2021/22, which is in relation to cybersecurity. The college intends to update again on this in 2023.
- PDSAT items have been completed and addressed.
- The estates item will be picked up as part of the internal audit report to be discussed later in the meeting.

For the benefit of new governors, the committee chair explained the context for this document and explained that progress against all actions agreed is monitored by Catherine Walker to ensure that agreed dates are met. When items are agreed as having completed, they are moved to an archive document which internal auditors then sample test at each follow-up.

AGREED: to note the content of the update provided.

6 **DPO UPDATE REPORT**

The finance director presented this report on behalf of the director: IT, estates and learning resources, and key matters highlighted were:

- The committee requested an update at this meeting as, at the last report in August 2022, there were quite a lot of actions identified as a 'work in progress'.
- Some significant progress has been made, as can be seen from the update report prepared as at 5th January 2023.
- There has been good movement.
- College is tough on itself in terms of the targets and ambition.
- One issue still to address relates to the retention policy and access to historic information. The college does have a lot of old information and is planning a focused campaign to dispose of this as part of a staff training day this year.
- The college is very much less reliant on paper records now. This is evidenced by the fact that the amount of photocopying completed has moved from four million units to one million units. The message to staff is to keep the minimum information required.

One governor noted that, in relation to key risk 7, there was a review planned in January. They asked whether this has been done and, if so, whether there will be another report or whether this one closes off the action after the planned January review. It was agreed that the director:

Director:
IT &

March

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IT, estates and learning resources would be asked to clarify this outside the meeting.

Estates

2023

In relation to key risk 2, one governor observed that there is a reference to 'some', and they asked that this be quantified and an explanation given as to the risk if this is not updated in a timely way. The committee noted that this risk related to data sharing agreements. Staff advised that all third-party agreements have been reviewed, with some of these identified as old documents, and the DPO recommendation is that they would benefit from some change in language to update them. Staff advised that there are a minimal number of agreements where the college doesn't try to use its own version and that staff are working through those that aren't in the college format. Staff reassured that there was a minimal risk in relation to these.

AGREED: to note the content of the update provided.

7

2022/23 INTERNAL AUDIT

Haines Watts presented a number of aspects, each of which were considered individually.

- 1) 2022/23 progress report – key matters highlighted were:
 - Activity has moved on further since the report was drafted.
 - Risk management audit is now underway.
 - The draft report has been issued in relation to payroll and benefits testing.
 - The planned audit date for the capital projects review has been pushed back slightly as there has been a delay in the project start. This means that there is not yet sufficient activity to undertake meaningful tests. The college is not at the stage where an audit would be worthwhile, and it is envisaged that the audit testing will take place in April 2023. The committee were happy to support this proposed change to the date.
- 2) Sector updates – the committee's attention was drawn to the sector updates highlighted as available on the company's LinkedIn profile. The committee acknowledged that they had received summaries in relation to:
 - subcontracting standard audit requirements
 - the DfE's Keeping Children Safe in Education.

In relation to the ONS reclassification, the principal confirmed that bitesize briefings in relation to this were issued in January and that links in relation to this are included in the principal's report going to the board meeting later in the week. The committee requested that a brief synopsis be provided in relation to the remaining two items, which are:

- grant management

Finance
Director

May
2023

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- 16-19 funding for academic year 2023/24.

In relation to ONS reclassification, the principal advised that the sector is now subject to more regulation and that it is highly likely that colleges will be subject to a similar requirement to comply with the academies financial handbook. There are new restrictions in relation to senior pay and borrowing particularly.

3) Estates management – key matters highlighted were:

- Positive assurance with an 'adequate' finding.
- Management have agreed to all other recommendations made.

The committee made reference to recommendation 5, with regard to site refit and the paperwork associated with this, and they asked who is responsible for the building. Staff confirmed that it is the college. A challenge from the committee was that it is important to have all of the paperwork, warranties, etc. in place. They asked that this aspect, although not a specific action, be added to the composite tracker with clarity in terms of who is responsible and when the issue will be addressed.

One governor noted that the audit scope referred to a review of reactive maintenance; however, there is no reference to or mention of best practice and how effective this is within the report. Auditors confirmed that this was reviewed but there was no action or findings in relation to this. Staff indicated that day-to-day reactive maintenance is less of an issue as this is mostly done internally.

The committee chair asked whether there any prior year issues were identified in relation to contractors, particularly in relation to procurement processes, etc., and one specific example given was having DBS certificates in place. A challenge from the chair was to go back and look at previous audit reports to see if there were similar prior year recommendations, as this would suggest that the college has still not resolved all of the 'paperwork requirements'. A challenge from the committee was to complete a detailed follow-up audit on this.

The committee were advised that the college has made a positive change in terms of the transfer to a professional management system for estates matters rather than relying on internal spreadsheets. This should make it better to track and manage the tasks. The committee were given assurance that HR have also done some work to ensure that the single central register is up to date. Because of concerns in this area, it was agreed that a progress report and deep dive would be undertaken on this at the next meeting.

The committee observed that the completion date for many of the actions was March 2023, which was only six weeks away, and they asked whether this was realistic. Staff confirmed that it was.

Executive
Assistant

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IT &
Estates

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Estates

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2023

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AGREED: to note the content of the update provided.

- 4) Scopes for planned audit work – the committee were invited to consider two, which were:
- a) Core financial controls – it was explained that the focus for this will be on the general ledger and reconciliations.

