



WEST NOTTINGHAMSHIRE COLLEGE
AUDIT COMMITTEE

Minutes of the meeting of the Audit Committee held on Monday 28th November 2022 at 3.30pm

MEMBERS Neil McDonald, Chair
PRESENT: Rebecca Joyce
Ann Treacy
Paul Wheeler

ALSO IN Maxine Bagshaw, Director of Governance
ATTENDANCE: Andrew Cropley, CEO/Principal
Jon Fearon, Finance Director
Lee Glover, Haines Watts
Catherine Walker, (for agenda item 5)

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

ACTION	DATE
by whom	by when

1 **DECLARATIONS OF INTEREST**

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.

2 **WELCOME, INTRODUCTIONS AND APOLOGIES FOR ABSENCE**

Paul Wheeler was welcomed to his first meeting. The chair noted that this was the last meeting for Rebecca Joyce, given that she concludes her term of office at the end of December 2022.

Apologies for absence were received from David Hoose and Alison Barker.

3 **MINUTES OF THE MEETING HELD ON 13TH SEPTEMBER 2022**

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 13th September 2022.

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There were no matters arising.

4 ACTION PROGRESS REPORT

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

5 COMPOSITE COLLEGE RECOMMENDATIONS REPORT

Catherine Walker introduced this item and was pleased to report excellent progress. In relation to 2020/21, there is just the one action outstanding – this has been discussed a number of times and a full report was provided on this at the last meeting. In relation to 2021/22, all actions have been completed. In relation to 2022/23, the college is now waiting for completion of planned audits and then any actions agreed will be added in the updates. All agreed that it is really pleasing to see that actions were being progressed to deadlines agreed.

A new committee member asked whether there is consideration of 'risk acceptancy' as part of the college processes. The committee advised that there are occasions where the college and/or the committee do push back on actions proposed, if it is considered to be appropriate. There is always an opportunity to have full discussion and debate, and an example given was in relation to the cybersecurity risk action, which has a completion date of 2027. Risk in relation to this was considered to be low and, therefore, accepted. A way to mitigate any consequences in the intervening period is to receive an annual update report.

AGREED: to note the content of the update provided.

(Catherine Walker the left the meeting at 3.35pm)

7 2022/23 INTERNAL AUDIT

Haines Watts presented a number of matters for consideration and it was noted that their annual report for 2021/22 had been considered at the September meeting.

1) PDSATs report

Key matters highlighted were:

- The outcome is 'adequate' assurance
- Testing confirmed that the college is now doing the right things
- The testing backlog has been addressed
- Reports are now being run more frequently and a structure is in place in relation to this
- Some improvement recommendations have been made, and these relate to:

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- training
- tightening up on an ability to amend so as to avoid changes being made by accident
- one error identified in relation to a National Insurance number.

He explained that simply running the reports is a way to flag up potential errors; however, not all that are flagged are, in fact, errors. The process prompts a review and an opportunity to look into potential issues. This allows colleges to correct any errors before data is submitted to the ESFA.

One member of the committee made an observation in relation to the 'risk management' section and the reference to links with the risk register, and they asked for an example to illustrate why this had been flagged. Haines Watts confirmed that there is currently no specific reference to PDSATs in the risk register; however, it was acknowledged that learner records will appear as a risk. Staff expressed the view that risks in relation to learner records have been mitigated over many years and, in fact, the 2021/22 ESFA reconciliation has just been completed and, on income over £30 million, errors were identified at a value of just over £1,000. This is evidence of there being robust processes in place, in relation to which governors can take assurance.

One governor noted that the management comment regarding training is 'if time permits', and they asked whether this is a strong enough approach. The finance director confirmed that the PDSAT training schedule in November has been completed. He advised that the team has also been restructured so that key personnel now sit amongst staff and use any errors identified as a learning experience and training; this is day to day. He indicated that there was no one in the team whom he was worried about in terms of data entry competency. All training has been completed and there are ongoing learning experiences. He provided the committee with assurance that, if any training needs are identified, this will be scheduled for a Tuesday as proposed.

Auditors advised that the PDSAT processes will move to an online platform in early 2023 and that this in itself will necessitate training as it will be in a slightly different format.

The finance director confirmed that the reports are now run on a monthly basis and that, as they are electronic, it is now easier to add comments and track them month to month. He acknowledged that the team may need to consider how to maintain the tracking mechanism once the processes move online.

