WEST NOTTINGHAMSHIRE COLLEGE
AUDIT COMMITTEE

Minutes of the meeting of the Audit Committee held (via Microsoft Teams) on Tuesday 21st April 2020 at 2pm.

MEMBERS PRESENT:	Neil McDonald, Chair Rebecca Joyce Sardip Sandhu
ALSO IN ATTENDANCE:	Maxine Bagshaw, Clerk to the Corporation Andrew Cropley, CEO/Principal Jon Fearon, Finance Director Lee Glover, Haines Watts Edd Ward, Mazars

		ACTION by whom	DATE by when
	Auditors confirmed that they did not wish to meet with the Committee without management present.		
1	**DECLARATION OF INTERESTS ON ANY ITEM ON THE AGENDA**		
	The Chair reminded everyone present to declare any interests that they may have on agenda items to be discussed. No interests were noted save for standing declarations.		
2	**APOLOGIES FOR ABSENCE**		
	No apologies for absence were received. Clive Pitt was absent without apologies.		
3	**MINUTES OF THE MEETING HELD ON 14TH FEBRUARY 2020**		
	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 February 2020.		
	As a matter arising it was noted that there was an action in section 17 for internal auditors to 'review the risk appetite as part of their planned fieldwork', but that this action had not made its way onto the action progress report listed at agenda item 4B. It was noted that there was planned discussion later on the meeting (agenda item 9) to start early		

Signed : ______ ________Chair Date: 29.06.2020 discussions regarding the risk appetite.

4 ACTION PROGRESS REPORT

The Committee were happy to note the content of the update provided, and the Finance Director particularly drew the Committee's attention to the annex, which is an update on the anti-fraud checklist for post-16 providers.

AGREED: to note the content of the updates provided.

5 INTERNAL AUDIT REPORTS FOR 2019/20

Lee Glover introduced this item and drew the Committee's attention to the report prepared in relation to the apprentice on-boarding. Key matters that he brought to the Committee's attention were:

- As requested, a significant sample size was utilised, with 25 out of 75 new apprentices tested.
- The focus of the review, as requested, was on the new processes introduced from December 2019. The audit was deliberately biased towards the new processes rather than the historic.
- The outcome of the audit was positive, with only two recommendations made.
- Section 2.5 sets out the instances where errors in the paperwork were found. In relation to the four bullet points, he indicated that the second bullet point related to a pre-December start and so was not subject to the new processes.
- Section 2.6 sets out the findings following a review of evidence of 20% off the job training. He explained that this is a significant focus for the ESFA in terms of compliance.
- Section 2.7 sets out the findings when looking at compliance with the funding rules.

As an overview, he confirmed that there were two significant recommendations made and he confirmed that management have responded positively to these. Part of the review also looked at the waiting time/turnaround in terms of the lag between apprentice enrolment and commencement. He confirmed that the college was moving in the right direction, with the average being 25 days. The CEO confirmed that this was much improved on the historic position.

Internal auditors confirmed that the college recognises that there is always room for improvement, and it was confirmed that the college has already implemented all of the changes recommended.

A challenge from one member of the Committee was that this review seems to show a manual and highly intensive set of processes. They asked how much checking and review is undertaken by the college. It was explained that signup is by the apprenticeship specialist, with paperwork then submitted to Karen Millward's team. She was described as the 'lock keeper' in terms of documentation compliance. It was acknowledged that the process is evolving and the team is very engaged in terms of active development.

A question and challenge from one member of the Committee was whether or not self-declaration regarding employer contracts is sufficient. They questioned what the college's duty of care is in relation to this. Internal auditors expressed the view that, in an ideal set of circumstances, the college would have sight of a contract and retain a copy, and indeed the funding rules expect a contract to exist for the duration of the apprentice's employment. It was explained that, within the college processes, it is often the case that the apprenticeship specialist signs to say that they have seen the document, rather than college being provided with a copy. The CEO explained that, in some instances, it is important to appreciate the employer's circumstances and a practical approach will have to be taken. This relates to both large national companies and also 'one man bands'.

The Committee Chair questioned the description of the actions required as 'significant', given that they were RAG-rated as amber rather than red. Internal auditors explained that, in terms of terminology, if an action is red it is considered as 'fundamental' rather than 'significant'. He explained that they are non-compliance points in terms of the funding rules and therefore have to be considered as significant, although they may be easy to address.