A question from one governor was in relation to aspect number 2, and they questioned whether there should be a review of job descriptions to ensure staff knowledge, specifically that of finance staff and budget-holders. Auditors explained that the intention was to look at training and compliance. A challenge from the committee was to ensure that responsibilities within the job descriptions are clear and reasonably detailed and that staff are then provided with procedural guidance. A challenge from the committee was that financial responsibility should be clear as well as authority limits. A challenge from one governor was to look at the bank mandates too and check the authorised signatory list.

With the additions requested, the committee were happy to approve the scope.

- b) Learner records – it was explained that apprenticeship provision will be a focus with auditors looking at:
- the new academic year
 - new rules
 - paperwork, as it is known to be a challenge in the sector.

The committee all acknowledged that, whilst this is a high-risk area, the organisation has worked really hard to improve the position since 2019. All agreed that it would be really encouraging to have a positive assurance audit in relation to this.

A question and challenge from one governor was to look at the learner agreements and ensure that commitment statements are signed appropriately in terms of employer, learner and college. Auditors confirmed that this aspect would be covered by items 16, 17 and 18 within the scope.

AGREED: to approve the scope as presented.

Whilst the final report was not available for consideration, the committee asked for an update in relation to the payroll audit. Auditors confirmed that there was nothing to worry about, with an adequate assurance opinion provided. There were just a couple of findings, and an example given was the tax code for one member of staff. The finance director indicated that it is important for the college is to know

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why internal trackers didn't identify this as an issue, whilst acknowledging that the value was very small.

The finance director took the opportunity to highlight the fact that there will be a significant overhaul to the financial regulations as a result of the ONS reclassification.

AGREED: to note the content of the updates provided.

8 SKILLS ACCELERATOR PROJECT

The finance director provided a verbal update following the prior year's audit comments that were submitted to the ESFA on the interim audit completed by Mazars. He reminded that there were some timing issues which led to auditor comments, but these were minor. It was confirmed that the ESFA have advised that they will take no further action. The committee were advised that Mazars were just about to complete the second audit on the project spend and that, since the prior year audit, there has been clarification that prior spend is not in scope.

The college is also completing a second project which has tightened rules. It was explained that the difference is that the first project allowed a percentage charge regarding existing staff time; however, under the new rules, all staff time has to relate to new/additional staff.

AGREED: to note the content of the update provided.

9 RISK REPORT

The finance director presented the detailed risk register for 2022/23 and particularly highlighted the red RAG-rated items. These include:

- Financial health – this dropped to 'requires improvement' in January; however, the rules in relation to in-year growth funding have changed and, therefore, the college will benefit from an additional £300k-£350k. This will improve the position. The committee were reminded that the college had to increase the level of staffing to respond to increased student numbers with no initial additional funding provided.
- Cybersecurity – the risk in relation to this has increased slightly. The college took the decision to take systems offline over the Christmas period to try to mitigate against attacks and, in addition, is also now utilising an external company to monitor what could be suspicious activity.
- Risk mitigation has now been taken in relation to the Chesterfield Road site and, in particular, a contract agreed for a smaller building.
- A 15% growth in student population is expected in the foreseeable future, which will put pressure on buildings. This is

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leading to a number of challenges, with growth per annum envisaged at 3%-4%. This, alongside improved retention and an increase in market share, is leading to estates capacity risks.

- In relation to subcontracting, a separate tab on the risk register has been created. There has been some underperformance and the college has had to reduce some contract values to mitigate this.

In considering the risk register as a whole, a challenge from the committee was whether estates is sufficiently covered on the risk register. In discussion, it was agreed that student growth can be split down into a number of sub-risk areas, and examples given were buildings, staffing, etc. The principal expressed the view that estate risks are not in themselves high enough to be on the risk register. The estate is fundamentally sound; however, capital projects are a risk and they are separate and distinct on the register. He confirmed that space has become a risk and is on the register but that the estate per se is not a risk. A challenge from the committee was to keep a watching brief on this.

The risk in relation to the Tech Centre at Chesterfield Road remains amber and will continue to do so until planning permission has been obtained and contract prices confirmed.

AGREED: to note the content of the update provided.

10

COUNTERFRAUD/ANTI-BRIBERY

The finance director presented the annual fraud risk assessment/checklist and strategy update. He indicated that the highest risk for the organisation is in relation to subcontracting and, in fact, the college does have some historical experience of this, particularly with incorrect information being provided in relation to apprenticeship provision. Assurance was given that new rules and structures in place are much more rigorous with tighter controls and, where there are any doubts, the college takes steps to end contracts immediately. It was confirmed that, internally, there is no motivation to make a false funding claim and that, as everyone is aware of the risks associated with external subcontractors and independent training providers, all are vigilant.

In terms of the policy, this sets out:

- who is responsible for key risks
- what has changed
- what the college's defences are.

The committee were advised that none of the risk ratings had changed since the prior year position and that, operationally, this is considered

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to be a low-risk environment for the college. The organisation has used the questions to enhance existing arrangements but, broadly, there is no change to where the college considers there to be risks.

A question and challenge from the committee was whether or not there is some fraud training that can be provided, and an observation made was that this assessment document doesn't really 'do or add anything'. A challenge from the committee was that practical implementation is more important. The committee requested that the action plan document be updated so that it is more specific and detailed.

FD

June
2023

AGREED:

- a) to note the content of the update provided
- b) that the updated strategy be presented at the June 2023 meeting.

11 FRAUD, IRREGULARITY AND WHISTLEBLOWING 2022/23

The finance director confirmed that there were no disclosures to report.

12 AOB

There were no items of additional business.

13 DATE AND TIME OF NEXT MEETING

This was confirmed as Tuesday 2nd May 2023 at 5pm.

14 CONFIDENTIAL ITEMS

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

Meeting closed at 6.15pm.

Signed :  _____ Chair

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