

Minutes of the meeting of the Audit Committee held on Wednesday 24th November 2021 at 1pm

MEMBERS Neil McDonald, Chair
PRESENT: Rebecca Joyce
Ann Treacy (co-optee)
Sardip Sandhu (from 2.05pm)

ALSO IN Maxine Bagshaw, Director of Governance
ATTENDANCE: Andrew Cropley, CEO/Principal
Jon Fearon, Finance Director
Lee Glover, Haines Watts
Catherine Walker, Executive PA

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 APOLOGIES FOR ABSENCE

There were no apologies for absence.

3 MINUTES OF THE MEETING HELD ON 14TH SEPTEMBER 2021

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 14th September 2021.

There were no matters arising.

4 ACTION PROGRESS REPORT

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The committee considered the update and a number of aspects were particularly considered:

- Line 2 – in relation to the update required on policies and procedures, the CEO advised that there was quite a detailed report prepared for the Workforce Development Committee and that this is now available on ShareFile, if governors want to read it. He explained that new processes have now been agreed with the unions, which will avoid the significant delays that have historically occurred. The college will not now wait for their ‘agreement’ on everything. Three different types of policy have been identified, each of which has a different approach, including:
 - a) The college advising of an update
 - b) The college informing of an update and providing one month’s notice to respond
 - c) Those policies and procedures which require consultation.

All agreed that this was a sensible compromise and a more practical approach.

- Line 3 – the FD confirmed that there is no separate procurement policy in place and that, instead, all aspects of procurement are included within the Financial Regulations. It was noted that there are a number of changes proposed to Financial Regulations, which are to be presented to the Finance & Estates Committee meeting.
- Line 9 – in relation to the query raised at the last meeting regarding the requirement for a data classification policy, the CEO advised that the college has a process in place for control without going to the extent proposed by internal auditors. It was described as a process with a similar purpose but which would avoid the need for duplication. It was agreed that the college would send a copy of the process document to internal auditors so that they can confirm their position – i.e., accepting or disagreeing with the process in place – and it was agreed that internal auditors would give an update on this at the next meeting. The director of governance was asked to retain this action on the tracker and put a note that it was ‘awaiting verification’ until there is confidence that the issue has been resolved.

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AGREED: to note the content of the update provided.

5 **COMPOSITE COLLEGE RECOMMENDATIONS REPORT**

The executive assistant introduced the detailed report, and key matters highlighted were:

- Actions required in relation to employer engagement and the marketing strategy are now concluded, with the Employer Engagement Strategy being presented to the July Corporation

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Board meeting.

- This then leaves only one action from 2019/20 outstanding, which is in relation to the updated staff code of conduct. This should be resolved following the JCNP meeting in December.
- In relation to 2020/21, there have been nine actions closed since the last meeting and one low priority action added. Two are due to be completed at this meeting which relate to:
 - a) procurement, which is on the agenda
 - b) the completion date with a request to move this to March 2022.

The committee asked for an update on the position regarding the number of learner contracts that have been signed. They were advised that 78% of the signup has been via automatic enrolment this year. Of the 22% remaining, some are very recent and, therefore, simply not yet processed. This would, in effect, take the college to the high 80%. This should be compared with 40% non-compliance at the same point in the prior year. All acknowledged that 'getting it right the first time' is a much better position to be in. The CEO advised that staff can now focus on chasing up any outstanding aspects and monitoring compliance. He advised that the automated system used removes about half of the issues.

One member of the committee asked whether the cybersecurity review will be followed up in the next year. The committee were reminded that there are only two outstanding actions and these are due for completion in January and February 2022. These are anticipated to be closed and will then move to the 'awaiting verification' log.

AGREED: to note the content of the update provided.

(Catherine Walker left the meeting at 1.20pm)

6 2020/21 INTERNAL AUDIT

Lee Glover from Haines Watts introduced this item and presented on two aspects, including:

- 1) Learner support review – key matters highlighted were:
 - A very straightforward report with substantial assurance provided.
 - Just one recommendation made regarding the audit trail relating to self-declaration and the fact that, if LDD is declared, whether any support is or isn't provided following a review. The recommendation is that the college needs to evidence a review and a response to close the loop. This will need to include a record of a review decision: e.g., if someone declares visual impairment, is this a disability or does it simply mean

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that they wear spectacles/contact lenses? The CEO advised that this would also impact upon funding claims for ALS. The college has a very low level of claims and is potentially not spending enough of what is available to provide support.