Internal auditors acknowledged that, within any college, the handling of this paperwork requires a lot of manual input; therefore, colleges can have robust processes in place, but execution is dependent upon people and therefore, with staff changes, it can lead to errors. They expressed the view that this was a good area for Governors to seek continual assurance on.

It was acknowledged that the report shows that the college has much better processes in place, however, they are relatively new. The CEO confirmed that he was happy with the progress made and that this will continue to be a focus, given potential financial impact.

One member of the Committee made the observation that there is reference within the report to 'no college employees enrolled as apprentices'. It was explained that apprentices are VBSS employees rather than college, therefore they will fall under a different employer number. It was explained that it tends to be the business support roles that are enrolled as apprentices.

AGREED: to note the content of the report provided.

6 **INTERNAL AUDIT PLANNED ACTIVITY**

Internal auditors explained that there were two pieces of 'fieldwork' currently taking place. These are:

- core financial controls
- risk management.

He explained that work in relation to these is approximately 50% complete. In addition, audit briefs have been circulated in relation to:

- curriculum planning
- employer engagement.

Planned fieldwork is scheduled for 4th to 11th May. He advised that all four reports will come to fruition at the same time and will be presented to the June 2020 meeting.

The Committee were advised that there is then only one further piece of work to consider, which is further testing of learner records, but a decision needs to be taken in relation to this.

The Committee then discussed the audit briefs for curriculum planning and employer engagement, and it was confirmed that one member of the Committee had sent in a number of questions by email. In terms of curriculum planning, these were:

- There is nothing in the risk/scope about the appropriateness of the curriculum to match community/employer requirements
- What about the risk of there being too many or too few students taking up the courses on offer – this is not quite the same as too many or too few teachers?
- What is remission?

In relation to the points made, the Finance Director indicated that auditors could take a high-level review in relation to the match with community/employer requirements. However, the college has quite immature processes in relation to this, therefore it was agreed that a review at this time in the next academic year (April 2021) would be far more useful.

In terms of the question of risks relating to too few or too many students, the Finance Director expressed the view that it would be better to assess this as part of the autumn term follow-up. This would then look at how well the college had planned in terms of student numbers and the student experience, and how the college was able to respond to any variations. It was agreed that this would all be about 'lessons learned'.

In relation to remission, it was explained that 820 hours teaching per person is assumed and that staff are given remission for other work that they may undertake: e.g. management activity, trade union activity, internal verification, etc. It was likened to non-chargeable time

in a more commercial environment. The Finance Director advised that efficiency decreases as remission increases, and that there are increased costs. A challenge from one member of the Committee was whether or not the college has the right processes in place to agree the right curriculum. Also linked to this is the 'post-mortem', i.e. how good was the scenario planning. It was agreed that this piece of work would be better undertaken in November 2020, when auditors could look at: • how good the plan was • how well the college planned for variations • how well the college responded to variations.		
The Committee Chair summarised the position and expressed the view that the audit 20/21 plan needed to include a follow-up review of curriculum planning, to include: • an assessment of the relevance of the curriculum to employers, the community, the area, etc. • testing of whether progression was successful in terms of students going into employment and/or further education • testing the quality of the assumptions put into the plan • assessing the use of EMSI and other data to inform future opportunities. In terms of the employer engagement briefing, the observation from one member of the Committee was that this seems to be all about handling incoming enquiries (i.e. passive), and what about the risk of failing to proactively engage with potential/existing employer clients or seize the initiatives available which might lead to future new employer engagement. She indicated that this was all about testing the process and the relevance of curriculum development, with the lens being on proactivity rather than simply responsivity to employer enquiries. Internal auditors indicated that the scope, as drafted, was intended to link to the CRM system rather than the more qualitative actions. The CEO indicated that the Committee's suggestion would be really helpful, however, the 'how' this could be measured and tested is more of a challenge. The Committee indicated that it would be good to know how well coordinated the college approach is, how well information is shared across college, and where there are any gaps. The CEO indicated that, generally, employer engagement is sometimes opportunistic and/or by chance, therefore can't be determined by a process. It was suggested that there could be a way to look at how proactive the employer engagement strategy is. The Finance Director expressed the view that a critically important	IA's	June 2020

