

Minutes of the meeting held in the Board Room at the Derby Road site on Thursday 29th June 2017 at 5.00 pm

BOARD MEMBERS PRESENT: David Overton, Chair
Darren Wilkinson
Jamie Fryatt

ALSO IN ATTENDANCE: Andrew Martin, Deputy Principal/Director Finance
Maxine Bagshaw, Clerk to the Corporation
Tom Stevens, Executive Director Capital Projects and Estates
Louise Knott, Vice Principal Communications Marketing and Learner Engagement
Alasdair Coulston, KPMG
Louise Tweedie, RSM

Auditors confirmed that they did not wish to meet with members of the Committee without management present.

	ACTION by whom	DATE by when
<p>17.11 <u>DECLARATION OF INTERESTS ON ANY ITEM ON THE AGENDA</u></p> <p>The Chair reminded those present to declare at the start of the meeting any interests in matters to be considered. None save for standing declarations were noted.</p>		
<p>17.12 <u>WELCOME INTRODUCTIONS & APOLOGIES FOR ABSENCE</u></p> <p>Apologies for absence were received from Neil Robinson and Dame Asha Khemka.</p>		
<p>17.13 <u>MINUTES OF THE MEETING HELD ON 6TH APRIL 2017</u></p> <p>The minutes were reviewed and it was agreed that they were an accurate record of discussions.</p> <p>AGREED: to approve the minutes of the meeting held on 6th April 2017.</p> <p>There were no matters arising.</p>		
<p>17.14 <u>ACTION PROGRESS REPORT</u></p> <p>Members reviewed the action progress table and a number of updates were provided:</p>		

Signed : _____ Chair

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- Item 1 – it was confirmed that this detail was included within the business plan which was discussed at the June Governors residential.
- Item 2 – in relation to HE Centre signage the Executive Director Capital Projects and Estates confirmed that he and the team have considered some proposals but are not comfortable with the suggestions received so far. He asked that this action be recorded as ‘ongoing’. In addition, he indicated that he was looking at signage generally around the site, particularly in terms of directions for students, staff and visitors.

AGREED: to note the content of the update provided.

17.15 COMPOSITE COLLEGE RECOMMENDATIONS REPORT

The Deputy Principal introduced this item and drew members’ attention to page 89 of the pack. He confirmed that section 2.1 of his report summarises the changes between the February report and the June report. He explained that the increase in the number of recommendations made is as a result of additional onsite visits and final reports being concluded. In relation to the two items outstanding from 9th February he confirmed that their due date was not until July 2017. He also confirmed that of the 14 items detailed in the column headed 29th June 2017, none were overdue.

Members’ attention was drawn to page 90 onwards which lists the actions which have been cleared and closed down. He explained that if there is no comment in the final column then the action is still outstanding. An example was given on page 94. The blue text is this month’s updates.

Members discussed the recommendation at page 91 and questioned where staff utilisation will be reported to Governors. It was explained that at Board level, this is part of the business update KPIs presented by the Director: Strategy and Innovation. He provided assurance that mechanisms are in place to measure utilisation and this is a focus for the senior team in terms of improving efficiencies.

Q In relation to the action identified on page 94 the Committee questioned how the College is ensuring student compliance with safeguarding training requirements. The Vice Principal: Communications, Learner Experience and Engagement indicated that in the current academic year (16/17) there was quite a lot of wider learning provided to students online and what has happened is that a lot of students ‘opted out’. In 17/18 this will be provided in taught session so that students cannot opt out. This will be the case for safeguarding and prevent. Surveys show that students actually learn more as part of a group. Registers will be kept so that compliance in this area can more easily be tracked.

AGREED: to note the content of the update provided.

