



WEST NOTTINGHAMSHIRE COLLEGE
AUDIT COMMITTEE

Minutes of the meeting of the Audit Committee held (by Microsoft Teams) on Monday 14th June 2021 at 5pm.

MEMBERS Neil McDonald, Chair
PRESENT: Rebecca Joyce
Sardip Sandhu

ALSO IN ATTENDANCE: Maxine Bagshaw, Director of Governance
Andrew Cropley, CEO/Principal
Jon Fearon, Finance Director
Lee Glover, Haines Watts
David Hoose, Mazars

Auditors confirmed that they did not wish to meet with the committee without management present.

ACTION by whom	DATE by when

1 DECLARATIONS OF INTEREST

The chair reminded everyone present to declare any interests that they may have on agenda items to be discussed. No interests were noted save for standing declarations.

2 APOLOGIES FOR ABSENCE

Apologies for absence were received from Anna Teal, Ann Treacy and Catherine Walker.

3 MINUTES OF THE MEETING HELD ON 27TH APRIL 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 27th April 2021.

There were no matters arising.

Signed : _____  _____ Chair

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4 **ACTION PROGRESS REPORT**

The committee were happy to note the content of the update provided. In relation to line 1, the committee asked that the requested reports on procurement be added to the annual work plan and removed from the action tracker. The director of governance confirmed that this would be completed for the next update.

5 **COMPOSITE COLLEGE RECOMMENDATIONS REPORT**

The finance director referred to the comprehensive written update and indicated that, at the last meeting, there had been five actions still to progress from the 19/20 year and that this was now reduced to four, all of which have been RAG-rated. For 20/21, there is one item that still needs to be actioned and is progressing. In relation to FEC recommendations, these are now considered to be historic, given that the college has successfully moved out of intervention. In relation to the FEC actions, the committee indicated that they would like to see a final concluding report, as the recommendations did have validity, and that, whilst the college is now out of intervention, they would like to see final assurance that all improvements recommended are in place.

CEO/FD

Sept.
2021

An observation made was that, in relation to internal audit actions, there is a long list of items 'awaiting verification' and they questioned when this will happen. Internal auditors confirmed that this would be after conclusion of their 'follow-up' audit.

The committee noted that the updated code of conduct was due to be discussed with the unions on 9th June, and they asked what the update is in relation to this. The committee were advised that this is still an outstanding item and it was explained that the college is experiencing some delays with union engagement and, therefore, has agreed a different process for documentation approval with them, which should speed up the process going forward.

One member of the committee made the observation that there were still two longstanding amber items and asked for an update in relation to:

- a) The expenses policy
- b) Employer engagement and marketing plans.

It was also noted that, in appendix A, the commentary in relation to bksb now needs updating.

In relation to the expenses policy, it was explained that this still remains with the unions and is subject to the delay previously highlighted. It was confirmed that an update would be provided at the September meeting. In relation to the development of the employer

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engagement and marketing strategy, the realistic timeframe for completion is 1st January 2022. It was agreed that the dates on the tracking document would now be updated. A challenge from the committee was for the college to be a bit more ambitious in terms of the employer engagement and marketing strategy now that the college is no longer in intervention. The CEO expressed the view that development of the marketing strategy is likely to be a strategic objective in 21/22 and that there will be discussion on this at the strategy review day planned for Thursday. The CEO advised that the college is now submitting bids on the basis of no longer being in intervention, which gives rise to many more opportunities. He indicated that the content of the Skills Bill really changes the landscape for employer engagement and that this will be a big part of the strategic discussions on Thursday. There is a need to rethink the historic transactional nature of relationships with employers, and some of the bids submitted include provision for resources to build capacity.

Catherine Walker

June 2021

A challenge from the committee was to rethink the risk appetite on the strategic objectives now that the college is out of intervention. In relation to the code of conduct, it was explained that this is with JCNP and that the unions have two weeks to respond to the update provided. There is now an agreed new method of communication to speed up dialogue with the trade unions, which includes a failure to respond being taken as agreement/approval.

In terms of the matters awaiting verification, internal auditors confirmed that they would be considered as part of the annual follow-up process. They will take a sample of the actions reported as completed throughout the year and test them. They advised that there are now a number of subcontracting issues which can be updated given the progress that has been made. They confirmed that they would be able to provide 'a clean position' for the next meeting.