matter at this time is to ensure that there is a good CRM system in place and that the college can use this to act on enquiries quickly. Whilst this was acknowledged, it was agreed that a CRM system is all about the contacts that have been made, not about those who the college is not currently engaged with. The Finance Director indicated that it was possible for the college to look to invest in broader data sets: an example given was Mint. He felt that there was still work to do in terms of developing a plan to target employers. It was agreed that the audit, as currently proposed, will assess the reactive systems; however, a challenge from the committee was to also check the proactive and how opportunities are entered into the CRM. What they are keen to know is what else is out there, what is trending, and how this contributes to curriculum development. The Finance Director indicated that it should be possible to quantify the college's current contact engagement rate, e.g. percentage contact with known SMEs in Mansfield and Ashfield and/or D2N2. There is also an assessment regarding the capability of the CRM system to drive forward campaigning. The suggestion made was that how actively engaged the college is in terms of x out of y known businesses (i.e. a percentage) should be added to the review. The Finance Director was of the view that, if the college cannot give this data to internal auditors, this evidences the fact that there is a gap. It was agreed that there is a need to look at how the CRM is structured and to assess whether it can provide the analysis required. Governors all agreed that it was important to actually have the data before the insights can then be derived from it. Internal auditors expressed the view that the proposals discussed today were broader than the original anticipated fieldwork, therefore this could require additional time/ cost. It was agreed that the Finance Director and internal auditors would review outside the meeting to ensure that there is a mechanism within the fieldwork to assess the CRM system both in terms of a reactive and proactive approach. AGREED: to note the content of the update provided.	IA's/FD	April 2020

Signed : ______ [signature] __________Chair Date: 29.06.2020

7 **COMPOSITE COLLEGE RECOMMENDATIONS REPORT**

The Finance Director introduced this item and drew the Committee's attention to the summary document; appendix 1, which gives progress against all internal audit recommendations; and appendix 2, which gives progress against all external recommendations. The Committee were happy to note the content of appendix A and, in relation to appendix B, questioned whether it would be possible to have items coloured blue that are complete. The CEO indicated that this is actually an FE Commissioner document that has to be presented at each of the reviews and therefore it wasn't within the college's gift to unilaterally amend. That being said, it was acknowledged that there are a lot of actions that can now be closed off, but FE Commissioner approval will be formally required for this. Two particular lines were considered; these were:

- Line 1 – the CEO indicated that it is highly unlikely that this action can be closed down whilst the SIDDHI report is outstanding.
- Line 15 – there was an expectation that £1.8 million would be recouped by the ESFA in April 2020; however, under the college's banking terms and conditions, Lloyds' approval is required for this. The Finance Director explained that, following discussions with the ESFA, they have indicated that recoupment is not a priority at this stage; therefore, the position will be reviewed again in September 2020.

AGREED: to note the content of the update provided.

8 **RISK REGISTER 2019/20**

The Chair indicated that there were two important aspects for the Committee to consider at this meeting; these were:

- the existing risk appetites
- the risk register changes as a result of COVID-19

In terms of the risk appetite, it was acknowledged that this had not been reviewed for a year or so, and it was agreed that it was now appropriate to reassess. The Committee considered the risk appetite areas and the scores, and the CEO expressed the view that, whilst there is a low risk appetite in relation to some core activities, this does not prevent innovation and development. He expressed the view that the low risk appetite in relation to IT infrastructure had paid dividends, in that the college has been able to successfully and quickly respond to college closure. IT infrastructure provides a strong backbone with a well-trained team in place. Risk appetite in relation to physical security is also low, and the Committee were reminded that, to support this risk approach, site security has been enhanced to respond to the risk appetite agreed.

Signed : ______ __________Chair Date: 29.06.2020

In terms of curriculum planning and innovation, the risk appetite is higher and allows the college to think more broadly; an example given was the creation of learning companies. He explained that the higher risk appetite allows the college to focus on student enjoyment, engagement and progression, and not just on qualification outcomes.

The college's approach to AEB, i.e. less reliance on subcontractors, was a higher risk strategy/action but has again paid dividends. An example given was the contract with Royal Mail.

The Committee, having considered the risk appetite scores for each of the areas, agreed that they were comfortable with the balance and were satisfied that they continue to be appropriate. They felt that competition for students in the locality necessitates taking a riskier approach to curriculum and innovation rather than core central activities. On the basis of this, it was agreed that the recommendation to the Board would be that there be no change to the risk appetite at the current point in time.

The Committee then considered the risk register and discussed the risks that have changed, particularly those that have increased in terms of RAG-rating. Key matters considered were:

- Line 32 – the impact of COVID-19. The Finance Director indicated that, initially on a worst-case basis, it was felt that the financial impact could be circa £5 million but would then be offset by some small financial gains; however, the March 2020 management accounts have given more insight. The college is in a better position than originally feared, and particularly helpful in relation to this is AEB and the ESFA's decision to honour allocations. He explained that it may have been a different situation if the college had not been able, at a critical point in time, to prove that it was on track. This was before the changes necessitated by COVID-19.

The current position is that the college is +£1.5 million when compared to the budgeted surplus; as a consequence, the risk will come down now dramatically. The Committee all agreed that this would help to strengthen the college's financial position.

The Finance Director indicated that the college is now intending to offer a free online learning campaign, which should then lead to more student interest in 20/21.

- Lines 7 & 8 relate to the sale of BKSB. He confirmed that he was in discussion with Lloyds Bank to amend the covenants to July 2022. He explained that there was a £9.6 million repayment due at July 2022 and that this will either be through asset sale or refinancing. He expressed the view that the college needs to have a plan in place to pay the debt down and that, within this, some alternative strategies need to be considered.

He confirmed that, if Lloyds do agree to amend the bank covenants to July 2022 and there is a two year delay in sale, the college would receive an additional £3 million income which could go towards paying the debt down. He indicated that he was working to try to create time for the college and the company to be able to respond to the influence that COVID-19 has had on the market.

The Committee then considered the 'other significant risks register', in particular line 33, which gives more detail in relation to COVID-19 risks. The CEO expressed the view that the college's ability to respond to COVID-19 has been really positive in terms of staff engagement, learning systems and student engagement. In relation to the latter, it is good across the board and exceptional at the higher levels (i.e. level 3 as compared to level 1), and the college has some really good data upon which to take the appropriate actions.

In terms of the risks, it was felt that they would need to be reviewed should it be the case that the government announces that colleges should reopen but with social distancing requirements. It was explained that the college currently has limited PPE on site, as most of the equipment has been donated to the NHS.

In relation to line 18, an observation made by the Committee was that the risk scores don't add up. The Finance Director expressed the view that it is likely that this risk can be removed quite quickly in any event.

In relation to line 33, the Committee questioned whether there were any significant concerns regarding potential NTU building work delays. The CEO indicated that he was not overly worried and that NTU are currently out to tender. The risk is that planned works may become frustrated if the government becomes more draconian in relation to construction activity; however, this does not appear to be the direction of travel and it was noted that organisations supplying building materials are now reopening.

AGREED: to note the content of the update provided.

9 **RISK MANAGEMENT STRATEGY**

It was noted that a review of the existing risk management strategy is scheduled to be part of the internal audit work in relation to risk management. It was therefore agreed to pick up a review of this once audit findings have been shared.

AGREED: to note the content of the update provided.

Signed : ______ __________Chair Date: 29.06.2020

10 **ANTI-FRAUD AND CORRUPTION STRATEGY**

The Finance Director introduced this as a new document and drew the Committee's attention to page 1, which sets out the key points. All acknowledged that there had been a culture change in terms of staff feeling more comfortable with raising concerns. The Finance Director confirmed that the college is broadly taking all of the steps included within the strategy, and there have been a number of actions taken to ensure the strengthening of controls.

The Committee's attention was drawn to appendix 1, which is the risk strategy fraud assessment, and it was agreed that this would be considered as part of the risk work currently being undertaken by internal auditors. The Finance Director drew the Committee's attention a number of known risk areas, including:

- procurement
- high value activities
- low value activities but with high volume
- estates projects.

One member of the Committee made an observation in relation to the retrospective authorisation issues discussed in the prior academic year. The Finance Director provided assurance that the systems have now been changed. Rolling contracts like utilities no longer require a PO, and longer-term agreements (e.g. licence agreements regarding IT) are also now processed in a different way.

He advised that the internal systems were overly complicated and that these have now been simplified. Setting up new suppliers on the system is easier but still within a robust framework. He confirmed that any invoices received without a PO are now returned and are only paid once a PO is obtained.

In terms of the policy presented, one member of the Committee questioned whether at point 3, in relation to culture, the college should be explicit when referencing expectations on training.

The Finance Director confirmed that the college did provide a fraud workshop and that 50%-60% of staff attended this. He confirmed that he is now looking to develop online packages. A challenge from the Committee was that the college needs to ensure that the right training is provided to the right people. The view expressed was that now might be the right time to ask staff to undertake online learning. It was confirmed that all new staff have mandatory training on anti-fraud. A challenge from the Committee was that the college needs to make it explicit in terms of expectations and responsibilities, and that it would be helpful to see, as a minimum, an annual refresher.

When considering the annex, the Committee discussed the risk

Signed : ______ ___________Chair Date: 29.06.2020 highlighted in terms of 'incorrect claims for qualifications'. They questioned whether the summer assessment process, as a response to COVID-19, is a potential opportunity for teacher fraud regarding grades. The CEO advised that there are significant regulatory requirements and guidance that have to be followed. In addition to this, there has to be a review mechanism which includes peer review regarding recommendations and evidence. It was acknowledged that there is a lot of professional trust being placed with teachers this year, but that this is within the context of a clear framework.

The CEO indicated that the college is trying to ascertain whether BKSB can be used to give confidence regarding the grades and ranking for Functional Skills. The college expectation is a team-based decision with existing processes already in place, e.g. internal verification. The college also has external verification, mainly in relation to qualifications that fall under direct claim status. The CEO confirmed that decisions will need to be evidence-based, and this should help to prevent any fraud.

In considering the appendix, it was agreed to:

- add in the potential for student fraud
- increase the residual risk score in relation to incorrect claims for qualifications.

Subject to the changes proposed, the Committee were happy to recommend that the Board approve the anti-fraud and corruption strategy as presented.

AGREED:
A. To note the content of the update provided
B. Recommend that the board approve the Anti-Fraud and Corruption Strategy.

11 **APPRENTICESHIPS – 20% OFF THE JOB TRAINING**

The Finance Director presented an example of the tracking report available. He confirmed that there is now internal monitoring with the establishment of an apprentice monitoring group. What this tracking document does is collate the position of all active learners, and it is clear to see that some are not on target. He explained that what the system currently cannot do is exclude the withdrawn learners, and that this needs to be a change made as they are not part of the measure to be monitored.

He provided the Committee with assurance that the improvement to systems is moving in the right direction, but there are still developments needed. He indicated that, in some areas, the college is not accurately recording the non-taught time; an example given was construction mentoring on site. He advised that departments are learning from best practice regarding data collection, and that there is some retrospective work ongoing. He confirmed that the position in terms of data is not totally resolved, but provided assurance that staff are working on this and it is a focus.

In general discussion, it was agreed that this was something that would normally fall under the remit of the Standards Committee. The Finance Director confirmed that the next step for the college is to better monitor and capture data. The Committee were assured that there has been some really good progress and that they could see evidence of this. On this basis, the Committee agreed to refer monitoring back to the Standards Committee.

AGREED: to note the content of the update provided.

12 EXCEPTIONS REPORT

The Finance Director confirmed that there were no matters to bring to the Committee's attention.

13 AOB

There were no items of additional business.

14 DATE AND TIME OF NEXT MEETING

It was confirmed that the next scheduled meeting is Monday 29th June 2020 at 5pm.

15 FRAUD, IRREGULARITY AND WHISTLEBLOWING

The Finance Director confirmed that there were no matters to bring to the Committee's attention.

16 PERFORMANCE TARGETS – EXTERNAL AUDIT 19/20

It was agreed that the Finance Director would discuss best practice with Mazars and would then put forward proposals at the next meeting.	Finance Director	June 2020

Meeting closed at 3.50pm.

Signed : ______ __________Chair Date: 29.06.2020