The committee all agreed that this additional testing was an important source of assurance and should be referred to in the committee's own annual report to the board.

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2) Scopes for planned audit work

Haines Watts confirmed that all but two of the audit briefs have been issued. The ones that are outstanding, which will come to the next meeting, are:

- core financial controls
- learner records

The committee's attention was drawn to a number of audit briefs for consideration; these were:

- Risk management
- Capital
- Follow-up

It was acknowledged that the audit brief for the payroll review was agreed outside the meeting.

a) Capital

The committee were invited to provide feedback and observations on the scope proposed. Matters highlighted were:

- Planned audit seems to look at the beginning and end points, i.e. procurement and signature, but does not propose to check the intervening processes, i.e. due diligence on the contract terms before a contract is signed and then implemented. A challenge from the committee was in terms of the need to check that there is a proper review before a contract is signed off.
- In relation to key risk, the committee would also like to see risks associated with timeliness and quality tested as well as the financial risks.
- The committee asked whether staff competence and capacity are tested and assessed as part of the process. The CEO confirmed that there is confidence regarding the projects undertaken internally and that, for larger projects, the college is using external professional advisors, i.e. AA Projects, who have extensive sector experience.

On the basis of discussions and the minor amendments requested, the committee were happy to approve the audit scope.

b) Risk Management – key matters flagged/asked were:

- Whether auditors will test out specific project risk registers. It was confirmed that they will. Governors asked for a specific reference to this to be included in the scope.
- In relation to key risk one – the second bullet point – there is an assumption made regarding a 'nominated risk champion', and this is not always the way that an organisation works. Auditors

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confirmed that they simply mean the person who will coordinate and be responsible for the audit process.

A new member of the committee asked whether there are processes in place to set risk appetite. It was explained that there are and that initial proposals come to this committee for review and this committee then recommends on to the board. A challenge from the committee was to articulate and document the processes in place for setting risk appetite. It was agreed that the internal audit review would look at this. It was explained that the audit programme is derived from aspects on the risk register, which is something that has been developed over time.

Subject to the minor additions requested, the committee were happy to approve the scope for this audit.

- c) Follow-up – it was explained that this review looks at the processes in place for tracking and monitoring actions agreed and is a way of providing independent assurance to the committee.

The committee were happy to approve the scope of the audit.

The finance director then drew the committee's attention to the summary of data compliance checks which have taken place, and he reminded that this was requested to inform the committee's opinion to the board. Committee members noted the list provided, and key matters highlighted were:

- Every year, there is an internal audit review on funding.
- The list clearly sets out where external assurance is obtained – these are in a number of ways, including:
 - European Social Fund audit – this was very much focused on whether or not the learners are real
 - Compliance audits undertaken by ESFA. The last one was completed in October 2021 over a three-week period. If college data does not hit 95% accuracy, the sample size increases. There was no clawback identified following this audit and, in fact, the college was awarded additional monies.
 - Data returns are completed 14 times a year to the ESFA. The final return (R14) allows the college to tie up all student performance data, which is then tested and audited by the ESFA. The ESFA has confirmed that, on income of £30 million, the value of errors is £1,600, which should give assurance that the error rate was negligible. This is within the context that the ESFA's testing tools are becoming more and more sophisticated, which means that errors are easier to identify and then extrapolate in terms of consequences.
 - External auditors now have to give a comment on the

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college's revenue position. This includes sampling and no errors were identified.

- Internal audit report on PDSATs – this ensures that there are processes in place to identify and address any potential errors.
- The college has its own internal controls, one of which is the monthly run of PDSAT. In addition to this, apprenticeship provision, which is known to be very complicated from a funding perspective, has a working group that regularly completes reviews, and data is a key focus.

AGREED: to note the content of the update provided.

8 AUDIT SERVICES – ADDITIONAL (NON-AUDIT WORK) UNDERTAKEN IN 2021/22

The finance director confirmed that there were two pieces of work which included:

- internal auditors completing subcontracting certification over the summer
- external auditors looking at the teachers' pension.

AGREED: to note the content of the update provided.