AGREED: to note the content of the update provided.

6 RISK MANAGEMENT

1) Annual report on risk management activity for 2020/21

The finance director advised that this has been a year where the college has made some significant progress and that there are plans in place to look forward in terms of risk appetite, and this is an item for discussion at the event on Thursday. There has been good work to embed risk management throughout the year, and internal auditors will particularly look at this in relation to curriculum planning during fieldwork testing.

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The college started the year with a lot of red RAG-rated items on the register and has made good progress to reduce and mitigate the risks, including in relation to student numbers, COVID, bksb, and financial security. He advised that the risk register in 21/22 will look very different and that this will be based upon more ambitious objectives and initiatives.

The committee made an observation regarding the risk relating to the challenge of retaining and attracting staff, and they asked whether it is:

- a) a current concern
- b) something considered by the Workforce Development Committee.

The CEO indicated that it does remain a concern and is something that is considered by the Workforce Development Committee. Particularly challenging areas are maths, health & social care and construction. As an example, he indicated that agency staff costs in the construction area were circa £200k. He advised that the college is trying to take some more novel and innovative approaches to recruitment; for example, in health and social care, the college is looking at a partnership with the NHS. He advised that more aggressive options were being pursued and that the pay review will positively impact upon the position in relation to this. All acknowledged that it would be really good to see colleges working together rather than chasing each other's staff at any point in time.

The committee then discussed the potential of major projects going forward and asked whether this should be included within the internal audit plan for next year, particularly the management of projects and tracking of revenue/costs. All agreed that this would be a useful area to audit as the college is bidding for at least three projects which are a mix of capital and revenue. The director of governance indicated that, historically, the college did have a Capital Projects Committee in place and that this may be something to consider re-establishing. It was agreed that the terms of reference for the historic committee would be obtained and circulated for future consideration.

One member of the committee asked how confident the college is that it is 'fit for the future'. They indicated that it would be really useful to consider how the college goes about its strategic planning and ensuring information is available, perhaps by testing each strategic objective. The CEO indicated that there is a risk that the college does not adapt its curriculum offer sufficiently or quickly enough to ensure it aligns with government policy and that it is important to reflect upon the ability to continually respond. The committee indicated that it would be useful to document and assess the processes in place and where there are opportunities to 'check in' with governors in relation

Dir of Gov

July
2021

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to options and plans. The CEO acknowledged that this is something to consider, and he gave an example of the recent invitation to bid for strategic development funds. He indicated that the college wasn't 'ready to go' and has to respond really quickly. The ambition is to be in a position where the college has anticipated future developments and is ready, including detailed thinking to support planning ahead.

One member of the committee asked whether there was a development need for the executive in relation to this. The CEO expressed the view that it is more a matter of creating the time and space to think six months ahead. A challenge from the committee was to really consider how horizon scanning can be facilitated or accommodated. The CEO acknowledged that this can be difficult as, in some instances, the sector only receives a few weeks' notice of an initiative that has been announced.

A challenge from the committee was that the internal audit plan for next year should be informed by the new risks and opportunities that are known and emerging.

2) Risk register

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

7 **EXCEPTIONS REPORT**

The finance director confirmed that there was nothing to report in this area.

8 **FRAUD IRREGULARITY AND WHISTLEBLOWING**

It was agreed that discussions in this area would be recorded on a confidential basis.

9 **INTERNAL AUDIT REPORTS**

Haines Watts introduced this item and confirmed that they are slightly behind in terms of where they had hoped to be with completed work. They explained that there were a number of reports that were almost complete but had not been completely finalised for this meeting. An update was provided on a number of aspects.

- Cybersecurity – the focus of this audit has been slightly changed and moved away from the planned IT health check.
- Business continuity – the draft report is ready to come out for discussion to management.
- Subcontracting audit – fieldwork testing on this commenced last week.

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- Student records work will start on Thursday, as will the follow-up.

Auditors acknowledged that they have had challenges and capacity issues this quarter, as has the college. The finance director explained that there had been an unplanned OfS audit, which had taken a few weeks, with only a week and a half's notice. The audit spanned a three-year period and, therefore, impacted upon the college's ability to complete the internal audit on student records at the same time. He advised that there were no anticipated issues arising from the OfS audit.