Signed : _____ Chair

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17.16 KPMG 2016/17 PLANNING MEMORANDUM

Alasdair Coulston from KPMG introduced their planning report and he explained that this document sets out their intended approach and responsibilities. A number of key matters were brought to members' attention:

- Page 4 – this provides the executive summary and confirms auditors' independence. It sets out audit risks, materiality, the position relating to subsidiaries, timeline, audit approach and deliverables and independence.
- Page 7 – sets out more detail regarding materiality. He explained that the materiality limit is calculated on expected revenue which is why there is a slight reduction on the prior year position. In relation to the proposed individual difference figure, the Committee questioned why this has gone up when the materiality limits, in line with revenue have gone down? It was agreed that auditors would double check why the figure was £43k last year as it may be that this was reduced for some specific reason. He confirmed that for the 16/17 audit any individual difference would be considered as trivial if it they were less than £55k.
- Page 8 identifies the significant risk areas. These are broken down in to a number of key areas:
 - a) Fraud risk areas from revenue recognition. In terms of the audit approach he explained that it is auditors understanding that the Colleges finance and student record functions are integrated. They will review the interface in place to ensure complete and timely data and information. They will review the completeness of funding body income through reconciliations with the yearend tolerance statements issued by each body. They will also review the income recognition for programmes crossing the year-end and any other flexible programmes that may emerge. They will also consider the Colleges other material income streams and design appropriate tests to address them. They will also review how the apprenticeship levy has impacted on the College's activity, including income recognition and relationship with partners/subcontractors.
 - b) Fraud risk from management override controls – he explained that in line with their methodology they carry out appropriate controls testing on substantive procedures including over journal entries, accounting estimates and significant transactions that are outside the components normal course of business or are otherwise unusual.

He explained that both of the above risk areas are mandated risks that have to be included within the audit completed.

External
Auditors

July 2017

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- c) Overall financial position and going concern including group performance versus college performance – he described this as not a significant concern/risk so far as auditors are concerned. What they will do in their report is pick out the group versus College performance, it being acknowledged that were it not for subsidiary company contribution then this would be a point of concern. The Audit Committee Chairman challenged auditors and expressed the view that this very much should be considered as a concern as the college core activity on a standalone basis is operating at a loss. He expressed the view that the HE Centre also should be considered as a concern and a high risk as there are no real mitigating actions as yet identified to limit the potential impact of this risk.
- d) Pensions – the Deputy Principal expressed the view that long term LGPS and TPS pension schemes are simply just not affordable although Colleges at the current time are obliged to offer them. This is a problem for all public sector organisations. He confirmed that the triannual re-evaluation completed this year means that payments are fixed and known for the next 3 years. Auditors confirmed that this was a continuous area of focus and will include this year’s triannual evaluation impact. The Deputy Principal indicated that there were 2 aspects to pensions that needed to be considered, the first is the triannual evaluation which sets the level of payments needed. They have increased from 11% to 13%. However the historic contribution payments have decreased and the overall net impact is that the College is required to pay an additional £100k per annum. The second aspect is the FRS 17 valuation regarding long term deficit, the forecast position is £23.5 million and increases at every revaluation. This is a long term liability.
- e) Regularity

As an overall observation it was agreed that changes to the apprenticeship programme will fundamentally impact on the College’s ability to get to a breakeven position in terms of its core activity and this area of provision needs to be considered as a significant risk for 17/18.

- Page 13 sets out the review planned of College subsidiary companies
- Page 19 sets out auditors’ independence.

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Members considered page 18 and the fees proposed, it was noted that the proposal is the same as the prior year. The Committee questioned whether the audit fee is measured in days or a contractual sum. It was confirmed that the fees are in line with the tender. The Deputy Principal expressed the view that what is important for the College is to get through the audit as efficiently as possible.

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The Committee were happy to approve the fees proposed at £33,650.

- Page 21 onwards sets out a technical update. It was noted that on page 21 legislation now enshrines in to law the right of FE providers to go into schools to promote vocational courses and includes a duty for Ofsted to comment on the careers guidance provided to relevant students at the institution when inspecting FE providers. With this as the context, it was acknowledged that it is still however difficult to gain access to some schools.

AGREED:

- a) to approve the KPMG 2016 audit planning memorandum as presented and
- b) approve audit fees as proposed.

17.17 INTERNAL AUDIT

Louise Tweedie from RSM introduced this item and confirmed that there were a number of matters to consider.

1) Apprenticeships – advisory review of costings, pricings and sales.

She confirmed that the report presented is an advisory rather than compliance report, it being the case that the College acknowledges that the changes to the apprenticeship programme are the single most significant risk for the College. Members' attention was drawn to page 15 of the pack where it was noted that auditors had made 1 medium and 2 low priority recommendations.

