

***Minutes of the meeting of the Audit Committee held via Microsoft Teams on Tuesday 14<sup>th</sup> September 2021 at 3pm.***

**MEMBERS PRESENT:** Neil McDonald, Chair  
Rebecca Joyce  
Ann Treacy (co-optee)

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

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

| ACTION<br>by whom | DATE<br>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**

Apologies for absence were received from Sardip Sandhu. The chair advised that she has indicated a difficulty with attending this meeting and the next because of a clash of commitments. He confirmed that this was something that could be managed in the short term and that she had been invited to provide any questions that she may have on papers in advance of the meetings.

**3 MINUTES OF THE MEETING HELD ON 14<sup>TH</sup> JUNE 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 14<sup>th</sup> June

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

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2021.

There were no matters arising.

#### 4 **ACTION PROGRESS REPORT**

The committee considered the updated table and a number of aspects were noted.

- Line 1 – although anticipated, it had not been possible to prepare the planned procurement report for this meeting because of capacity constraints; therefore, it will be rescheduled to the November meeting.
- Line 5 – the Workforce Development Committee now has policies and procedures as a standing agenda item. The CEO advised that the team has done a lot of work to progress this and that the blockage is now, in the main, because of the requirement to have union contribution. A meeting is planned with them this month and it is envisaged that further progress can then be made.

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AGREED: to note the content of the update provided.

#### 5 **COMPOSITE COLLEGE RECOMMENDATIONS REPORT**

The executive assistant drew the committee's attention to the summary report and indicated that, for the 2019/20 year, there are three outstanding actions: two medium and one low risk. These relate to:

- Driving insurance – she explained that this action was nearing conclusion.
- Updated code of conduct – this is scheduled for discussion at the union meeting in September. The committee were given assurance that a code does exist and that it is only an update which is an outstanding action.
- Marketing strategy and plans – these have been delayed to January 2022.

In relation to 2020/21, there have been six reports received from internal auditors since the last meeting, and the actions have been added to the tracker, which is why there appear to be a high number now outstanding. She confirmed that the actions arising from the subcontracting audit are still to be added to the tracker as the report was received too late to be able to include that information prior to circulation of papers.

The committee chair noted that there were quite a number of actions with planned implementation dates in the autumn and asked whether staff are confident that the timescales are achievable. The CEO and

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finance director expressed confidence as the actions required for this term are relatively straight forward.

AGREED: to note the content of the update provided.

(Catherine Walker left the meeting at 3.10pm)

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## **RISK MANAGEMENT**

The committee were invited to consider the written report following a risk appetite review of the strategic objectives and the updated risk register for the start of the 2021/22 academic year. The finance director confirmed that all of the objectives have been updated and linked to the strategic plan and that the report provided identifies where there are significant changes. He advised that, as it is the start of the year, the risk register and mitigating actions are in development and that these will progress throughout the year. Key matters brought to the committee's attention were:

- There are continuing COVID costs, and COVID did have an impact upon delivery planned over the summer.
- Mass testing required upon return in September was unbudgeted.
- Restart is going well.
- In terms of the financial position:
  - The college is seeing a small level of growth in some areas, but some areas are not at the planned level.
  - The sixth form centre has done well in terms of numbers.
  - The college is seeing that learners at the lower end of provision are not arriving as envisaged. It is likely that they are simply not engaging or have gone into work. The college will continue to follow through on any non-attendees and will take a flexible approach.
- The Chesterfield Road capital project will have its own risk register going forward, given that it is an £8 million scheme.
- Quality and standards risks remain similar to those reported in 2020/21.
- The number of workforce development risks have reduced as the college has had some recruitment successes.

A challenge from one member of the committee was in relation to the the provision of a brief cover sheet that summarises key issues and helps to give focus. The finance director indicated that, as the risk register is updated throughout the year, any changes are highlighted by positive or negative arrows to show the direction of travel. He acknowledged that, as it is the beginning of the year, this report does not include trends but that this will now be reported from meeting to meeting. He explained that, in terms of focus for discussion, these tend to be the red RAG-rated items or where there has been a significant change in an identified risk.

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The committee, whilst acknowledging this explanation, indicated that they would like to see some commentary that gives a steer and draws out the significant items, i.e. the reds and those that have moved significantly.

One member of the committee asked whether, in terms of EDI, there should be a specific risk appetite attached to this. It was agreed to request that the Standards Committee and the Workforce Development Committee evaluate the risks in relation to this and, if they consider it to be a high risk, then it would be added to the risk register.

Following discussion, it was agreed that all reports, including the risk register, are to have a short introductory summary sheet at each meeting. This will signpost what the executive want the committee to talk about, key issues and risks.

In relation to the risk register, an observation made by the committee chair was that the risk in relation to the ASPIRE curriculum has stayed the same for a considerable period now, and he asked at what point the college would expect it to change. The CEO advised that the college has not made as much progress on this yet as it would have liked; however, it has been given more focus in terms of:

- Deep dives
- Curriculum reviews
- Each curriculum area now has to self-assess against the six aspects. This will ensure they are regularly considered and will lead to some progress.

AGREED:

- a) To note the content of the update provided
- b) To agree the risk appetite proposals in relation to strategic objectives
- c) To note the content of the risk register developed for 2021/22.

## 7 EXCEPTIONS REPORT – DRAFT 2020/21 REGULARITY SELF-ASSESSMENT QUESTIONNAIRE

The finance director introduced this item and explained that the questionnaire presented is required to be completed as part of the annual accounts process. He indicated that this was an opportunity to highlight certain aspects that will need to be included this year. These are:

- Termination payments – there was one significant payment made in the year and assurance was given that this was after full board approval and advice from Eversheds.

Standards /  
WDC

2021/22

Report  
writers

All  
meetings

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- Conflicts of interest (related party transactions) – there are a small number to declare, including:
  - John Gray – he is a director at EMSI and was a governor during the year. The college contracts with EMSI for data at circa £20k per year. A similar position now relates to Ben Owen, who has just joined the board as a governor.
  - Clive Pitt – he was a governor and an employee of ESPO. The college uses ESPO to source energy contracts.
- Whistleblowing allegation/disclosure – full details on this will be given during confidential discussions.
- One potential fraud relating to 2020/21 – this is potentially two employees who have colluded to pay funds to each other at a value of £1.5k.
- Safeguarding assets – the college sold bksb; however, assurance was given that this was on the basis of professional and robust advice received.
- Sale of Thoresby Street did not occur before 31<sup>st</sup> July 2021 and will, therefore, now fall into the 2021/22 accounts; however, all details of the sale were based on professional external valuation.
- Subsidiary ventures – the sale of bksb has significantly reduced the subsidiary arrangements, with the single remaining subsidiary company being VBSS.

In relation to the potential fraud highlighted, a challenge from the committee was to receive a full report, including actions being taken to prevent the same thing happening again. It was explained that this issue is currently subject to an investigation and potential discipline matter. The committee were given assurance that college controls prevented it from actually happening as no payment was made.

It was agreed that an update on the fraud investigation and the final version of the regularity self-assessment questionnaire would be presented to the next meeting.

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AGREED to note the content of the update provided.

## 8 **FRAUD, IRREGULARITY AND WHISTLEBLOWING**

It was agreed that discussions in relation to this item would be recorded on a confidential basis.

## 9 **INTERNAL AUDIT REPORTS**

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

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Haines Watts presented a number of reports and each was taken on an individual basis.

1) Business continuity

Key matters brought to the committee's attention were:

- The college's ability to respond to COVID has given a strong level of confidence and assurance.
- This review also looked at how the college would respond to the potential of a sudden loss of systems.
- Whilst there are some recommendations for improvement, the audit outcome is substantial assurance
- Testing gives confidence regarding the college's ability to respond.
- The findings are a good outcome for the college.

The committee reviewed the report in detail, and all agreed that this was an excellent outcome.

2) Cybersecurity

Key matters brought to the committee's attention were:

- The outcome of the audit is adequate assurance.
- There are a number of improvement recommendations including:
  - Introduction of multifactor authentication
  - Greater controls regarding mobile phones and data
  - Greater controls regarding cloud management
  - Review of IT disposal security
  - Testing of the effectiveness of cyber awareness training.

Auditors confirmed that the college is in a good position and that there are usually a high number of recommendations for this type of audit work in the sector. The view expressed is that there is more to do beyond obtaining Cyber Essentials and Cyber Essentials Plus.

The committee noted that there was one recommendation that has not been accepted by management, made in relation to a data classification policy, and they asked for a little more detail in relation to this. It was explained that there are a number of tools that enable the college to identify where data is held and that this recommendation is not about the college taking a risk but, instead, is about what is required to be fully compliant in terms of the recommendation made. The CEO advised that all sensitive data held by the college is 'personal data', which is managed carefully and very well. Other sensitive data included that retained by bksb, but this was also managed very carefully. He advised that the college's focus is on

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looking at and focusing on protecting personal data and that, beyond this, there is not much more that is sensitive; therefore, the college does not feel that it is worth the time commitment to undertake a 'classification' exercise as recommended. The college does not have significant commercial data and, therefore, cannot really see the benefit of the recommendation made.

The committee noted that this was an amber RAG-rated risk which was not accepted; therefore, going forward, they indicated that they would always like to see clarification on this to better understand the difference of opinion. Auditors confirmed that it is highly likely that the classification process is simply a statement that is required, rather than a substantial policy. The CEO and FD confirmed that, if this was the case, the college would be better able to accept and implement. A suggestion made was that the college could potentially insert a statement into the current GDPR policy. It was agreed that auditors and management would review again outside the meeting and provide an update to the next meeting.

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A challenge from the committee was to implement multifactor authentication systems as soon as possible as, without these, it is very easy to hack into emails. It was confirmed that January 2022 is the planned implementation date.

### 3) Curriculum planning (updated report)

Internal auditors confirmed that they had revisited the original review on the basis of the 20/21 arrangements. He confirmed that, looking at the new processes, the team were able to clear off all previous recommendations made and give a substantial assurance opinion. He indicated that there was just one observation point made, which was to build on and flesh out the current diagram to give clarity in terms of expectations.

The CEO indicated that the previous report prepared had been helpful in terms of supporting the senior team in identifying where to focus and that it had provoked the college to challenge itself in terms of a number of systems and processes.

### 4) Student records – 16-19

Internal auditors presented their report and explained that the significant limiting factor in terms of assurance that can be provided is that the team were not able to see some of the enrolment forms. 40% were unavailable at the time of audit, and those that were received had some signature issues.

Auditors advised that there appears to have been an issue with the

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DocuSign system and its ability to integrate with Pro Solution, which caused some anomalies at the start of the year. They acknowledged that there are other mechanisms to prove compliance but explained that the enrolment form is considered to be a key document. They expressed the view that the ESFA is likely to focus on the position regarding signatures, particularly as there have been some sector issues in relation to AEB.

Auditors confirmed that they had also reviewed the learner agreement form and suggested some improvements and, in particular, the college could be more explicit in terms of the questions to be asked. Recommendation made is that the college revisit the PDSAT reports and clear the backlog that exists.

CEO advised that this audit outcome had been a real wakeup call and that it helps to really get under the skin of the issues. He believes that there have been some staff capacity challenges which have not helped the situation and are now being addressed, particularly in terms of leadership. In addition to this, a new post has been created with the focus of maximising funding. The CEO indicated that the audit outcome does not highlight any financial risk in the short term but that it would become a risk if the position persisted, and there is also a more likely risk in that the college is not maximising the claims possible for learners. He provided assurance that the college has taken rapid and decisive action to address.

The committee indicated that they were somewhat disheartened by this report as it clearly still shows that there are issues in relation to ILR and data management, and they asked whether a BIP in this area would be of benefit. The CEO advised that there was a business improvement project undertaken in relation to enrolment, specifically how to make the experience better for the learner, which has been effective; however, what now needs to happen is a full review of business processes. He explained that moving entirely to online enrolment was a challenge and that the college is now using a system called signable, which seems to be working far better than DocuSign.

The finance director acknowledged that, historically, there have been some PDSAT issues in relation to data, which means that the ESFA has identified the college for their own audit over the last three years. A challenge from the committee was that this is something that really needs to be resolved as it has clearly resulted in low-level distrust regarding the data available. A challenge from the committee was to regularly run the PDSAT reports and ensure that there is a clean set of data available at any given point in time.

#### 5) Student records – apprentices

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Internal auditors confirmed that this was a really good report and a good result for the college. The college has been on a journey over a number of years, and this evidences the fact that it continues to improve. There are three merits of tension recommendations in relation to:

- Off-the-job hours
- Dates of employment
- Data accuracy regarding negotiated pricing.

A challenge from the committee was to carefully monitor the PDSAT reports as these will flag up any data inaccuracies and/or issues which can then be quickly addressed.

The committee acknowledged that this report was a testament to the hard work done at the college to really resolve historic issues in relation to apprenticeship provision.

#### 6) Subcontracting

Internal auditors confirmed that colleges are required to undertake an annual review to enable a certificate to be signed and returned to the ESFA. The audit has identified a number of actions to take, including:

- Three-year strategic review of subcontractors.
- Requirement to advertise subcontract opportunities on Contract Finder – this is a stated requirement but it was acknowledged that not many colleges do this. The CEO and FD explained that the college has a small set of strategic partners and that, if it were to go beyond these arrangements or change them, it would review its strategy and advertise opportunities.
- Insurance checks
- Contracts signed before learners are put on the ILR
- Quality assurance arrangements – unannounced visits, specifically, with the advice being that the college could use technology to support this.

In general discussion, the committee all agreed that there needed to be a sensible balance struck in terms of strategic partners and procurement requirements. Auditors explained that this piece of testing is all about compliance and, therefore, there is a black and white approach taken. The committee acknowledged that this would be a declining issue in any event, given the strategic decision to reduce the amount of subcontracting. A challenge from the committee was to ensure that the college's interpretation of the ESFA rules is accurate.

#### 7) Follow-up

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Auditors confirmed that this was a good review and that they had sampled 15 elements and that there was just one aspect without evidence of completion. Recommendation in relation to this has been accepted and now simply needs an implementation date.

8) Progress against 2020/21 plan

Auditors confirmed that they are just waiting to conclude the learner journey work. They explained that the majority of audit testing has been completed but that some final evidence has been requested.

In terms of the plan, it is substantially complete and the anticipation is that all audits will be concluded with one less required day for the year.

9) Scopes of audits planned for 2021/22

Auditors explained that they were still completing work in relation to this and that the scopes require some discussion with management. They indicated that there may be a slight change in focus to the year 2 plan originally envisaged and that this is something that is currently being reviewed. They advised that, in terms of student records, there is potentially more to do in relation to funding, given the ESFA change in relation to assurance mechanisms.

The committee were reminded of the agreed audit areas and it was agreed that an updated 2021/22 audit plan would be presented to the next meeting. That said, it was felt that there were a number of planned reviews which could commence as soon as possible (e.g., governance, finance, student records).

A challenge from the committee was to undertake student record reviews sooner rather than later, given the issues identified in earlier reports. In relation to governance, all felt that it was reasonable to make a start on this. A challenge from the committee was for internal auditors to provide scopes as early as possible and, in relation to planned audits for governance and learner records, it was agreed that these would be circulated to committee members for feedback and approved via email, and that all other scopes for planned work for the remainder of the year would be presented to the next meeting.

AGREED: to note the content of the reports provided.

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**SUBCONTRACTING CERTIFICATE (DUE BY 30<sup>TH</sup> SEPTEMBER 2021)**

The committee acknowledged that this had been covered in the earlier agenda item.

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

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**EXTERNAL AUDIT PLANNING TIMETABLE**

Mazars introduced this item and confirmed that their memorandum had been updated, given that the strategy regarding funding assurance has now been finalised. He explained that there was various evidence that could be used to reduce the sample size identified, including:

- College use of PDSATs
- Internal audit work
- ESFA audits

He advised that Mazars were not planning to sample 16-19 learners because of the lagged funding position and that the focus would be AEB and apprenticeship provision. The sample size for AEB is 10, and for apprentices it is six. He explained that Mazars will take an ESFA approach to testing funding based upon the sample size and that they would be using their funding audit team to train up other members of staff.

In terms of fees, he explained that a range has been provided and that this is because, if there are no issues within the sample size, the lower figure is appropriate. If, however, there are issues and more testing is needed, costs will increase. He confirmed that fieldwork is due to start next week.

In relation to fees, it was confirmed that they are broadly in line with expectations save for the additional funding work required. A challenge from the committee was to ensure that the data available is accurate so as to limit any additional testing costs.

The committee noted the planning timetable included within the updated memorandum.

AGREED:

- a) To approve the updated external audit planning memorandum.
- b) To approve the range of fees as presented.

**FEC RECOMMENDATIONS – CLOSE-DOWN REPORT**

The CEO introduced this item and confirmed that all actions are complete and that there are some that the college needs to continue to do. All acknowledged that there had been a real positive movement and this was evidenced by the fact that the college is now out of intervention.

AGREED: to note the content of the update provided.

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

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**13**      **AOB**

There were no items of additional business.

**14**      **DATE AND TIME OF NEXT MEETING**

It was noted that the scheduled meeting is 25<sup>th</sup> November 2021 at 3.30pm but that this poses a challenge for both Sardip Sandhu and Rebecca Joyce. It was agreed, therefore, that the director of governance would look for alternatives, either on the same day or different days.

Director of  
Governance

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**15**      **CONFIDENTIAL ITEMS**

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

(Lee Glover and David Hoose left the meeting at 4.40pm)

Meeting closed at 4.45pm.

Signed : \_\_\_\_\_  \_\_\_\_\_Chair

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