

Minutes of the meeting of the Audit Committee held on Tuesday 13th September 2022 at 5pm

MEMBERS Neil McDonald, Chair
PRESENT: Rebecca Joyce
Ann Treacy
Alison Barker

ALSO IN ATTENDANCE: Maxine Bagshaw, Director of Governance
Andrew Cropley, CEO/Principal
Jon Fearon, Finance Director
Lee Glover, Haines Watts (from 5.15pm)

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 APPOINTMENT OF THE COMMITTEE CHAIR FOR 2022/23

The committee were happy to reappoint Neil McDonald as the committee chair for the academic year.

AGREED: to approve Neil McDonald as the Audit Committee chair for 2022/23.

2 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.

3 WELCOME, INTRODUCTIONS & APOLOGIES FOR ABSENCE

Apologies for absence were received from David Hoose at Mazars and Catherine Walker. Alison Barker was welcomed to her first meeting.

Absent without apologies was Sardip Sandhu.

4 MINUTES OF THE MEETING HELD ON 5TH JULY 2022

Signed : _____  _____ Chair

Date: 28/11/2022

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

AGREED: to approve the minutes of the meeting held on 5th July 2022.

There were no matters arising.

5 **ACTION PROGRESS REPORT**

The committee were happy to note the content of the update provided. In relation to item 10, the finance director confirmed that it will be scheduled for discussion at the next meeting as there is still more work that staff want to do following receipt of sector guidance.

6 **COMPOSITE COLLEGE RECOMMENDATIONS REPORT**

In the absence of Catherine Walker, the finance director provided an update based upon a note prepared. Key matters highlighted were:

- Following the meeting held on 5th July, emails were sent to all those with outstanding actions asking them to check that the deadline dates provided were sufficient and requesting that they formally write to members if they required an extension. To date, no extensions have been requested.
- The remaining action from the 2020/21 audits, 'introduction of a data classification policy', was discussed at the previous meeting, and it was agreed that, due to the 2027 implementation date, an annual report would be presented to the Audit Committee. This has been provided under agenda item 10.
- A further action from the previous meeting was the request for an annual report from the DPO; this is provided under agenda item 12.
- Since the last meeting, eight actions have been closed from the 2021/22 audits, with five outstanding. Two of these were added since the last meeting following the subcontracting certification work and are ungraded. One low action is due to be completed by the end of September. Three actions (one medium, one low and one ungraded) are due to be completed by the end of November, and the final ungraded action is due to be completed by the end of January 2023.

The committee's attention was drawn to the summary table, and it was confirmed that new items added since the last meeting are coloured in blue.

The committee acknowledged that really good progress had been made, even with the addition of actions arising from the subcontracting work, and they asked that their appreciation be passed on to staff in relation to this.

Signed : _____  _____ Chair

Date: 28/11/2022

In relation to the ungraded audit of subcontracting, the committee asked whether any of the recommendations are a concern, and they asked whether there is anything the college can do internally to RAG rate these ungraded actions. Staff advised that internal audit feedback was very positive and reminded that this is a report to the ESFA, which is why it is in a particular format. The CEO confirmed that the college has taken a very firm stance and is forceful with subcontractor relationships, which does mitigate risks in this area and gives assurance.

AGREED: to note the content of the update provided.

7 RISK MANAGEMENT

1) Strategic objectives 2022/23 – risk appetite review

The finance director confirmed that the executive team is currently reviewing proposals on strategic objectives and that these will go to the Corporation Board in October; therefore, the intention is to undertake a risk appetite review once they have been agreed by the board.

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2) Risk register

The finance director confirmed that the 2022/23 register is still being developed; therefore, the report presented today represents the 2021/22 yearend. Key changes were highlighted and a number of matters were specifically considered and/or noted, including:

- The strategic objectives have been reviewed at executive level and are now filtering in to the 2022/23 update.
- The aim is to take strategic objectives and then cross-reference them with operational risks.
- Risks in relation to staffing appear more prominently within the matrix now. This is a big challenge, particularly in engineering and construction. This does impact upon the college's ability to recruit students.
- Staff retention is an issue in some areas.
- The executive team have been more precise when updating for 2022/23, particularly in relation to the component parts of the curriculum, as there are some very specific and differing challenges. The 16-18 curriculum has been separated out from the adult provision. An example given of a specific risk was in relation to adult skills and the impact of devolution now that it has been confirmed, and the development of local skills plans. The risks in this area would be very different to curriculum development in other areas of the college, and an example given was full-cost provision.
- Markets are now much more defined, and this allows the executive to more specifically articulate the associated risks. This does mean that there are more risks identified against the

Signed : _____  _____ Chair

Date: 28/11/2022

strategic objectives.