The committee then considered the performance management report provided, and all agreed that it was a really pleasing report with no recommendations made.

In relation to curriculum planning, auditors confirmed that dates are in the diary to undertake the further work requested. It was explained that the vice principal: curriculum & quality has had to give all of his time recently to the student assessment (TAG) processes, given the complexity and deadline date this month.

Auditors then drew the committee's attention to the draft plan for 21/22 (review of year 2 in the plan), and they explained that this was an opportunity to consider whether the areas previously identified remain a priority and are appropriate. The committee referred back to earlier discussions and agreed that major projects should be included in the work planned. Internal auditors confirmed that there had been an estates management review planned in any event and, therefore, this could be adapted. In relation to the corporate governance audit anticipated, the committee asked that auditors particularly look at the implementation of the external board review and the action plan arising from this. It was agreed that this would be scheduled for the second term.

The committee asked whether there should be some work undertaken to test customer and employer engagement, and they debated whether 21/22 or 22/23 would be the better timescale. All agreed that this should take place in 21/22 as there is a level of urgency to get this right, and that it would be helpful to use internal auditors to give an external best practice view on this. It was agreed to move the health and safety work proposed in to the 22/23 academic year.

All agreed that the safeguarding audit should be completed early in the 21/22 cycle, as the college is anticipating inspection and needs to be really assured in this area.

In concluding discussions, the committee all agreed that the

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performance management report was quite excellent, with five areas of best practice identified.

AGREED: to note the content of the updates provided.

10 EXTERNAL AUDIT 2020/21 PLANNING MEMORANDUM

David Hoose from Mazars introduced this item and asked the committee to note that there has been a change in audit manager this year. He provided assurance that there will be a seamless transition.

He drew the committee's attention to page 10, which sets out the Audit Code of Practice changes and, in particular, the fundamental change regarding reliance on ESFA funding assurance. He explained that this will significantly change an aspect of audit in that they will have to complete their own testing, and the sector is close to finalising a position with the ESFA on this. He explained that it will require additional audit work, which will incur an additional fee; however, the sector is generally looking to minimise the level of sampling back to individuals on the ILR to mitigate the impact and cost.

David Hoose advised that the internal audit work on student numbers will go some way to give them assurance; however, the different streams of funding, i.e. 16-18, adult, apprenticeships, etc., each have different levels of complexity in terms of the funding rules. External auditors will have to include revenue recognition, which will impact upon sampling size. Generally in the sector, it is acknowledged that 16-18 funding is a lower risk; however, external auditors will not be able to fully rely upon internal audit work completed in relation to this.

A question and challenge from the committee was how the college can shape the internal audit work to maximise benefit. David Hoose advised that external auditors will place some assurance on the work of internal auditors, but not a significant amount and certainly not all.

The committee were reminded that the deadline date for submission of the audited final accounts for the year is 31st December. This was extended in the previous year because of COVID implications; however, there is no expectation at this stage that a similar position will be taken this year.

The committee's attention was drawn to a number of areas within the document, including:

- Section 4 – this identifies the key risks and still includes consideration of going concern. bksb is still included within the

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work planned to check proper accounting, e.g. the bksb CEOs compromise agreement.

- Page 29 sets out the detail of the ACOP changes.
- Appendix 2 details two other changes.

A question and challenge from one member of the committee was whether everything was in line to report on the pension liability and position regarding former employees at bksb. The finance director indicated that, in the prior year, the college received a single actuarial report which confirmed the level of college liability. LGPS have been advised that all of the bksb employees in LGPS are now deferred members. The expectation is that the college will receive an update as part of the annual LGPS report, which is provided as of 31st July 2021. The finance director confirmed that the college is now picking up all deficit payments but explained that the bksb contribution was minimal, i.e. £14k per annum.

AGREED:

- a) To note the content of the update provided
- b) Approve the 2020/21 external audit planning memorandum as presented.

11 **POST 16 ACOP – KEY CHANGES**

The finance director presented his report and explained that, generally, there has been some tightening of the rules, e.g. subcontractor controls reporting. The document makes it clear that it is trying to raise expectations of audit committee activity, scrutiny, and oversight, etc. The committee all agreed that they were confident regarding their level of compliance and that there was nothing included that had been a surprise.