In relation to the medium recommendation it was explained that policies and procedures were still a 'work in progress' when the audit testing was undertaken and the College accepted the recommendation to introduce policies and procedures in relation to costing, pricing and payments for apprenticeships and new funding rules post May 2017. In relation to the 2 low recommendations they are:

- Policies and procedures in relation to pipeline and opportunity tracking on the sales force system will be version controlled and subject to regular review to ensure that these remain up to date. She explained that this recommendation is to improve statistical reliance and show trends.
- To enhance understanding of reasons why potential opportunities do not convert in to an enrolment, the 'reasons for loss' field will be made mandatory. On a monthly basis a report for reasons for loss will be extracted and any trends or themes will be considered and actions taken to remedy these where possible.

Auditors confirmed that there would be further testing of this area planned for the next academic year.

Signed : _____ Chair

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AGREED: to note the content of the report provided.

2) Apprenticeships processes

The Committee were advised that an amber/green opinion has been given. It was explained that testing related to the old funding requirements. There were 4 medium and 3 low priority recommendations. The Committee discussed the 4 medium recommendations which were noted in relation to:

- In respect of individual learning plans (ILPs) the College will ensure that the College/partner will sign the ILP in all cases and the employer will sign the ILP and ensure that this is done at the start of the learners apprenticeship programme.
- Records of attendance will be held for each apprenticeship learner which covers the duration of the course.
- Withdrawal paperwork will be completed and authorised as soon as possible once the College has identified an apprenticeship learner as a withdrawal.
- The College will ensure that evidence is in place to confirm that achievement certificates have been applied for with 3 months of completion of apprenticeships.

As an overall observation it was explained that what the College needs to ensure is that it has really quick processes in place for dealing with any change in the learner's position. She explained that whilst funding changes have now been made, these issues identified will broadly remain and therefore the actions are still relevant.

The Deputy Principal confirmed that late notifications of a withdrawal are something that the Vice Principal for Business Development is focusing on. The team now use one file rather than smart assessor which should make withdrawals easier to track. It was explained that there is still work to be done and in real terms assessors should be on top of every single one of their learners. It was confirmed that late withdrawals do have funding implications. The Committee questioned whether noncompliance in this area was anything to do with the case load of assessors. The Deputy Principal indicated that this was not likely to be a contributing factor.

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AGREED: to note the content of the report provided.

3) English and Maths – assessment and enrolment processes

Auditors introduced this item and confirmed that an amber/green rating has been given. There was one high and one medium recommendation made.

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In relation to the high priority action it was explained that in 2 out of 10 cases related to maths qualifications auditors were unable to confirm the basis upon which the learner was enrolled and the level they were enrolled on. In 4 out of 10 cases related to English qualifications similarly they were unable to confirm the basis upon which the learner was enrolled on the level they were enrolled on. The Deputy Principal indicated that there was simply no excuse for this position and that staff should have or would have used the BKSBS product to gauge the appropriate level. He indicated that it may be the case that staff did not agree with the BKSBS assessment, however if this is the case then alternative evidence needs to be provided to explain why the learner was enrolled on a particular level.

In relation to the medium recommendation it was explained that in 2 out of 19 cases the student declaration for English and Maths was not signed until January 2017.

It was confirmed that management have accepted the recommendations made and actions are being put in place to address.

AGREED: to note the content of the report provided.

4) Tracking student progress

Auditors confirmed that again an amber/green opinion has been given. There were 2 medium recommendations made.

It was explained that the College identifies higher achieving students on the basis of 5 A*-A GCSE grades. Auditors were made aware that these grades are negotiable if the students have shown sufficient competency in regards to their GCSE qualifications and/or if they have achieved high grades whilst dealing with a range of health and/or personal issues. In addition, the College works in partnership with the University of Sheffield in order to deliver the Outreach Programme by identifying high achieving students based on a set criteria and enabling them to have a better chance of enrolment success at the University of Sheffield once completing their A Level qualifications. In terms of the medium recommendations it was explained that:

- The curriculum manager for sixth form provided details of the high achiever programme, however the College does not have a documented procedure in place outlining the selection and monitoring of progress of students on the high achiever programme. In addition, there was a lack of clarity amongst those auditors spoke to as to whether this was a current initiative.
- The College does not currently formally report on the percentage of students that have failed to achieve, achieved or exceeded their national target grade.