- In relation to the 16-18 curriculum, the college has taken a cautious approach to new qualifications. An example given explaining why this is the case was that the pass rate for health T Levels this year, which is the first year of delivery, was only 30% nationally. In terms of new qualifications, the college intends to take a very risk averse approach. The first year of T Level delivery for WNC is 2023/24.

One member of the committee made an observation regarding the risk appetite associated with staffing and asked whether recruitment and retention and quality of TLA and training should be separated out as they each will have very different risks. Staff acknowledged that this was a useful suggestion and agreed that the appetite in relation to each of these would be different and, in fact, there was a constant tension between the two (i.e. the challenges between not having enough staff versus having staff but who are not of the right quality).

The committee all acknowledged that it was really good to see the evolution of the risk register.

The CEO advised that proposals for the 2022/23 balanced scorecard and KPIs were going to each of the relevant subcommittees and then to board in October. Once the board approves for 2022/23, the executive can finalise the risk register.

The CEO advised that there are always new risks emerging, and an example given was that the Federation of Small Businesses has won the LSIP contract in the D2N2 area, which was a surprise. All were expecting the contract to be awarded to the Chamber of Commerce, but this is not the case. As a consequence, it is likely that some additional LSIP risks will be articulated within the risk register.

3) Tech centre risk register 2022/23

The finance director confirmed that the operational risks identified at the last meeting have now been incorporated. All agreed that site management was critically important to mitigate risks. The finance director advised that there has been one risk change since the last report. This relates to increased cost estimates, which have moved by circa +30%. If action were not taken, this would mean an overspend of up to £1.5 million. To address this, the team have completed a cost reduction exercise and can get the cost down to an increase of between £1 million and £1.2 million; however this is simply unaffordable and sits alongside inflationary increases too.

The team have been speaking to Mansfield's local authority, and they are happy for the project to be redesigned to make it affordable. The key change will be in relation to space expectations by NTU, which have

Signed : _____  _____ Chair

Date: 28/11/2022

been significantly reduced and which means the building can be designed as a two- rather than three-storey. The team are currently going back to stage one costings, and the initial view is that this will bring things back into budget.

The finance director confirmed that the college has started conversations with the ESFA but has not gone into detail yet. Hopefully, they will understand that it is simply not possible to continue going forward with the current design blindly. He expressed the view that planners may be more supportive of a two- rather than three-storey building, and this may mean that planning permission is obtained more quickly. The CEO confirmed that the risk appetite for this project is minimal and, therefore, the cost situation has to be addressed. The committee recommended that there is a standing agenda item for the Finance and Estates Committee to look at capital project risks.

FD / F&E
Committee

Standing
agenda
item

A question and challenge from one member of the committee was whether or not any of the risks should actually be red rather than amber. The finance director acknowledged that this may be the case and confirmed that the register will be updated and reviewed once the cost planning exercise has been concluded. A challenge from the committee was to review the assessment of risks as a matter of urgency.

AGREED: to note the content of the update provided.

8 DRAFT 2021/22 REGULARITY SELF-ASSESSMENT QUESTIONNAIRE

The finance director introduced this item and explained that this document has to be submitted to the external auditors as part of their work. He confirmed an expectation that there would be no compliance issues. He drew the committee's attention to some changes made this year, one of which is the requirement to have a suitability check regarding senior staff appointments, with this likely to be via the ESFA network. He expressed the view that key personnel are likely to be considered, such as vice principal: curriculum, finance director, principal/CEO, and he also noted that there is a requirement for clerks/governance professionals to have an appropriate level of experience and/or qualifications. It was confirmed that this new requirement is not retrospective.

One committee member made an observation in relation to the section on 'safeguarding assets', and they asked whether there is a need to refer to the employer liability claims as these do not relate to 'physical assets'. Staff advised that, whilst the college has had minor employer liability claims, it has not made any payments. The reason for including it within the questionnaire is just to flag it up for the sake of transparency.

Signed : _____  _____ Chair

Date: 28/11/2022

The committee noted that the position in relation to bksb India is static, with the company sitting there in a dormant status, and they asked whether there are any plans in relation to this. The finance director indicated that, in India, a company needs to be dormant for a full two years before it can be struck off and that this is the plan. There is confidence that there are sufficient funds within the company to take it through the dormant period, and the only work required within that time is administration, filling annual returns, etc. He confirmed that the company is actively managed on behalf of the college by the VBSS Board, with a standing agenda item at each directors' meeting.

AGREED: to note the content of the update provided.

9 FRAUD, IRREGULARITY AND WHISTLEBLOWING

The finance director confirmed that there were no instances to report, and he took the opportunity to invite the committee to review suggested amendments to the Whistleblowing Policy. He confirmed that they were very minor and very much administrative. These were highlighted in red on the policy presented. The committee noted that there was a further minor admin change needed and that this relates to the 8th paragraph on page 2. A second reference to 'public concern at work' should be changed to 'protect'. Subject to making this second change, the committee were happy to approve the proposed amendments.

AGREED: to approve the proposed amendments to the Whistleblowing Policy as presented.

10 DATA CLASSIFICATION POLICY – ANNUAL REPORT

The finance director presented this, and it was acknowledged that it has been provided as previously agreed. It gives an update on the controls being developed. However, there are some operational constraints, and an example given was the number of awarding organisations that the college has to interface with. Natural implementation will be over time and relates to a complete move to Microsoft 365. The college is working to a deadline of 2027, and progress before this is largely outside of the organisation's control. Staff indicated that it would simply be too onerous a task to try to do it any way other than migration over time.

Lee Glover made the suggestion that the audit action had been slightly misinterpreted, and he suggested that Steve Connors at Haines Watts join a future committee meeting to explain the importance of categorising data at the point of creation and the training of staff in relation to this. He indicated that four levels of proposed classification were made and suggested that the college develop a policy in relation to this. The audit action is more to do with a policy statement rather

Signed : _____  _____ Chair

Date: 28/11/2022

than enforcement.

The CEO expressed the view that staff are trained and instinctively manage data carefully and that what should be avoided is the bureaucracy of labelling any and all information as it is not helpful.

Internal auditors expressed the view that a simpler action than originally envisaged would satisfy the audit recommendation. It was agreed that the college's Data Protection Policy would be updated and would then be reviewed by Steve Connors as part of the 2022/23 plan so that auditors can then advise whether the action has been completed.

AGREED: to note the content of the update provided.

11 **DPO REPORT**

The finance director introduced this item and confirmed that the DPO had presented to all of the leadership team to explain responsibilities. The college has an action plan in place and was described as 'being on a journey' with support from the DPO, who will test the detail.

In terms of the annual report, there were no significant issues; however, there are a few items that have had to be reviewed. The college has learned from its experiences and has committed to making improvements where this is possible. There have been no reportable instances within the last twelve months.

Following discussion, the committee all agreed that it would be useful to have a January/February update as they would like to see some movement from the 'requires improvement' grading to 'good'.

AGREED: to note the content of the report provided.

12 **2021/22 DATA TESTING ASSURANCE**

The finance director confirmed that the intention is to undertake a check using internal auditors on the R13 report which has been submitted today. The college has developed its own methodology for trying to identify potential errors. This is now all done electronically, which makes it a much more manageable process. Haines Watts have been asked to check compliance. All agreed that it was important to address the previous red RAG-rated issue before the Audit Committee's annual report has to be presented and that, because of this, the timings of the checks are important.

The committee's attention was drawn to the proposals regarding timing of testing and checking and were happy to support.

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2023

Signed : _____  _____ Chair

Date: 28/11/2022

AGREED:

- a) To note the content of the update provided
- b) To approve the timing proposals as presented.

13 **INTERNAL AUDIT**

A number of matters were considered, including:

1) 2021/22 Annual Report

Auditors confirmed that this was a really straightforward summary of the work done in the year, audit outcomes and any issues identified. All of the reports provided were positive assurance opinions, with twenty-five recommendations made across the year. Overall assurance opinion is positive, with auditors being of the view that the frameworks and controls in place are adequate and effective.

As previously discussed, he confirmed that the follow-up review in relation to student records will address the one red RAG-rated item.

The committee referred back to earlier discussions regarding the ungraded risks identified in relation to subcontractor controls, and they asked for an opinion on the RAG rating. Auditors expressed the view that any issues identified in relation to due diligence and monitoring would always be at least amber.

2) 2022/23 proposed areas of audit and updated 3-year plan

Auditors presented their report and confirmed that the strategy document is updated every year. 2022/23 proposals are presented to committee today for approval, although it was acknowledged that they can be subject to change in the year. The committee's attention was drawn to the key findings on page five, and it was noted that a substantive review of expenses has been taken out of the plan and that, instead, this will be part of the testing on core financial controls.

Another change proposed is a delay to the AEB audit given devolution as this will have an impact. Also proposed is that the audit work on payroll be brought forward as the college has identified some issues.

The committee's attention was drawn to page 7, which is the updated 3-year plan. The committee noted the planned work in relation to estates management with two key areas to be considered, the first of which is operations around the NTU building and the second the capital projects.

Auditors indicated that the plan doesn't include subcontract certification this year as the process has now changed. Colleges have to

Signed : _____  _____ Chair

Date: 28/11/2022

achieve a 'subcontracting standard' and, when achieved, this remains in place for three years. Auditors expressed the view that it would not be a significant challenge for WNC to meet the standard requirements, given that they have previously gone through robust certification processes with positive outcomes. Management will undertake a self-assessment against the standard and then auditors will need to test. It is likely to require six days of audit time, which is pretty similar to the control certification work that has been done this year.

The committee considered the areas of risk identified with no proposed audit reviews and, in relation to core counter-fraud measures/health check, asked whether this would be helpful given the sector changes. Staff indicated that a review could take place either in advance of planned changes to the strategy and policies or to test the position after the changes have been made. On balance, the committee did not feel that this was a high priority area.

The committee noted that there were two non-prioritised areas which were considered to be high risk, and they asked whether audit reviews in relation to these should be done sooner rather than later. In relation to commercial activity/income diversification, the CEO indicated that WNC has very limited diversification and, therefore, the scale would be minimal with nothing really to audit. In relation to the work experience element of T Levels, this will not be relevant until 2023/24 when the college starts to deliver, so bringing an audit forward would not add any benefit.

Internal auditors indicated that a counter-fraud health check would take circa five days review time. The committee agreed that it was not a priority for this year and that it should be reconsidered into 2023/24.

A challenge from one member of the committee was to consider the need for risks associated with environmental reporting at some point in the future. All agreed that it was important for the college to be confident regarding its baseline numbers so that it is in a strong position when reporting becomes mandatory. In relation to this, internal auditors were asked to flag up any reporting best practice that they see in other organisations as the sector develops.

AGREED: to approve the 2022/23 proposals and updated 3-year plan as presented.

3) Scopes of audits planned for 2022/23

It was agreed that these would be presented to the next meeting and that any which need earlier approval should be circulated by email. The finance director confirmed that this may be necessary in relation to the planned review of payroll.

Internal auditors

Nov. 2022

Signed : _____  _____ Chair

Date: 28/11/2022

14 **SUBCONTRACTING CERTIFICATE**

Internal auditors presented this and confirmed a finding of ‘materially complies’. There were just two issues identified, and auditors expressed the view that the college was in a good place. Internal auditors indicated that, over the summer, they had provided the college with an email summarising the changes to the standard, and it was agreed that this would be recirculated.

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Watts

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AGREED: to note the update provided.

15 **SKILLS ACCELERATOR PROJECT CERTIFICATE**

The finance director presented this report and confirmed that auditing had taken place by Mazars. He explained that it was an interim certificate with a minor point identified but gave assurance that this will be corrected for the full period of the grant.

In relation to the point identified, the committee were advised that, on the interim certificate, auditors will not take responsibility for the accuracy of salaries. He indicated that it is not an issue for this project; however, the ESFA have changed their rules and, for future projects, colleges will have to provide evidence of salary paid and hours worked through timesheets, etc.

A challenge from one member of the committee was that there appeared to be a lot of ‘qualifications’ within the certificate, which makes it look like there are a lot of discrepancies. The finance director expressed confidence that the issues identified can be resolved before final certification and that there is no risk of recovery for any elements of the project. He expressed the view that most are just timing differences as the project spans a number of spending years. A challenge from the committee was to ensure that appropriate processes are in place for any new projects so that evidence can clearly be provided regarding salary spend. The CEO indicated that, in new projects, colleges are prevented from using existing staff time, which will make risks in this area much lower.

AGREED: to note the content of the update provided.

16 **EXTERNAL AUDIT PLANNING TIMETABLE**

The finance director’s timetable was noted, and he confirmed that all planning work has been completed. External auditors are due to start their work on 26th September 2022. The finance director advised that the format of the financial statements has been changed completely following the input of an NTU student seconded to the college, which has been really helpful. He confirmed that everyone was on track to upload the audited financial statements and external audit report on

Signed : _____  _____ Chair

Date: 28/11/2022

21st November 2022, ready for the joint meeting scheduled on 28th November.

AGREED: to note the content of the update provided.

17 **AOB**

There were no items of additional business.

18 **DATE AND TIME OF NEXT MEETING**

This was confirmed as 28th November 2022. Given that there are three meetings scheduled on that day, a challenge from the committee was not to overload the agenda. It was agreed that it will be limited to discussions on the 2022/23 risk register and the internal audit planning briefs for the year.

19 **CONFIDENTIAL ITEMS**

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

(Lee Glover left the meeting at 6.40pm)

Meeting closed at 6.50pm.

Signed : _____  _____ Chair

Date: 28/11/2022