



**WEST NOTTINGHAMSHIRE COLLEGE
AUDIT COMMITTEE**

Minutes of the meeting of the Audit Committee held (by Microsoft Teams) on Thursday 26th November 2020 at 3.30pm.

MEMBERS PRESENT: Neil McDonald, Chair
Rebecca Joyce
Ann Treacy, Committee co-optee

ALSO IN ATTENDANCE: Maxine Bagshaw, Director of Governance
Andrew Cropley, CEO/Principal
Jon Fearon, Finance Director
Lee Glover, Haines Watts
David Hoose, MAZARS
Catherine Walker, PA to the Finance Director

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

ACTION by whom	DATE by when

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

Apologies for absence were received from Sardip Sandhu. Ann Treacy was welcomed to her first meeting as a new committee co-optee.

3 MINUTES OF THE MEETING HELD ON 15TH SEPTEMBER 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 15th September 2020.

There were no matters arising.

Signed : _____  _____ Chair

Date: 09.02.2021

4 **ACTION PROGRESS REPORT**

The committee discussed the update provided, and a number of comments and observations were made:

- In relation to line 2, one member of the committee asked whether the delay in reviewing the risk management strategy would have any negative impact on the end of year sign-off. The finance director confirmed that it would not.
- Line 4 – it was agreed that procurement reports would be presented to the committee on a six-monthly basis, with these being March and September each year (next report due March 2021).
- Line 6 – the finance director advised that the college is meeting with trade union representatives in December 2020 regarding the expenses policy. It was agreed that this would then be shared with the Finance & Estates Committee, who would undertake monitoring, if required, or respond to any issues identified by the trade unions.
- Line 7 – an update on this investigation is to be given during confidential items later in the meeting.

Finance Director

March 2021

Finance & Estates Committee

January 2021

5 **2019/20 INTERNAL AUDIT ANNUAL REPORT**

Haines Watts introduced this item and confirmed that it is a summary of the work they have completed throughout the year. The committees' attention was drawn to section 6, which provides their opinion. It was explained that the statements made here are different to the usual grades and, in terms of an annual opinion, this is 'as good as it gets'. He confirmed a positive opinion for all three aspects, i.e. risk management, governance and control processes.

The committee were advised that the curriculum planning review is still ongoing and is outstanding. Haines Watts advised that they have given this piece of work to an FE professional to review rather than a 'normal auditor', which is why there has been a slight delay. He confirmed that this will have no impact upon their annual report as they have been able to give an opinion based upon the work that has already been completed. It was confirmed that the curriculum planning report will be presented to the next meeting.

Haines Watts

12th Feb 2021

The committee acknowledged that the report provided was positive; however, there were a number of questions and observations made in terms of the management responses; these were:

- In relation to expenses, there was a concern raised that the college's motor insurance policy was insufficient to cover all aspects. The finance director advised that those members of staff who are not usual travellers are covered by the insurance and that the expectation is that more regular users sign to

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confirm that they have their own business use cover as part of their own motor insurance. The finance director explained that, currently, the college relies on self-confirmation as part of the expenses sign-off process and that the college policy would only apply to occasional users.

A challenge from one member of the committee was that it is the responsibility of the employer to check actual documentation to ensure that appropriate insurance is in place. The finance director confirmed that the college was developing the system so as to provide an ability to upload documents but that this is not yet in place because of capacity challenges. The committee felt that this was a risk that needed to be addressed: an example given was a college who had been found to be guilty of corporate manslaughter following an accident on the M6. The committee asked whether this risk sits on the register. The finance director indicated that, at the present time, it doesn't sit on the corporate risk register and that the mitigating action is the requirement for self-declaration. He expressed the view that there needed to be a balance struck, particularly during the current context of COVID, where there is much reduced travel in any event. He confirmed that the intention is to implement the system which will then allow self-provision of documents.

The committee asked for the timescale/deadline for modular implementation of the self-declaration system. The finance director indicated that, pre-COVID, the aim was for the spring; however, it is now likely to be later because of other priorities. It was agreed that the finance director would check this position and provide a summary email to the committee. He explained that the inability to visually check documentation has predominantly been a resource issue. A suggestion from one member of the committee was to ask line managers to verify that they have seen the original documents, which would 'share the load'. It was confirmed that the new system, once introduced, will put a block on payments where no evidence of insurance has been provided, which will address this issue.

Finance Director

Dec. 2020

The committee felt that it was important to recognise the risk in this area and ask that the risk register be updated to reflect this. They also asked for an update report to the next meeting regarding mitigating actions in place.

Finance Director

Feb. 2020

- In relation to payroll, one member of the committee suggested that process checks may need to be in place and undertaken first. It was explained that the audit point made was a timing issue and that the new self-certification system implements this. He confirmed that everything is recorded within Excel.
- In relation to the marketing strategy, it was confirmed that the college has moved on from the audit point made and that its

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creation is now included as a target/objective within the strategic plan.

- In relation to employer engagement, the committee asked whether the reporting proposed was sufficient. It was explained that there is now an employer engagement strategy in place and that governors have been involved in its development, particularly Sardip Sandhu, Neil McDonald and John Gray. It was acknowledged that the college position has moved on since the audit and that a lot of work has been done. It was explained that the college now has a three-tier client structure in place regarding employer engagement, which is a new approach, and that activity is tracked by tier, with the focus being on those employers in tier 1. The finance director indicated that an issue for the college is its capacity to go forward with growth regarding apprenticeship numbers and explained that there is a waiting list in place to progress once the college has sufficient capacity.
- In relation to risk management, it was noted that the intention for curriculum areas is to retrospectively include three key risks. One member of the committee asked whether this was sufficient or whether, instead, curriculum areas should each have their own risk register. The principal expressed the view that it is important for risk management lower down the organisation to be reasonable and proportionate, and acknowledged that the college was on a journey in relation to this. He expressed the view that individual curriculum area risks are, in the main, marginal and that it is important for curriculum managers to have the right focus; therefore, risk management processes need to be helpful rather than burdensome for them. Whilst acknowledging this, a challenge from the committee, which has been stated before, is to see risk management and risk registers embedded further within the organisation.

AGREED: to note the content of the update provided.

6 SUBCONTRACTING COMPLIANCE REPORT

This agenda item was introduced by Haines Watts and they confirmed that all colleges that subcontract over a specific level are required to have an independent review. WNC's subcontracted provision is circa £3 million, which is far in excess of the trigger point for this audit.

He drew the committee's attention to the report provided and he confirmed that the audit opinion is that the college materially complies with the ESFA requirements. He explained that there were a few areas identified where the college could improve; examples given were:

- Subcontractor declarations of interests and the college system

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in relation to a nil return.

- The level of evidence included within the due diligence checks.
- Start dates on the ILR and how these relate to the signing of contracts. The finance director explained that the college was now using the DocuSign system which should help significantly in relation to this.
- Business continuity plans – he explained that the college should have a plan in place to show how it would proceed to conclude learning for every learner, should it be the case that the subcontractor is unable to continue.

The committee's attention was then drawn to section two of the report, which is the action/implementation plan, and there were a number of comments and observations:

- In relation to section 2, which is due diligence, the committee asked what the college currently does and what it intends to do differently. The finance director explained that the college currently asks them to self-declare regarding a number of aspects, e.g. insurance, financial accounts, etc., but now intends to ask to see the documents as part of a compliance checking process. A challenge from the committee was that, wherever possible, independent sources of verification should be sought particularly in high risk areas like subcontracting.

One member of the committee asked whether the UK PRN number is checked for contracts. It was explained that this is done when an organisation first joins the subcontractor list; however, thereafter it is not checked and the college relies on annual self-declaration. What the college currently doesn't do is check that they have not been struck off the register over time. The finance director indicated that the college acknowledges the limits of self-declaration and will now ask for sight of external verification and/or undertake their own checks. He confirmed that credit checks are all undertaken as a matter of routine.

One member of the committee asked who holds the data in relation to the learners. The finance director confirmed that it is both the college and the subcontractor. It was agreed that this would be included as part of the business continuity planning. The finance director explained that most learners with subcontractors are on fairly short-term courses, which does mitigate the risks in this area.

When considering the report as a whole, an observation made by the committee was that there were some actions which were imminent in terms of timescales and, as they have been agreed, it is expected that they will be met. The committee all agreed that they had been assured regarding the system changes explained and discussed during the meeting today.

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AGREED: to note the content of the update provided.

7 AUDIT COMMITTEE ANNUAL REPORT FOR 2019/20 – DRAFT

The director of governance introduced this item and explained that it had been compiled using the same format as the prior year. It was acknowledged that there is no prescribed format, therefore, it can be changed if required. She provided a summary of the sections then invited observations and suggestions for change that committee members may feel would be helpful. There were a number of observation and requests made, including:

- On page 3, expand on the audit areas covered and list the six areas reviewed by internal auditors.
- In paragraph 10.2, the word to be used is 'applied' rather than 'undertaken'.
- In section 5.1, there should be an expansion to explain what risk management work has been concluded throughout the year, including:
 - a) Review of risk appetite
 - b) Review and strengthening of the risk register processes
 - c) Work done to enhance and embed risk management within the executive, it being acknowledged that the risk register is discussed at each executive meeting and also at management meetings further down the organisation.

The director of governance confirmed that she would update as required, and it was agreed to provide delegated authority to the committee chair to agree a final version before provision to the Corporation Board at its December meeting.

AGREED:

- a) To note the draft document provided
- b) Request that the director of governance amend in line with points discussed at the meeting
- c) Delegate authority to the committee chair to agree a final version to be provided to the Corporation Board.

8 AUDIT SERVICES – ADDITIONAL (NON-AUDIT) WORK UNDERTAKEN IN 2019/20

The finance director confirmed that there had been no additional work undertaken that was outside of the audit scopes previously agreed.

AGREED: to note the content of the update provided.

9 INTERNAL AUDIT 2020/21

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The committee chair reminded that these fieldwork scopes have been provided to ensure that the committee has visibility before any planned fieldwork, so as to be able to contribute to the content.

Haines Watts presented the four draft audit plans and it was confirmed that, if approved today, work would start as soon as possible so that outcomes can be reported to the Audit Committee at the February and April meetings. He confirmed that everyone will push to do as much as possible as early as possible.

The fieldwork scopes were then reviewed on an individual basis.

1) Budgetary control

The committee's attention was drawn to the key risks, and an observation made by one member of the committee was that it appears to miss the mark in one area, i.e. staff could fail to take ownership of the budget which could lead to noncompliance. They agreed that budget holders need to be involved in the development of budgets so that they can be held to account and also have 'buy-in'. Internal auditors confirmed that they would slightly amend the phraseology of the risk and have 'staff engagement' as its own bullet point. All agreed that it was a matter of emphasis regarding staff 'buy-in'. The committee indicated that it was important for internal auditors to speak to a number of budget holders as well as complete the survey proposed. Subject to the minor suggestions made, the committee were happy to approve the scope as presented.

2) HR health check

The committee asked whether this would apply to both the college and VBSS. It was confirmed that it would and it was noted that it was not intended that bksb would be included in this review, as they are subject to their own audits in any event. A challenge from the committee was that there is no reference to reviewing the disciplinary processes and policies in place. Internal auditors confirmed that the intention of this review is to look at general appraisal and development processes, and that they would not normally include disciplinary cases because they tend to have a greater level of focus internally in any event. The committee felt that it was important to include a review of the disciplinary policies and processes in place to at least give a view on whether they are appropriate.

A challenge from the principal was whether or not this review can also look at the softer aspects of HR. Examples given were staff surveys, employee council meetings, etc. Auditors were asked, as a minimum, to look at staff survey outcomes and the minutes of employee council meetings.

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Internal auditors confirmed that they will look at staff development processes but indicated that this is a 'health check', therefore the review is conducted at a high level rather than in depth. He explained that this will allow auditors and the college to get a 'quick feel' and that, from this review, it is possible that there could be areas identified which need more detailed review and scrutiny. Following discussions, the committee were happy to approve the scope proposed, with auditors taking due cognisance of the comments and requests made at the meeting.

3) Payroll and benefits

The committee were satisfied with the scope proposal and it was confirmed that this review will include VBSS staff as well as college staff.

4) Performance management

A challenge from the committee was that this would be better described as 'organisational' performance management, which is different to HR performance management. The intended focus of this review is the key data that feeds in to the balanced scorecard. Auditors will test the accuracy of source data and how this is utilised to inform the scorecard. The committee asked whether now was the right time to undertake this review, given that the scorecard was still in the developmental phase. The finance director expressed the view that it was a useful time to undertake the review, albeit that it was acknowledged that it is not a mature process yet. He indicated that it would be a good test and any findings would help to shape changes in the future. The principal indicated that it was important to look not only at what is used but also at how the data is compared, i.e. with what and when. It was explained that the intention is to look to validate the data generated and input, i.e. a focus on the source data. The committee also indicated that it would be useful to take a view on how well defined the RAG-rating system is, i.e. is it objective rather than subjective. All agreed that it was important for governors to be aware of and comfortable with the RAG-rating process. Subject to the comments made in the meeting, the committee were happy to agree the scope as presented.

10 **COMPOSITE COLLEGE RECOMMENDATIONS REPORT**

Catherine Walker presented this item and, in relation to recommendations made in 2019/20, explained that there are currently three medium- and five low-risk actions to be implemented. She drew governors' attention to the summary provided in section 2.1 of the cover report. She confirmed that there are four new actions now to add and that these relate to the subcontracting audit findings

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discussed earlier in the meeting.

The committee's attention was then drawn to Appendix A, and a summary was given of the actions now completed. A specific focus was on the medium rather than the low recommendations. She confirmed that the action in line 9 is due at the end of the year and that there are five low priority actions still to complete within timescales for this year. There is one without a completion date as the college does not see implementation of this as a priority. She confirmed that all staff have been reminded of the deadlines due for this year and no concerns have been expressed regarding completion.

The committee's attention was then drawn to Appendix B, which is a summary of FEC and external audit recommendations. She explained that this is regularly reviewed by the ESFA and, as part of this process, one other amber item has been added which relates to the timing of the bksb sale. She indicated that there was only one action remaining from the FEC visits. Whilst line 26 does remain outstanding, the FEC acknowledged that good progress has been made despite the action remaining ongoing. There were no additional recommendations following the most recent visit in September 2020.

The committee asked for an update in relation to the covenant position. The finance director advised that there is now confidence as Lloyds have agreed to an extension of the covenants until November 2021. Agreement has been reached for the college to repay £4 million to stakeholders, with £2.4 million going to the ESFA and £1.6 million going to Lloyds. This will provide significant coverage and build in a buffer regarding the covenants. The agreed position enables resolution to November 2021. He confirmed that the debt and cash ratios have been the subject of significant debate.

One member of the committee asked for an update in relation to the Information Memorandum regarding the sale. The finance director confirmed that it was broadly completed and that Deloitte and BDO are working to finalise with an aligned position.

The committee considered the composite summary as a whole and questioned how achievable the December completion dates are. They asked that, for future iterations, the dates be reviewed before presentation to the committee so that, if changes need to be made, there can be debate. A particular action picked out was the 'development of risk management throughout the organisation'. They urged staff to be clear if dates are not achievable, rather than it getting to a point where it looks like dates have been missed.

In relation to the action to 'develop risk management throughout the organisation', the finance director expressed the view that this has to be completed by 31st March 2021 as it will have an impact on the

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curriculum planning processes. It was agreed to change the completion date for this aspect to 31st March 2021.

AGREED: to note the content of the update provided.

12 UPDATED ANTI-FRAUD CHECKLIST

The finance director introduced this item and explained that the ESFA have amended their checklist, which is why an update has been completed. This is a mechanism for the college to update on areas of risk that have been identified by the ESFA. All agreed that there was a need to continue to monitor fraud, particularly those aspects which may arise in relation to subcontracting.

AGREED: to note the content of the update provided.

13 RISK MANAGEMENT – COLLEGE REGISTER 2020/21

The finance director introduced this item and drew governors' attention specifically to the red RAG-rated arrows, which show where risks may have increased. A particular item brought to the committee's attention was in terms of subcontracting, which represents circa £4 million of the college's turnover. The finance director explained that some subcontractors are having difficulty, particularly regarding Jobcentre Plus referrals as they have, in the main, put a hold on any referrals for classroom-based activity. It is known that one subcontractor has furloughed the whole of their workforce, therefore this is an area of increased risk. The committee were advised that the college is undertaking reviews for each and every subcontractor to better understand the actual position, and it is likely that this will lead to some changes in contract allocations. He advised that the college was reflecting the risk by reducing income forecasts within subcontracted activity.

Another risk specifically brought to the committee's attention was in terms of apprenticeship provision. He explained that there were a lot of delayed starts. Pipeline is strong; however, there are delays in processes/paperwork and starts and, as a consequence, the college is taking a very cautious approach. An example given was in the hair and beauty sector, where current COVID constraints mean that apprentices are not in a position to start in the workplace.

In considering the update, one minor typographical error was noted on line 17: i.e. the reference to bksb management accounts in one of the right-hand columns is an error.

The committee were happy to note the content of the update provided but requested that more time be allowed at the next meeting for in-depth discussion. It was also agreed that this would be

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scheduled as the first substantive agenda item for review.

AGREED to note the content of the update provided.

14 FRAUD, IRREGULARITY AND WHISTLEBLOWING 2020/21

It was agreed that this would be discussed on a confidential basis.

15 AOB

There were no items of additional business.

16 DATE AND TIME OF NEXT MEETING

The director of governance put forward the proposal that the remainder of meetings for the year move so that they have a 5pm start time rather than taking place during the working day. This was agreed and the director of governance confirmed that she would amend outside the meeting.

(Lee Glover left the meeting at 4.52pm)

17 CONFIDENTIAL ITEMS

It was agreed that confidential items would be recorded separately.

Signed : _____  _____ Chair

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