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There is a new system in place for this academic year which allows for consistent monitoring of the in-year performance at course level. It is expected that this information will be collated in to a report format and will be presented to the Standards Committee at the end of the academic year. As measures of progress based on each learners starting point are increasingly important, monitoring of performance and implementing intervention strategies as needed (in year) will be key. It was explained that the action agreed in this area will form part of further internal audit work planned for the next academic year.

It was explained that compliance in this area is critically important as it links to the new progress measures which have been reported to the Board. The internal audit team will look at this area in detail, particularly regarding the evidence of progress collated.

It was explained that students are seeing an increase in terms of the unconditional offers made by universities and this unfortunately is impacting upon the level of student effort committed to get the best grades possible. As the HE sector becomes more competitive and challenging it is expected that this situation will increase further.

AGREED: to note the content of the report provided.

Internal
auditors

Nov. 2017

5) Progress report

The Committee reviewed the progress update at page 84 and it was noted that there is only one 16/17 report outstanding and this is in relation to key financial controls following three visits in the year. It was confirmed that this report, together with internal auditor's annual report for 16/17 will be presented at the next meeting.

6) Follow Up report

The Committee considered this additional report circulated at the meeting. Auditors were able to confirm that, taking account of the issues identified as part of their review, in their opinion the College has demonstrated good progress in implementing agreed management actions. All agreed that it was pleasing to note that there were no actions falling under the not implemented category.

AGREED: to note the content of the report provided.

17.18 RISK MANAGEMENT

The Vice Principal for Communications Marketing and Learner Engagement presented two reports.

1) 2016/17 Annual report on Risk Management activity

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Key matters noted were:

- The report provides members with an annual report on risk management activity for the year 16/17. The intention of the risk management strategy and risk assessment arrangements are to better embed a culture of risk management across the College and ensure ownership at corporation board and executive level.
- The risk register was approved by the Audit Committee and corporation Board in July 2016.
- Appendix 1 details how each risk has been monitored throughout the year by the corporation Board and each standing committee of the Board.
- Significant risk register – all significant risks on the register have been monitored at least once by the corporation or their Committee owner. In most cases significant risks have formed a standing item, either on corporation Board agendas or on standing Committee agendas. She explained that this is how Governors reach assurance in terms of discharging their duties.
- Contingent risk register – risks identified within the contingent risk register have been monitored by the corporation Board or its committees at least once during the year. Members may recall that data protection was the exception to this in 15/16 and a paper was taken through the Audit Committee by way of an update in December 2016.
- An end of year risk register is included within the report and members will note that the final residual score has been included within this document for each of the significant risks. These were considered at length by the executive team at its meeting on 16th June 2017. Key points noted were:
 - a) Risks relating to the external environment, financial stability and College positioning have reduced their mitigated score but failed to meet their target mitigated score. She explained that, particularly the external environment was such a moving feast that it is unlikely that the College will ever hit its mitigating score target.
 - b) Risks related to curriculum planning, HR, the quality of teaching and learning and student experience and estates met their target mitigated score. Estates was removed from the significant risk register in January on completion of the Colleges property strategy and included within the contingent risk register.
 - c) Risks relating to work related training have not changed their mitigated score. Whilst a significant amount of work has been done to prepare the College for apprenticeship reform it was too early to judge when the assessment was made as to the impact of these changes.

In terms of changes to the risk environment, yet again it has been a challenging year for the College and its subsidiary companies.

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Much of the risk comes from the external operating environment with as many opportunities as risks for a College willing to take calculated and measured risk.

Members attention was drawn to key highlights:

- Apprenticeship reform has remained one of the most significant risks to which the College is exposed, this is likely to remain at the top of the College priorities for the next academic year at least.
- Area review, which did pose some risks at the commencement of 16/17, resulted in the preferred option for the College.
- The Ofsted visit in February 2017 largely validated the College's own assessment of its performance with strong grade 2's across the board with the exception of 16-19 study programmes which was graded a 3.

AGREED: to note the content of the annual report provided.