A number of key changes were noted and discussed, including:

- Obligation on the college to notify the ESFA of an unexpected change in auditor.
- External audit to report to the board rather than just a committee. The joint meeting between the Audit and F&E Committees will look at the detail, but there is a requirement that the external audit is reported to full board as well.

In relation to this, David Hoose indicated that a number of external auditors had met with the ESFA on Friday and had asked for a pragmatic view on this. Feedback is that the ESFA felt that it is appropriate and sufficient to invite the board chair to come to the joint meeting when their report is presented, so long as the report is then subsequently shared with the full board. It was agreed to take a watching brief on this in terms of ESFA guidance and clarification provided to the sector.

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The finance director confirmed that the college and the Audit Committee substantially meet the amended ACOP requirements and that only minor changes will be required.

AGREED to note the content of the update provided.

12 **COMMITTEE REVIEW**

The director of governance introduced this item and explained that this was an opportunity to reflect back on the year that is now concluding and consider whether any changes are appropriate to bring about further improvements. She drew the committee's attention to a number of sector guidance documents that set out the role and expectations of an audit committee so that members can be satisfied that the arrangements in place support outstanding practice.

The committee considered the terms of reference in place for 2020/21. A question raised was whether, in relation to the last bullet point (paragraph 3) of the second page, this is a matter for the Audit Committee rather than the Corporation Board to approve. It was confirmed that the Audit Committee's annual report is for the committee to determine and then present to the board, and that it is not a document that the board approves but simply receives.

In terms of self-assessment for the year, the committee were satisfied that the expectations set out in the terms of reference had been met. An example given was how the committee is assuring itself regarding the solvency of the institution, given that it is not this committee that directly receives the monthly management accounts. It was acknowledged that this is through the external audit report and also the going concern report that is received by this committee.

The committee asked staff whether they feel that there is anything more or better that the committee could do. Feedback provided was that this was a really effective committee and that there was robust challenge, oversight and scrutiny. The CEO indicated that there was an opportunity internally to make the internal audit plan more of a focus for the executive team so that there is a more granular approach to planning. In addition, it should be possible to ensure that audit reports are presented to the committee at the earliest opportunity. He confirmed the intention to more clearly consider the work required in advance for staff and particular individuals, as this could impact upon planning given other known activities that take place throughout the year. There is the intention to ensure that managers lead the audit work, rather than the finance director and/or the CEO. All agreed that this was the right approach and that it was important to ensure the right balance in terms of timing of audit work throughout the year,

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given other pressures.

The CEO indicated that, to support the work needed internally, it would be incredibly helpful to have early sight of the scopes of works planned. He acknowledged that there have been lessons learned this year about working remotely and that the college has more work to do in terms of responsiveness, i.e. information to come from staff to auditors. Internal auditors confirmed that the audit briefs would all be circulated at the beginning of the next academic year.

Haynes
Watts

Sept
2021

A challenge from the committee was not to make the same mistake as had occurred this year regarding the curriculum planning audit work. They expressed the view that there needed to be more internal reviews of the draft reports. The CEO provided assurance that this stage is now built into the process and that there is also a further stage, which includes the provision of a draft report for management discussion.

The committee then went on to discuss membership and felt that there were no gaps; therefore, they were happy to recommend to the board that it continues 'as is'.

In relation to the work plan, the committee asked that employer engagement and other aspects discussed earlier in the meeting are added at appropriate times. The committee asked whether June 2022 is the right time to receive a preliminary plan in relation to internal audit work for the next academic year. It was acknowledged that there is no requirement to finalise before the start of the academic year but that it does help to prompt discussions to have it early. All acknowledged that it was not practical to do away with the September meeting as there is a requirement to close out all of the 20/21 audit reports that are not yet concluded.

AGREED:

- a) To note the content of the update provided.
- b) To recommend to the board that there be no amendments to the committee's terms of reference or membership.
- c) Subject to the points made in the meeting, to approve a draft work plan for 21/22.

13 **AOB**

There were no items of additional business.

14 **DATE AND TIME OF NEXT MEETING**

This was confirmed as 14th September 2021 at 3pm.

Signed : _____  _____ Chair

Date: 14/09/2021