9 AUDIT COMMITTEE ANNUAL REPORT 2021/22 – DRAFT

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

- Section 2.1 – the figures to be provided should be either with or without VAT but not both as it overcomplicates the table. The grand total is to also be inserted.
- Section 3.3 – table to be removed and each overall assurance level for the eight areas of audit to be included alongside the numbers 1 to 8.
- Some narrative to be included regarding data assurance, with a specific reference to the follow-up on actions agreed as part of the student records review, i.e. the PDSAT internal audit report considered earlier in the meeting.
- Section 6 – there needs to be some narrative cross-referencing with the Code of Good Governance compliance report. Where the college cannot confirm that it complies, there is a need to include detail regarding how and when compliance will be achieved.
- Section 7.2 – content was agreed.
- Section 10 – include specific comments regarding the view that

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both internal and external auditors are believed to provide a value for money service. Each was appointed following a competitive tender process and has completed all work required in line with agreed fees.

- Page 6 – the sources of assurance list to be added to, including:
 - 'Range of provision' section. To be added are:
 - a) Regular employer engagement
 - b) Annual Skills Conference
 - c) Employer advisory panels
 - d) Employer survey
 - In relation to the controls section – to include reference to the risk management processes, including evaluation and mitigating actions identified in the risk register.
- Section 11.2 to include consideration of some forward-looking risks, i.e. cost-of-living challenges, increased cost pressures generally, and staff recruitment and retention.

Internal auditors then indicated that there were a number of new aspects to be included this year, which are set out in ACOP. These include:

- The contract term for external auditors
- Commentary on the committee's own effectiveness review against the terms of reference
- Section 11.2 needs to provide enlarged assurance and comment on subcontracting, efficiency, effectiveness, and safeguarding the solvency of assets.

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

AGREED:

- a) to note the content of the draft report prepared
- b) to delegate authority to the committee chair to approve a final version.

10 ESFA EUROPEAN SOCIAL FUND AUDIT UPDATE

The finance director provided a verbal update and explained that the audit had looked back as far as 2019. He confirmed that the college has been able to provide all records requested. The college does not yet know the outcome of the audit and, in fact, may not be notified unless there is an issue, as this is a report directly to the ESFA. He indicated that the audit appears to have gone well and that 'no news is good news'.

AGREED: to note the content of the update provided.

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The committee's attention was drawn to the updated risk register for 2022/23. The finance director indicated that there have been some additions this year, including:

- Staffing
- Changes in the external environment – examples given were devolution and the creation of the LSIP (Local Skills Improvement Plan).
- Apprenticeship provision, particularly relating to health and social care. The committee were reminded that the decision was taken to cease new starts as employers were simply not prepared to release employees. Shorter programmes have been introduced instead. This has meant that recruitment of health and social care apprentices has been stopped with 95% of employers.
- Engineering and construction – there are some capacity challenges.
- Staff costs – an example given was a 10% increase in the minimum wage and that this, alongside inflationary increases, erodes the grade boundaries at the bottom of the scale. This will need to be taken in to account when determining the pay strategy.
- Agency costs – these have been impacted by a number of things, including turbulence (i.e. staff turnover and retention) and the demand in engineering and construction which, on occasion, leads to a 'wage war'.
- Ofsted remains a critical aspect and is a focus for the Standards Committee.

The committee all agreed that the arrows on the register were really helpful, and it was explained that a green downward arrow shows that a position is improving. In relation to the note on staff costs being below budget, the committee asked whether this was because of vacancies. The finance director indicated that it is not all related to this and explained that the college took a prudent view and there is some contingency. The staff cost position has started the year better than budget; however, it is anticipated that this will change. On this basis, a challenge from the committee was that it is possibly too early to show an improving trend on the register.

The committee asked whether, having now considered the updated register, there is confidence that the internal audit plan for the year is still reflective of current risks. The finance director indicated that recruitment and retention has not been included as part of the internal audit plan but that it is probably too early to test on this as the college is trying to do a lot of new things and it won't yet be possible to see the impact.

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AGREED: to note the content of the update provided.

12 FRAUD, IRREGULARITY AND WHISTLEBLOWING

The finance director confirmed that there have been no instances in this academic year.

AGREED: to note the content of the update provided.

13 AOB

There were no items of additional business.

14 DATE AND TIME OF NEXT MEETING

This was confirmed as Tuesday 7th February 2023 at 5pm.

15 CONFIDENTIAL ITEMS

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

(Lee Glover left the meeting at 4.40pm)

Meeting closed at 4.45pm.

Signed : _____  _____ Chair

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