2) Risk management strategy and register for 2017/18

She indicated that there were no major changes proposed and the full register is available on the portal. For greater clarity and focus she explained that the student experience has now been separated out as a separate risk from teaching, learning and assessment, this is detailed at risk 6 on the register.

Members considered the significant risk register and a number of comments were made:

- Risk 1 – work based learning and apprenticeships. It was acknowledged that this is the single most significant risk to performance going forward. It was felt that there is more work to do in terms of the controls and actions to be taken. The opinion given in the final column is that assurance is adequate. The Committee asked that an assurance opinion be provided in relation to all risks (it was noted that this is missing at risk 2).
- Risk 2 – currently the College does not have very good data protection processes and the control dependency is low. It was explained that this is to be expected at this stage and there is work to be done to ensure that the College meets all the requirements of GDPR. There is lots of work planned and the expectation is that the risk in this area will drop rapidly. The Committee challenged the senior team and indicated that in terms of the controls they would also like to see some external penetration testing. It was agreed that the VP CESE would speak to Gavin Peake on this. As an overall observation it was felt that the timescale for compliance and implementation of all actions required in relation to GDPR was a significant risk.
- Risk 3 – higher level skills. It was acknowledged that a failure to successfully deliver the new strategy would potentially lead to reputational impact.

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	<p>The strategy is only now being put in place and therefore this will remain as a risk until the outcome of the strategy is known.</p>	VP CESE	Each meeting
	<p>It was confirmed that an update to the risk register would be provided at every audit Committee meeting in the next academic year.</p>	VP CESE	
	<p>AGREED: note the content of the Risk Register for 2017/18.</p>		
	<p>It was confirmed that the risk management strategy would be presented to the July Board meeting for approval.</p>		
	<p>In terms of the registers a much simpler format has been introduced for 17/18 and it is expected that this will have a significant positive impact.</p>		
	<p>The external environment is not a risk on the register in its own right but has been incorporated in each line specifically.</p>		
	<p>GDPR legislation significantly changes data protection requirements and the penalties are significant. In the next academic year the Committee requested that data protection and progress towards GDPR compliance is scheduled as a standing agenda item.</p>	Director of IT	Standing agenda item
<p>Q</p>	<p>The Committee questioned whether the College has sufficient capacity to respond to the GDPR requirements. It was explained that this has been highlighted as a concern and a risk and it is likely that external support will be required. Assurance was given that this is being discussed at Executive level.</p>		
<p>17.19</p>	<p><u>REGISTERS, ATTENDANCE AND RECORDING – 2016/17 END OF YEAR POSITION</u></p>		
	<p>The Deputy Principal introduced this item and confirmed that this is an annual update as at 15th June 2017. He explained that the total percentage of unmarked registers is now less than 1% with many curriculum areas marking all created registers. This equates to 15 registers out of the population of 5,872. In this area there have been continual improvements. A slightly higher proportion of registers were not up to date as at the report date equating to 2% which is likely to be related to registers that are not marked in class. The volume of registers marked by administrators continues to fall to a level of around 3% compared to 6% a year ago. There will always be reasons for utilising such resource to record attendance and it is considered that this is now more proportionate than when the review of the process began. There does however remain one key issue to overcome if the College is to fully consider that its system is fully operating with fully effective. The issue relates to the timing of the recorded register mark where the College currently has 45% marked after the class has finished and 29% not on the same day as the class has taken place. Whilst this is improving from previous reports there is still more work to be done as this shows a very inefficient process.</p>		

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As a general overall comment it was acknowledged that the College has improved on the weaknesses seen in previous years. This report and data provided goes to all Heads of School on a monthly basis for them to address any areas of poor performance. The view is that staff have made really good strong progress and curriculum areas now own the need to improve in this area.

Q In considering the data provided the Committee questioned what 'missing register marks' means. It was explained that in some instances the reasons for student absences are not known. The Committee also raised a question in relation to the high numbers seen in the work related training area. It was explained that the higher numbers need to be taken within the context of a low number of registers.

AGREED: to note the content of the update provided.

17.20 INTERNAL AUDIT PLAN FOR 2017/18

Members' attention was drawn to page 109 of the pack and internal auditors explained that this sets out the suggested areas of coverage. In relation to HR she explained that this is reviewed on a cyclical basis. She explained that the programme has been developed in line with contributions from the executive team and staff and a review of the risk register.