- This issue highlights the need to make the best use of the PDSAT reports. The FD confirmed that the college is making some good progress on this following a team restructure and increased resource.

A question from one member of the committee was whether or not there was something here for the Workforce Development Committee to consider in terms of resource allocation within the organisation, and they also questioned whether there is something for the Standards Committee to consider in terms of ALS more specifically, in terms of adaptations and not necessarily support.

A challenge from the committee was that there has to be a careful resource balance – i.e., enough people in place to ensure the right processes are followed to maximise funding. All agreed that it was important to pay attention to the data and ensure that the college is accessing correct funding and is not underclaiming. The committee felt it was important to avoid lost opportunities and that maybe now is the time to focus on income and not always just costs. The committee cross-referenced back to the position regarding compliance with learner agreements and the fact that it is over 70% at this point in the year but was only 40% at the end of the prior year.

The committee all agreed that, from a trend perspective, it was good to see another audit report which provides substantial assurance.

AGREED: to note the content of the report provided.

2) Annual report

Haines Watts presented this and confirmed that it is their annual opinion, which is that adequate and effective arrangements are in place for all three areas. They described this as 'as good as it gets'. Their report provides a summary of audit outcomes. It was noted that this includes the subcontracting audit undertaken; however, no opinion was given on this as it is a straightforward compliance review.

AGREED: to note the content of the 2020/21 Internal Audit Annual Report as presented.

7 **AUDIT SERVICES – ADDITIONAL (NON-AUDIT) WORK UNDERTAKEN IN 2020/21**

The finance director advised that the only additional work undertaken by internal auditors was in relation to the subcontracting review and

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that this is something they have done for the last two years. There was no additional work undertaken by Mazars, and it was noted that they annually complete the teachers' pension audit.

AGREED: to note the content of the update provided.

8

AUDIT COMMITTEE ANNUAL REPORT FOR 2020/21 (DRAFT)

The director of governance introduced this item and summarised the different sections, then invited comment on anything to be added or any aspects requiring greater focus.

A question from one member of the committee was whether or not it is possible to capture any improvements in terms of trends – e.g., a greater number of substantial audit assurance opinions now and/or potentially comparing the number of high, medium and low recommendations made and how this compares with the prior year. A table was suggested. However, a concern raised by internal auditors was that, as the college is not reviewing the same areas each year, it is not directly comparable and it may influence a negative culture in terms of identifying areas to be audited which would only pick up positives rather than areas for improvement. Whilst the committee accepted this, they felt it was important to find a way to 'test the temperature' of the audit outcomes, and it was agreed to use the internal audit summary table provided as part of the annual report they have submitted. They felt that this would help to give more of a flavour of the tone of the conversations, rather than year on year comparison with detailed recommendations.

In considering the document as a whole, a number of other aspects were proposed in terms of amendments, including:

- Page 2 – the final detail provided in relation to audit fees should read 'bksb internal audit' rather than 'bksb additional work', and it should be noted that this was actually paid for by bksb rather than the college.
- There are two section 3.3s and, therefore, the numbering needs to change.
- Sections 4.2 and 4.3 can now be confirmed and the reference to a 'draft' report removed.
- In relation to section 8.3, more detail to be included regarding the positive comments made by the FEC, which supported the colleges exit from intervention.
- Comments regarding auditors' performance in 7.1 and 7.2 to be included following confidential discussions later in the meeting.
- Page 6 – the sources of assurance to also include reference to:
 - the introduction of the balanced scorecard
 - the fact that all committees now review relevant risks at

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- each meeting
- the fact that the risk register has been revamped and is now a focus at executive meetings.

Subject to the changes identified at the meeting, the committee all agreed that they were happy to approve the annual report as presented. It was agreed that the final version would be provided to the Audit Committee chair for approval prior to submission to the December board meeting.

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AGREED: subject to the amendments identified at the meeting, to approve the Audit Committee annual report for 2020/21.

9 **INTERNAL AUDIT 2021/22**

Internal auditors presented the updated annual plan and confirmed that all of the audit briefs for the year have now been circulated. Fieldwork has not yet commenced; however, there have been detailed discussions regarding timing and planning. In terms of the proposed update to the annual plan, the committee agreed that, from an overall perspective, they were happy; however, they indicated that, in relation to the corporate governance piece of work, they were not entirely sure that what is proposed is what the college wants.

A question and challenge from the committee was whether, as audit fieldwork has not yet started, all of the plan will be concluded for the year. Assurance was provided in relation to this.

The committee then went on to discuss the draft scopes provided on an individual basis.

1) Corporate governance

The committee were provided with two scopes, one of which is a standard audit brief and the other is for a board assurance/effectiveness review. The latter would go further than a standard compliance report but would be separate and an advisory review. A challenge from the committee was that neither is exactly what the college wants and that what is hoped for is testing of implementation regarding the board review already completed and an assessment of impact following completion of the process. Lee Glover advised that Haines Watts don't feel that they are best placed to do this work as they don't fully know the context of the review undertaken. A challenge from the CEO was to avoid a simple compliance testing piece of work and that what he feels is needed is a review of implementation. He expressed the view that it would not be appropriate for Ian Ashman who conducted the initial board review to 'mark his own homework'.

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Lee Glover advised that the firm would be able to do follow-up testing which would be a piece of work to check implementation; however, they would not be able to give an opinion on impact as they cannot compare effectiveness before the review. He expressed concerns that what is proposed is more than a four-day review and that there would need to be a better understanding regarding proposed sample size. He indicated that an assessment of impact is where their concerns are, as they cannot give an opinion on this but can comment upon the process followed.

An alternative suggested was to perhaps take feedback from the panels who agreed the component parts of the actions planned and invite them to assess impact; however, a concern raised again was that they would be 'marking their own homework'.

The committee noted that the completion of the board review action plan is scheduled for discussion at the December development event on Monday 13th; therefore, it was agreed to review the position at that point in time.

(Sardip Sandhu joined the meeting at 2.05pm)

The CEO expressed the view that, if internal auditors do not feel they can complete this piece of work, it may be necessary to commission someone independent, such as David Cragg. He felt it was possible to link back to the aims of the review and test implementation and then review impact from the minutes of the meetings and from talking to governors. His challenge was that what the college wants to see is an opinion on the progress that the board have made on their journey to get to outstanding governance and that key aspects to review as part of this would be:

- a) The scope agreed
- b) The report
- c) The recommendations
- d) The actions
- e) Then the output.

He felt that it was possible for the board to undertake a self-evaluation on the activities included within the plan and then a piece of work to identify 'how do we compare', and that this could be linked to best practice which internal auditors can share.

Auditors put forward the proposal that their work should start with the corporate governance review undertaken, and then they would test recommendations agreed and implementation of agreed actions. What they would need from the college is to confirm random sampling at a particular level or whether every action is to be looked at. All agreed that a sample-based approach to action implementation was appropriate. A suggestion made was for the college to rank the recommendations so that there would then be a focus on the key

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strategic drivers. It was agreed that the board would consider this in more detail on 13th December 2021 and would then feed back to auditors.

The committee then went on to discuss the other scopes and considered:

- 2) Information governance – they were happy to approve as presented
- 3) 16-19 funding learners – happy to approve as presented
- 4) Core financial controls – happy to approve as presented
- 5) Safeguarding – happy to approve as presented
- 6) Follow-up – happy to approve as presented
- 7) Health and safety management – a question from one member of the committee was whether or not it should also include testing regarding contractors coming onto site: e.g., inductions undertaken, controls, risk assessments, etc. They suggested that this should look at all non-WNC employees coming onto site, both those who are paid or who attend on a voluntary basis. They asked that the colleges management of contractors on site also be reviewed. Subject to these additional comments, the committee were happy to approve the scope as presented.
- 8) Quality – happy to approve as recommended
- 9) Safer recruitment (which is the HR part of safeguarding) – happy to approve as recommended.

10 **RISK REPORT**

The finance director introduced this item and confirmed that the cover report highlights the changes made, including:

- A refinement of the finance risks. COVID risks have been removed; however, the college is seeing some staffing implications emerge in terms of staff absence. The committee were advised that there were eleven members of staff absent in one department this week as a result of COVID. The committee all agreed that the risk register should be updated to include something specifically about staff absence and mitigating actions being taken in relation to this.
- Increased risk in relation to cost control – there are a number of aspects influencing this including rising NI costs, rising minimum wage costs, and the fact that the college will have to pay above minimum wage in other bands to ensure that there is a continuing differential. It is envisaged that 2021/22 will see costs rise by circa £120k+, and this will increase further in future years. The hope is that the sector will eventually receive inflationary cost increases in terms of the rate of funding, but this is not envisaged for 2021/22.
- Capital project at Chesterfield Road – the college is still

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awaiting the outcome of the phase 2 capital bid submitted and, therefore, has to take a cautious approach. The decision has been taken not to apply for planning permission at this stage as the college cannot complete the full project envisaged without phase 2 bid funding. Not proceeding to planning permission at this stage is de-risking the situation, as an alternative will need to be considered if phase 2 funding is not provided.

- Two new matters of oversight for the Standards Committee.
- No new risks added for the Workforce Development Committee.
- Two risks removed

(Andrew Cropley left the meeting at 2.45pm)

The committee made an observation that there had been a really good outcome in terms of the pay and benefits review.

The committee asked what the current position is regarding the risk associated with Ofsted grade 3. The finance director advised that the 20/21 self-assessment grade is a 3 but that, alongside this, the college is taking the approach that 21/22 can evidence rapid improvements. That said, there may be increasing risks following the outcome of recent deep dives. The finance director reminded that the college is quite hard on itself so that there is a maintained focus on the need to improve.

The committee made reference to the risk at W3 and the increasing risk in relation to recruiting and retaining staff. They questioned and challenged whether the college has a strategy or alternatives to try and address this. The finance director expressed the view that it is more than just recruiting and retaining staff and that there is more that the college can do in terms of training and development, not just advertising for experienced teachers. He advised that NTU have a training scheme now in place to support, which the college is using. This is to train up employees who are not teachers on appointment but are qualified in industry and other areas (e.g., A Levels). This scheme provides certified postgraduate support.

A challenge from one member of the committee was to also look at the new skills that are going to be required – for example, digital and robotics – and a challenge from the committee was that this risk could have a broader remit than that which is currently drafted.

One member of the committee asked whether the college has a detailed staff profile. It was confirmed that it does but that the college has not yet looked at this by areas. The committee agreed that this was an important risk for them to have oversight of and asked that a report be presented at the next meeting. It was acknowledged that

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this analysis would also be of interest to the Workforce Development Committee.

AGREED: to note the content of the update provided.

11 FRAUD, IRREGULARITY AND WHISTLEBLOWING

The finance director presented the anti-fraud checklist and confirmed that there were no concerns to highlight and that the position was the same as prior year. He advised that some proposed amendments were to be considered by the Finance & Estates Committee tomorrow regarding financial regulations and, particularly, connected party transactions. He explained that the changes link to an attempted fraud regarding work placements. No funds were paid; however, there was a clear intent to defraud. What wasn't clear within the financial regulations is the requirement to disclose relationships between employees, and this is now being addressed.

The finance director confirmed that there have been no fraud, irregularity and/or whistleblowing disclosures for the 2021/22 year, other than that previously reported and addressed.

AGREED: to note the content of the update provided.

12 PROCUREMENT

The finance director presented the detailed report and reminded that, when this was last discussed, there were concerns raised by the committee regarding a lack of pricing competition. He confirmed that amendments have been made to the automated processes, which have been effective. He drew the committee's attention to the amber RAG-rated suppliers, and he also highlighted some of the major tenders that have been completed. Also included with the report is a summary of the average value of transactions.

The committee's attention was drawn to the use of the waiver process and it was confirmed that the college now has a register in place regarding this. COVID has meant that there has been a very severe difficulty in getting the required number of quotes and estimates, and some examples given were the speed of which work was required and challenges regarding material availability and supply for purchase.

The finance director expressed the view that, whilst this has not been a usual year, good progress has been made in terms of controls. The college has also improved the purchase order process and there are far fewer invoices now simply turning up, given the controls in place.

A question from one member of the committee was, given that the supply chain pressures are likely to continue, whether the changes

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proposed will allow continued working, i.e., becoming the norm rather than the extraordinary. The finance director expressed the view that current authorisation processes needed to be maintained and that the college can now move on them much quicker than previously. The approved contractor list is now much larger, which gives greater flexibility, and the finance team are seeing a definite sign of improved contractor rotation.

(Lee Glover left the meeting at 3.05pm)

The committee discussed the changes to the procurement processes and made some suggestions, including:

- Section 8.1 and 8.2 to also refer to directors and not just shareholders.
- 8.2a should be firmer – i.e., ‘don’t’, as there is a clear conflict of interest.
- The college may also want to define what it means by ‘close relationships’, and it was agreed that this could be cross-referred to information provided in the staff code of conduct.
- In relation to the proposed increase in authority limit for the CEO to £165k, the committee asked what the college would do if the CEO was not available (e.g., on annual leave). A challenge from the committee was to look at a nominated deputy structure which could be introduced and give certainty, with a nominated deputy having delegated authority.

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 8th February 2022.

15 CONFIDENTIAL ITEMS

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

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