

Minutes of the meeting of the Audit Committee held on Tuesday 5th July 2022

MEMBERS Neil McDonald, Chair
PRESENT: Sardip Sandhu
Rebecca Joyce

ALSO IN Maxine Bagshaw, Director of Governance
ATTENDANCE: Andrew Cropley, CEO/Principal (from 5.10pm)
Jon Fearon, Finance Director
Irene Mortimer, Haines Watts
David Hoose, Mazars

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

ACTION by whom	DATE by when
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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 & APOLOGIES FOR ABSENCE

Apologies for absence were received from Ann Treacy and Catherine Walker. The chair confirmed that, whilst Ann was unable to join the meeting, she had provided a number of comments in advance, which will be shared at relevant points in the meeting if not covered by questions from attendees.

3 MINUTES OF THE MEETING HELD ON 26TH APRIL 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 26th April 2022.

There were no matters arising.

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4 ACTION PROGRESS REPORT

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

5 COMPOSITE COLLEGE RECOMMENDATIONS REPORT

The finance director presented this item, and key matters highlighted were

- Since the last meeting, there has been one further action closed from the 2020/21 academic year.
- There have been two revision dates to the completion of actions. These are:
 - 1) In relation to two-factor/multi-factor authentication – he explained that the hold-up in completing the action relates to employee issues, i.e. what devices are to be used for the MFA. A small number of staff are resisting the fact that this will require use of a personal device. He indicated that, to overcome the issue, where an employee does not want to use a personal device or doesn't have a smartphone, the college is looking at a workaround. He confirmed that it is only a small number of staff that this relates to and, therefore, the rollout will be completed for September 2022 and imposed. A suggestion from one member of the committee was to reassure staff that MFA is entirely independent and not controlled by the college, in case anyone is concerned that the introduction of this additional step may allow access to information/data held on personal devices.

The chair raised an issue in relation to a process point and indicated that, in April, the committee was asked to extend this deadline to May. This was approved but, since then, there has been no request to this committee or the chair to extend the deadline date further. A challenge to the finance director was to remind the executive team of the process requirement in relation to any date amendments. He observed that, come September 2022, it will have taken eighteen months to implement the action. This seems a very long time given that, when cross-referenced with the risk register, cyberattacks are considered to be the highest risk to the organisation. He suggested that actions relating to high-risk areas need to move forward with more impetus so that issues are mitigated. It was agreed to request that Catherine Walker monitor and manage any date change processes, ensuring that committee/committee chair agreement is obtained in advance of a deadline date being missed.

- 2) The second action where there is an extension deadline relates to the creation and updating of the process documents regarding debt management. He advised that staff had created the processes last week and

Catherine Walker

Standing request

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documentation production is planned by the end of this month.

AGREED:

- a) To note the content of the update provided.
- b) To approve the two changes proposed to the deadline date for completion of actions.
- c) To request that processes be put in place to ensure that there is always prior approval sought from the committee/chair for any deadline date amendments.

6 RISK MANAGEMENT

The finance director presented the risk register for information and confirmed that there had been no significant changes since the last report and, therefore, he invited any questions.

One member of the committee asked a point of clarification in relation to F4a and F5 on the risk register, which are showing as improving or no change. She asked whether this relates to 2021/22 or 2022/23, given that there are likely to be heightened risks in the next academic year. It was confirmed that these risks are for 2021/22 and that the 2022/23 risks will be updated over the summer. The committee asked whether there will be heightened risks in relation to pay and budget next year. The finance director indicated that the college was not currently seeing any real issues with the trade unions, and it is not envisaged that they will be looking for strike action. In terms of the pay award, an employee will typically receive a 2% increase, but the lowest paid will be receiving more. This proposal has a cap for those who earn over circa £40k. Staff advised that the senior team are very open with the trade unions and share monthly management accounts so that they understand the position. The FD expressed the view that the pressure will come regarding the 2023 pay award, however, if more money comes from government.

The expectation is that the National Minimum Wage will increase again from April 2023. The pay award proposed for this year makes the rise early, which should be received well by staff. In terms of the increases, the committee asked what the financial value is for the year. The FD indicated that it is circa £220k. The committee were also advised that the college is managing and mitigating risks in this area, and an example given was that staff will either receive a pay award increase or an increment, but not both. He acknowledged that the situation was likely to be a challenge in the next academic year and that what is now important is to see what the student numbers are in September and October 2022.

One member of the committee made an observation in relation to the

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increasing costs of materials and services and asked whether there will be a general risk on the register or whether they will sit within each of the project risk registers. The FD indicated that, at the moment, the two significant risks in this area are energy costs and then the capital projects. He indicated that the college is generous in terms of the department budgets set for them to purchase their own materials and services but that they will need to be cautious regarding spend next year, given the increasing pressures. He confirmed that the college does hold a central contingency amount which is not released into the wider organisation. A challenge from the committee was that risks in relation to cost pressures need to be monitored and recorded somewhere, and it was agreed that the executive would be left to decide whether this needs to appear on the high-level risk register or sit elsewhere within the organisation.

The committee then went on to discuss the Tech Centre risk register and all agreed that it was really excellent to have this in place. There were a number of questions, including:

- In relation to Japanese knotweed, the committee asked whether the college has been fully compliant in terms of the reporting requirements. It was confirmed that it has.
- In relation to the construction delivery risks and the reference to safeguarding of students, the committee asked whether it is reasonable to obtain DBS certificates for all contractors on site. The finance director indicated that requiring a DBS will depend upon the type of contractor and how frequently it is envisaged that they will be on site. Teams are trying to create a really clear site demarcation. Assurance was given that the college does have processes in place to escort contractors if they do not have a DBS. A challenge from the committee was that the construction site should be segregated and independent from students.
- In relation to the risks regarding site accidents, the committee observed that there was no mention of students. It was agreed that this would be updated.
- In relation to the shared vehicle access risk at C6, the committee again felt that it needed to be recorded that there is a risk for students as well. The CEO acknowledged that there is a more general issue here in terms of monitoring and managing traffic.
- Given the points raised, it was agreed that the risk register would be updated to make reference to student risks, then the scores and mitigating actions would be revised.

The chair shared a comment from Ann Treacy and asked whether planning is currently considered to be a red risk and, if it isn't, whether it should be. The finance director indicated that the college is currently going through the second round of planning consultation and that everything seems to be progressing effectively. He confirmed that the working relationship between the college and Mansfield District Council

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is strong, which seems to be helping things to progress smoothly. He confirmed that, if any of the feedback from planners highlights a problem, it will be added to the risk register.

AGREED: to note the content of the update provided.

7 EXCEPTIONS REPORT

The finance director confirmed that there was nothing to bring to the committee's attention.

8 FRAUD, IRREGULARITY AND WHISTLEBLOWING

The finance director reminded that, at the previous meeting, he had highlighted a potential irregularity issue regarding access to materials, i.e. copper piping. The member of staff suspected to be involved in this has now left, and staff, having reviewed CCTV, cannot pinpoint an individual. He reminded that the potential irregularity had been identified as a result of the college's own restocking processes and that the value is low and, therefore, there is minimal impact. He confirmed that the fact that this was highlighted as a result of the college's own processes is a positive, and he confirmed that students do not have access to the storerooms unless they are with a member of staff.

AGREED: to note the content of the update provided.

9 INTERNAL AUDIT

Haines Watts presented a number of reports and confirmed that there were five reports to be considered at this meeting, following audit testing. Of these, three are substantial assurance and two are adequate. It was agreed that each would be considered and discussed individually.

- 1) Core financial controls – key matters highlighted were:
 - Substantial audit assurance opinion.
 - Seven management recommendations made and accepted.
 - These were mostly around:
 - Consistency
 - Debt management processes
 - Physical verification of assets
 - Central insurance record.

A question from Ann Treacy was whether or not staff receive training on the financial regulations. The finance director confirmed that they do and indicated that five short videos had been created which take staff through the requirements and documentation process.

In relation to the action at point 4 and the recommendation to have a

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month end checklist, a challenge from the committee was that the yes/no box had not been ticked. It was agreed that the document would be updated as, from the text, it is clear that the recommendation has been accepted. In relation to the second paragraph, the committee asked whether there is an acceptance and acknowledgement that 'time is of the essence' when completing the reconciliations. It was agreed that the recommendation would be followed up with a clarification to make this explicit, and it was agreed that the finance director would speak to his team in terms of the requirement for timeliness at month end.

The committee were advised that the financial regulations were last updated in March 2022 and that they are generally reviewed every 18 months. He highlighted the fact that there may need to be an increase in the approval rates/values because of inflationary increases. He indicated that, if this is required, the regulations will be presented for consideration at the Finance and Estates Committee.

AGREED: to note the content of the update provided.

2) Quality management

The committee were happy to note the content of the report and then discussed the recommendation to have a governor link in place for 'quality'. A question and challenge from the committee was whether or not this is needed as the whole of the Standards Committee looks at this at every meeting. A suggestion made was that the committee see the quality calendar for the year. The committee asked that the Standards Committee, at their next meeting, specifically discuss whether a link governor is required for 'quality and curriculum' and to look at the recommendation and see whether it adds value.

In relation to the quality improvement plans, the committee were advised that the action plans are now being standardised with a template for all to use created for next academic year.

AGREED: to note the content of the update provided.

3) Information governance

The committee were happy to note the content of the report. One observation made was that, in the target date column, one action deadline is 'annual'. A challenge from the committee is that this isn't a date and that it is not then possible to measure completion and success. It was agreed that a more specific date would be included within the document.

The chair then highlighted comments made by Ann Treacy, and it was explained that data testing has to be spread over the three-year

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planning cycle. The CEO advised that, whilst the college does have a lot of data, not much of it is sensitive and, therefore, this is low risk. In his view, staff data is probably the most sensitive.

The committee were advised that the college uses an external company to manage data and discharge the DPO function. A suggestion was that they could be asked to produce an annual report to this committee as part of the contract. It was agreed that a report from them would be requested at the September meeting so that it could then be included within the 'areas of assurance' utilised in the Audit Committee's annual report to the board.

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AGREED:

- a) To note the content of the update provided.
- b) To request an annual report on data management/DPO activities for 2021/22 at the next meeting.

4) Health and safety health check

The committee were happy to note the content of the report provided and made an observation that 'adequate assurance' is still a positive assurance opinion.

In considering the actions, a challenge from the committee was to avoid 'September 2022' as a fallback action date. They expressed the view that health and safety actions need to be addressed quickly based upon the identified risks.

The committee noted that the level of mandatory health and safety training completed is 81%, which is lower than the college's target. The CEO indicated that this figure will have increased following the staff development week last week, which included this as part and parcel of activities. A challenge from the committee was to ensure that any noncompliance is escalated and recorded to provide protection to the organisation. The CEO advised that it is very much system-driven and that the college can evidence that staff have been required to complete. He indicated that the HR team have reviewed the mandatory training list and have now made certain elements more job-specific – an example given was manual handling training, which is not relevant for a lot of members of staff. A challenge from the committee was that the process that deals with noncompliance has to have 'teeth' and eventually lead to a disciplinary process. It was agreed that the compliance percentage figure would be updated and shared at the next meeting.

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5) Follow-up

Auditors confirmed 'adequate' assurance, and the committee were happy to note the content of the report. In relation to the action

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required regarding withdrawals, the committee asked whether the action date should be 2023 or whether this was an error. The FD confirmed that it is an error and that it should be 2022. It was agreed that this would be updated on the document.

A challenge from one member of the committee was that there was an action recorded as complete but that this was found to be not the case. The finance director indicated that the senior team had thought it was completed but this was not the case and, with hindsight, the implementation request/requirement probably went to the wrong person within the organisation. The committee were advised that there were 68 learners that had not attended for a four-week period. The finance director explained that, because of the time of the year, it is not now possible to retrospectively complete the action, which is why it has a completion date for next academic year. A challenge from the committee was to ensure that there is real clarity in terms of the task and the best person to complete a task.

AGREED: to note the content of the report provided.

10 PROGRESS AGAINST THE 2021/22 PLAN

Auditors confirmed that all planned reports had now been completed and provided for the academic year. She highlighted that there were three unused days and asked whether the committee wanted to use them to retest the ILR/PDSATS. The finance director acknowledged that student records are a large part of the systems but that there is already testing planned for next academic year. An observation from the committee was to undertake further testing if it is worthwhile, and they particularly noted that there were historic challenges regarding consistency. All agreed that there was a need to see that momentum in this area was maintained but questioned whether further testing at this point of the year would add value.

On balance, the committee agreed that the three unused days for 2021/22 would be 'banked' and would be either available in the next academic year if required or an opportunity to save money.

Haines Watts then highlighted the fact that no one had yet returned a response to the client satisfaction survey links circulated. The FD explained that these would go straight to the lead individual who has been subject to an audit and, therefore, it is not something that comes to the executive team. It was agreed that Haines Watts would share the survey link with the Finance Director and Catherine Walker, along with a list of who hasn't responded, so that they can follow up.

AGREED: to note the content of the update provided.

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The committee were advised that the plan is indicative at this stage and will be updated for 2022/23 over the summer. The committee were requested to consider two elements proposed to be included where an early start to testing could take place. These are in the areas of:

- Capital projects
- Expenses, the scopes for each having been circulated in advance.

In relation to the audit work proposed for capital projects, one member of the committee asked whether the timing would be right in the autumn term and whether or not there would be sufficient projects underway to be able to ensure benefit from the audit testing. Staff expressed the view that there would be and that it was important to ensure that the processes are right and, therefore, they supported an early start on this. One member of the committee asked whether the college has the right skills in place to be able to manage the process and manage the capital projects processes and asked whether this will be tested during the audit. It was agreed that this would be specifically referred to within the scope. The CEO confirmed that it would be useful to test whether the college is getting what it needs from AA Projects who are commissioned to support in this area; this will include a review of the risk register, project meetings and procurement.

The committee discussed the spread of audit work throughout the year and reports to them. It was acknowledged that the spring term is the busiest term, with the autumn term having a focus on students and the external audit.

It was agreed that the full proposed 2022/23 plan and updated three-year plan, along with all other scopes for each area of work for 2022/23, would be presented to the September meeting.

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A challenge from the committee was to ensure that all papers for committee meetings are uploaded no later than seven days in advance of the meeting.

AGREED to:

- note the content of the update provided, and
- agree the internal audit scopes for the planned work in relation to 'capital projects' and 'expenses'.

MAZARS 2021/22 PLANNING MEMORANDUM

David Hoose introduced this item and confirmed that there were no significant changes on the prior year's plan and that there is nothing significant which impacts on the work required this year. He drew the

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committee's attention to some additional disclosures required, particularly in relation to:

- related party transactions
- governance statements.

He drew the committee's attention to section 4, which highlights some of the main risk areas, some of which are standard, including revenue recognition and management override of controls.

He particularly drew the committee's attention to the work that will be done regarding pension scheme valuations and explained that there were heightened expectations regarding the role of auditors to assess these. By including it in the work required in more detail, they are trying to head off any issues regarding audit qualification because of uncertainties.

He particularly highlighted the fact that 'going concern' is not included within their specific areas of risk for WNC this year. This is because they do not consider it a significant risk at this point in time, whilst explaining that they will still do their usual going concern testing.

The committee asked whether auditors will require any additional evidence and testing regarding forecasting. David Hoose confirmed that it will not be significantly more and reminded that the onus is on the board to be assured regarding going concern.

In relation to pension funds, the finance director confirmed that Barnett Waddingham are intended to undertake revaluations and, therefore, auditors will not be relying upon assumptions, which will ensure that there are more robust numbers to go into the annual accounts.

In section 4, auditors flagged up the intended work regarding depreciation and explained that this reflects the ambitions of the college in relation to capital plans. Therefore, it will be good to have a clear understanding on this, particularly any likely accelerated depreciation and the impact that this could have.

In terms of fees, he confirmed that they were in line with the original contract, which is an increased link to CPI, which at the point of fee review was 7%.

One member of the committee asked what the 'investment property' referred to is. It was explained that this is the HE centre leased to NTU. The finance director indicated that, in the management accounts, he is now looking to separate out the rental income from service charges and also operational activities, so that there is a really clear view on the college's underlying operating position.

The finance director highlighted the fact that inflationary increases are

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likely to impact on pension liabilities in July 2023, which will mean a 'good year' this year and a 'bad year' next, and he explained the percentages likely to be utilised. He indicated that the sector is likely to see an increase in employer contributions required eventually.

AGREED: to approve the External Audit Planning Memorandum for 2021/22 as presented.

13 **ADDITIONAL AUDIT WORK PLANNED**

The finance director highlighted two pieces of work that are still to be completed. These are:

- External audit certificate for the Skills Accelerator project – this is something that is required by the DfE/ESFA. Mazars have been commissioned and planning is underway. He advised that fees have not yet being agreed as this is to be determined by the level of work required, but it is not anticipated that it will be significant.
- Internal audit subcontracting certificate – he confirmed that this is an annual requirement and confirmed that Haines Watts have been commissioned on this, with testing taking place over the summer.

AGREED: to note the content of the update provided.

14 **POST-16 ACOP CHANGES**

The finance director shared a sector update from RSM, and he advised that not a lot has changed this year other than wording that is required within the accounts and greater clarity regarding 'ownership' within the statements that need to be made within the accounts.

He confirmed that the college does undertake a fraud annual review and uses the ACOP checklist as a tool for this. A challenge from the committee was whether or not the college has a joined-up approach to a fraud strategy. The finance director expressed the view that it does and that the strategy aims to minimise any ability for fraud or irregularity.

The committee felt that there was an opportunity to refresh what exists, and it was agreed that:

- the strategy will be rebranded as a counter-fraud strategy (and include reference to anti-bribery)
- the committee will review the fraud strategy at the September meeting.

The committee asked how, as expected by ACOP, the 'effectiveness' of the strategies will be tested. The finance director advised that the teams do a small test each year regarding funding and, also, Haines Watts

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complete sampling. The committee all agreed that it would be useful to have a document that gives examples of 'the means of measurement', i.e. what we do. It was agreed that this would be included as part of discussions for the September meeting.

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AGREED to note the content of the update provided.

15

COMMITTEE REVIEW

The director of governance presented her detailed written report and broke down the different aspects to be considered. The committee all agreed that the most critical point to address now is new membership required on the committee. All agreed that this was a key action. The committee chair confirmed that he and other governor colleagues will be interviewing two potential new governor candidates this week, and the CEO confirmed that there were a further four potential candidates 'in the pipeline'. All agreed that recruitment to this committee was a priority for the post-October period.

In relation to the remaining review, the committee were happy to recommend to board that the Terms of Reference roll forward unchanged into 2022/23. The committee, having considered the Terms of Reference, were satisfied that they had been able to discharge their responsibilities. In relation to committee meeting dates, it was agreed:

- To retain the September 2022 meeting
- To push back the June meeting date to July 2023
- To review why there is a need for two meetings in November rather than all being on the same day back-to-back.

The committee were happy to approve the work plan proposed as presented.

AGREED: to note the content of the report provided.

16

AOB

There were no items of additional business.

17

DATE AND TIME OF NEXT MEETING

This was confirmed as 13th September 2022 at 5pm.

CONFIDENTIAL ITEMS

(Auditors left the meeting at 6.40pm.)

18

CONFIDENTIAL MINUTES OF THE MEETING HELD ON 26TH APRIL 2022

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

Signed : _____  _____ Chair

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AGREED: to approve the confidential minutes of the meeting held on 26th April 2022.

There were no matters arising.

Meeting closed at 6.45pm.

Signed : _____  _____ Chair

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