In terms of the proposals made the Committee challenged auditors and indicated that in terms of the learner experience they would like to see a greater sample size used. In relation to the planned audit date in relation to GDPR the Committee felt that February 2018 was too late. It was explained that this was intended as a 'readiness check', however there is a risk of taking this approach in that if the auditors feel that the College is not ready then there is very little time left to make changes. The Committee requested that the fieldwork testing for this area be brought forward.

The Committee considered fees proposed at page 107. It was confirmed that days are flexible and there can be change within the areas identified if this need becomes apparent during the year.

Save for the two suggested changes made the Committee were happy to approve the audit plan as proposed.

AGREED:

- a) to improve the internal audit plan for 2017/18 and
- b) approve the fees proposed at £22k plus VAT.

17.21 AUDIT SERVICE SECTOR UPDATE

It was acknowledged that a lot of sector updates had been provided in audit reports already considered.

Signed : _____ Chair

Date:

External auditors also added that there is quite a focus on cyber security at the current time and the College may wish to undertake readiness checks. It was confirmed that the executive team would look at developing mechanism of intrusion testing.

Dir of IT

2017

17.22 **COMMITTEE REVIEW**

The Clerk introduced this item and a number of matters were considered.

1) Committee work plan for 2017/18

The Committee were happy with the framework document utilised and were happy to roll it forward unchanged.

AGREED: to approve the Committee work plan as presented for 2017/18.

2) Committee self-assessment

The Clerk invited members to consider the terms of reference and assess their own performance in terms of attendance at meetings, timeliness of decisions, advice to the Board, delegated responsibility etc. The Committee all felt that they had been able to discharge their duties and responsibilities. They felt that the Committee was generally well attended. One additional request was made in terms of further additional recruitment to this committee in the 17/18 year.

3) Committee terms of reference for 17/18

The Committee considered existing terms of reference and felt that they remained fit for purpose. They were happy to roll them forward unchanged.

AGREED: to recommend that the Board approve Committee terms of reference unchanged for the 2017/18 academic year.

4) Committee membership 2017/18

Again the Committee were happy to make the recommendation to the Board that this roll forward unchanged with the four individuals identified plus any new members who could be recruited.

17.23 **ANY OTHER BUSINESS**

The Deputy Principal took the opportunity to advise that the College has received two requests from the ESFA to investigate subcontractor activity. The first is in relation to Amber Train. KPMG have been instructed to carry out a review which relates to concerns regarding student eligibility and potential irregularities. This was described as a fairly complicated investigation.

Signed : _____ Chair

Date:

The second request comes in relation to a subcontractor called Management Focus. This has come as a request via CMI who are the awarding body following the removal of the company's accreditation. He indicated that since April the College has taken this provision back to direct delivery and from an internal investigation there is confidence that there are no issues in this area to address. He confirmed that a further report on this would be provided at the next meeting.

Deputy
Principal

Nov. 2017

The Committee questioned whether there was any potential financial impact of these irregularities. It was confirmed that there are and if all of the allegations are found to be true then the financial impact could be significant. It was confirmed that the College has to simply await the outcome of the investigation before determining next steps in this area.

The Deputy Principal indicated that in terms of the College's own processes there was nothing that was highlighted as a cause for concern following spot checks and learner/employer surveys. It was confirmed that moving forward the College will have less partners and therefore there will inevitably be lower risks in relation to potential irregularities.

As a further point of additional business the Committee asked what the current position is in relation to cladding. The Executive Director Capital Projects and Estates confirmed that the College is compliant with British safety requirements. He explained that the College cladding is very different to that on Grenfell Tower. In addition, the College is in a very different setting in terms of it being non-residential and a much lower height. The College also has two fire escapes. It was confirmed that a fire risk consultant has been engaged to undertake a review next week. As things stand he is able to give reasonable assurance.

(Auditors left the meeting at 6.40 pm)

17.24 **DATE AND TIME OF NEXT MEETING**

The Clerk confirmed that the next scheduled meeting was 30th November 2017.

17.25 **CONFIDENTIAL ITEMS**

It was agreed that confidential items would be recorded separately.

Signed : _____ Chair

Date: