



WEST NOTTINGHAMSHIRE COLLEGE
AUDIT COMMITTEE

Minutes of the meeting of the Audit Committee held via Microsoft Teams on Tuesday 9th February 2021 at 5pm.

MEMBERS Neil McDonald, Chair
PRESENT: Rebecca Joyce
 Sardip Sandhu
 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
 Matt Vaughan, Vice Principal: Curriculum & Quality (from 5.30pm)

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 Anna Teal.

3 MINUTES OF THE MEETING HELD ON 26TH NOVEMBER 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 26th November 2020.

Signed : _____  _____ Chair

Date: 27/04/2021

There were no specific matters arising, but the chair took the opportunity to acknowledge the good suggestions and developments proposed at the recent risk appetite review session. All agreed that there had been some interesting debate in terms of prioritisation and simplification.

4 MINUTES OF THE JOINT MEETING HELD WITH FINANCE & ESTATES COMMITTEE ON 26TH NOVEMBER 2020

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

5 ACTION PROGRESS REPORT

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

6 RISK MANAGEMENT STRATEGY REVIEW

The finance director presented the proposed update to the document and confirmed that it is in the same format as used previously. He drew the committee's attention to the highlighted areas, which are some proposed changes to strengthen and address internal audit recommendations made. Key matters noted were:

- Section 2.2 – this sets out the intention to complete an annual assessment of risk appetite alongside ongoing regular reviews of risks.
- Section 2.3 introduces reference to a risk champion.
- Section 3.4 links with the strategic objectives and includes both preventable and external risks. They are driven by the strategic direction and objectives set. Appendix 2 provides the link between the strategic objectives and the risk appetite, all of which have been RAG-rated. He explained that the intention is to give risk appetite more prominence and also check that it aligns with other key documents and adds value.

The committee were asked whether there were any concerns regarding the RAG ratings proposed to be utilised. The committee felt that this was helpful and that it allows questions to be focused on the strategic risks, and they asked that staff ensure that this helps identify where the executive team feel there are risks.

The finance director confirmed that:

- These aspects now sit within the risk register.
- Some are counterintuitive in terms of the colour: for example, safeguarding is green but there is a very low risk appetite in relation to this. He indicated that the green RAG-rating is because staff feel very confident regarding the systems in place for safeguarding; however, there are others where there is not

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so much confidence, e.g. Ofsted grade 2 or a 1. He described the college as being in transition on some areas and, therefore, they are considered to be a higher risk.

- The red RAG-rated items are where staff feel that there is more work to be done.
- There are two aspects including the assessment of risks and also the evaluation of appetite.

A challenge from the committee was to use the same process of determining RAG ratings in each and every document and that there should be a front-page risk register summary that links to the strategic objectives. They asked for greater clarity in terms of knowing what to focus on at each meeting versus those that can be considered more periodically.

The committee discussed the risk scores and felt that 12 was equal to accepting some risks, whereas 4 was equivalent to something with a very low risk appetite where the college was not prepared to take risks at all.

A challenge from the committee was to provide a mechanism for prioritisation and a clear line of sight on what the committee needs to be considering. They felt that red RAG-rated areas should be areas where there is the highest risk but also where the college is not prepared to take risks. This would then lead to prioritisation, i.e.:

- Red/red
- Red/amber
- Amber/red
- Amber/amber, etc.

They felt that a green RAG-rating could be misleading when looking at appetite, and they felt that the way the strategy was presented was mixing up two different elements.

The committee all agreed that it was important to be clear regarding the acceptable risk appetite for strategic objectives and, on balance, they felt that a score of 12 was a moderate risk. They felt that anything above a score of 15 should be a high risk. They challenged the executive team to consider whether any of the current scores of 12 need to be increased to give them greater prominence and focus.

A challenge from the committee was to develop a matrix for risk appetite as well as a risk score matrix, i.e. include two tables. They also asked that a score of 12 be changed to a moderate rather than a high risk, which would ensure absolute focus on the highest priorities.

The committee then discussed external risks, and it was acknowledged that these are very often the unexpected. It was agreed that the employee compliance element needs to be enhanced so that staff are encouraged to 'see it and say it'.

Finance
Director

Feb.
2021

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The committee considered section 5, which is headed 'assigning ownership', and asked whether financial planning underpins this and whether it is 'a given'. It was confirmed that it is and it is this that creates the organisational budgets. A challenge from the committee was to be clear in terms of the revenue and cost risks.

In relation to section 9, the committee made the observation that it should say 'he' and not 'she'.

A challenge from the committee was to be explicit regarding the new expectations and the link to the balanced scorecard, i.e. if it is red on the scorecard then it is added to the risk register. For the June 2021 meeting, they asked for the executive to review the risk appetites required to achieve each strategic objective so that there is a really comprehensive approach taken in terms of:

- a) each of the strategic objectives
- b) the risks associated with each
- c) the risk appetite associated with each
- d) the risk score and RAG ratings.

Finance
Director

June
2021

All agreed that, if this is developed in this way, it will really help to focus prioritisation, and they welcomed more specific reference to the balanced scorecard.

In terms of the reference to 'employee risks', the committee asked whether it should be confined to preventable risks or whether it should be extended to other risks that would support the cultural change.

One member of the committee made reference to section 2.6 and asked whether it is just the executive team who have a risk management focus. They made the observation that there was no reference to a risk management committee and asked, in its absence, how will risk be embedded. The principal indicated that he would want to see everyone having risk conversations and not just a group and, therefore, didn't support the development of a 'committee'. He provided assurance that risk is now discussed as part of the curriculum planning process.

The committee asked whether the reference to 'key managers' being held to account is the right term. The principal confirmed that he was really aiming for everyone to be held to account. The committee asked that there be regular horizon scanning opportunities in the year to identify emerging risks. It was confirmed that these do take place within the curriculum planning meetings, where staff are asked to identify opportunities and risks. All have now started to consider risks and how they may be managed.

(Matt Vaughan joined the meeting at 5.30pm)

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The vice principal: curriculum & quality confirmed that the senior team are working to increase the profile of risk throughout the organisation and are working with staff on this. The principal strongly expressed the view that there needs to be a clear value regarding anything that is new and acknowledged that there was a journey to embed risk management in to the culture of the organisation.

When reviewing section 2.6, the committee indicated that they would like to see risk management discussed further down in the organisation and that they would like to have these meetings feed in to the executive discussions. This in turn will also feed in to the risk register that is presented to governors. It was acknowledged that risk registers are currently top down and not yet at the level of significant bottom up contribution, but assurance was given that this is the aim. Increased profile of risk will now go beyond the curriculum areas and the intention is to look at other aspects, e.g. safeguarding, HR team, etc.

The committee all agreed that there had been good discussion regarding the strategy proposed and felt that, with the amendments suggested and agreed today, they could recommend board approval of the strategy in principle.

AGREED:

- a) to note the content of the update provided, and
- b) subject to the amendments made at the meeting, recommend that the board approve the risk management strategy.

7 RISK REGISTER 2020/21

The finance director introduced this item and confirmed that the team has now created separate registers for each of the committees so that there is clarity in relation to items that they should focus on. This should then lead to more targeted discussions. Each of the committee risks were discussed and the following was noted:

- Finance & estates risks – focus here is on the areas where there are red RAG ratings and/or increasing risks. These include:
 - a) COVID impact – there has been a significant impact on revenue, particularly in relation to apprenticeship provision.
 - b) The college is now likely to secure +£600k for 16-18 in-year growth.
 - c) AEB – still no guidance; therefore, the college is taking its own actions rather than waiting for an ESFA confirmed position.
- Risks F1 & F17 are linked.
- Standards Committee – the position in relation to exams and/or testing has created an increased challenge in terms of academic success.

Signed : _____  _____ Chair

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- Workforce Development – nothing to highlight at this meeting.

In general discussion, it was confirmed that the financial risks tie back to the KPIs, e.g. revenue, EBITDA, etc. One member of the committee asked whether it was possible to categorise the risks so that they align with the domains in the balanced scorecard. It was confirmed that it is possible but that what is presented and proposed today is a practical solution to split the areas of risk by committee.

- F19 cyber risk – there is a low risk tolerance for this, and Jisc provides a level of system protection but there is not total confidence given the increasingly sophisticated cyber-attacks. The college is not yet confident to move to an amber RAG rating.

A question from one member of the committee was in terms of the mechanisms for board escalation. It was explained that this would be through the committee chair's report. The committee were given assurance that staff are doing all that they can in a constantly moving set of risks and, particularly in relation to cyber risks, investment is being made.

AGREED: to note the content of the updated risk register presented.

8 SELF-DECLARATION SYSTEMS – UPDATE ON MITIGATING ACTIONS IN PLACE

The finance director provided a verbal update and reminded the committee that the issue in relation to car insurance was picked up at the last meeting. The plan is to use an update to the expenses policy to control and minimise the risks. The committee were reminded that there are two types of driver; these are:

- The very occasional user who will be covered by the college policy, and
- Those expected to use their own vehicle; where this is the case, they have to upload a copy of their own insurance policy, including a renewal date. HR will then check and chase at the point of renewal.

The committee were advised that, in terms of 'business users', there are approximately 70 people within the organisation.

AGREED: to note the content of the update provided.

9 INTERNAL AUDIT REPORTS FOR 20/21

Haines Watts introduced this item and drew the committee's attention to a number of reports provided.

- 1) Curriculum planning

Signed : _____  _____ Chair

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The committee were advised that fieldwork has led to a limited assurance opinion; however, there has been a good conversation with management regarding the use of 4Cast, and there is confidence that a lot more can be done with improved process documentation.

The committee's attention was drawn to page 6, which sets out the recommended actions.

In responding to the report, management explained that this reflects the 20/21 planning process and not the current 21/22 position, and it was indicated that the college has already moved on and enhanced what is being done. The principal specifically stated that the content of this report does not align with what he is seeing and that he is confident that there was a system in place. The principal indicated that the college has used curriculum planning first and foremost as a cultural change piece and, therefore, has rowed back on certain aspects, e.g. staff utilisation. He feels that at page 4 there is a confusion between the 7 steps and 4Cast, and that there was no expectation of numbers being in the 7 steps. He indicated that the two are aligned but very different.

The committee were advised that this audit work is based upon the very first time that the college used the 4Cast system. It was described as a very effective tool and that it is likely to be even better second time around.

A member of the committee asked whether there is a link between the budget process and the 4Cast system. The finance director confirmed that it was used but that there were points of moderation to make sure it was completely effective, and that there are other processes that do this. He indicated that, in essence, the college brought four or five elements together. The committee were assured that the college is seeing enhancements on its processes year by year. The committee were advised that there are control processes in place and that for last year these included:

- Three elements of 7 steps
- Forecast column
- Mitigating column
- Actual budget

The college now has a tried and tested template and is already at an accelerated point in the year: i.e. what was achieved in February this year was only achieved in April last year. It was explained that staff are now more incisive, whilst acknowledging there is still more to do.

The finance director advised that the focus is now on the areas where there are lower contributions than others. The college has the detail much earlier in the year than has been the case previously and can therefore now address, for example, where are some areas where the college can use a trainer rather than a teacher at a lower cost, e.g.

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bricklaying.

The committee were advised that this report looks back to the January to July 2020 period; they therefore questioned the value in that it is looking back on a historic position.

The committee asked what resources would be required to link the curriculum planning process with employer engagement, including horizon scanning, insight, and options. They felt that it was important to harness all of the pockets of work being done.

The committee discussed the activities undertaken by the learning companies, and the vice principal indicated that progress has been made with 18 but that that some had been negatively impacted by COVID.

In relation to employer engagement, it was explained that all curriculum areas are charged with developing this and ensuring industry specific knowledge. COVID has negatively impacted on the ability to drive forward on this. The vice principal acknowledged that the college is behind where it wanted to be and that there is more to do.

A challenge from one member of the committee was whether or not the actions included within the report are specific enough, e.g. 'consider ...'. The principal restated that he really doesn't recognise the content of the report, that the college has been responsive, and that this shows that curriculum planning was effective.

In terms of internal processes, the finance director advised that it had been him who accepted the limited assurance, given that the activity undertaken in the 2020 academic year was something new and the college was on a journey, and particularly recognised that it had more to do.

The principal and vice principal were open in that they were not expecting this report and that, whilst it is sometimes healthy to have a tension between auditors and the auditee, they did not feel that this report was a particularly accurate reflection. They recognised that this report is part of a process but felt that it was unrepresentative. To address the position it was agreed that:

- The Standards Committee would be asked to monitor the action plan.
- A review of the 21/22 curriculum planning process would be undertaken.
- Any audit report that has limited assurance needs to go to the principal and/or executive before presentation to the committee.

Standards May
2021

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The principal expressed the view that the internal process had not worked effectively in relation to this audit piece and that this was something he would seek to address. The finance director explained that this audit had been approached from a data analysis perspective rather than from the vice principal's perspective and his processes. It was agreed that a revision to the report would be sought to include comments from the vice principal, and that this would be completed within the next 12 weeks. All agreed that there was an opportunity to refine and reflect on the basis of the new but better processes in place.

Vice
Principal

March
2021

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

2) Budgetary control

Auditors confirmed that the outcome of fieldwork is substantial assurance. In terms of the budget training referred to at page 5, the committee were advised that the learning companies have been used to complete the recordings. A challenge from the committee was to include appropriate references to the Financial Regulations so that everybody is clear in relation to the processes. The committee all agreed that this was a really positive report.

AGREED: to note the content of the update provided.

(Matt Vaughan left the meeting at 6.35pm).

3) Progress update

The committee considered an update on progress being made against the annual plan, and it was confirmed that the reports on the HR health check and payroll and benefits due to come to this meeting would now be deferred to April 2021.

The committee also received draft audit scopes for areas not yet reviewed; these were:

- Business continuity
- IT health check
- Follow-up

There were a couple of points made by the committee, including:

- Cyber-security consideration needs to be included within the IT work undertaken.
- In relation to business continuity, it would be good to look at the COVID impact and the college's response. This would feed in to resilience planning.
- In relation to IT, there is a risk appetite of 4 together with a residual risk; therefore, this does need to be a focus.
- In relation to the IT health check, a challenge from the

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committee was to better understand what will and will not be tested, e.g. penetration testing. Auditors confirmed that it will not be them who carry out the tests but that they will want to see the reporting and recording of testing outcomes undertaken by the college, i.e. they will be looking at the processes surrounding testing.

The committee were happy to approve the draft scopes as presented. In relation to the progress update, it was noted that a separate bksb audit has been completed, which is a review of the new finance system. This report will go directly to the bksb Board.

AGREED: to note the content of the update provided.

10 **ESFA FUNDING ASSURANCE AUDIT OUTCOMES**

The finance director presented this item and confirmed a good audit outcome. He explained that there was an issue regarding prior year recovery, which led to a second piece of work. A risk of £122k was identified for 19/20, but the college has worked with auditors to clarify this. The college still awaits the outcome of final testing, but it likely to be that the risk is reduced to £64k which, when compared to a £25 million turnover, is very low. The finance director confirmed that the accounts provide for £94k and, therefore, it is envisaged that any sum to be recovered will be within the amounts already provided for. The committee were advised that the college will always have prior year adjustments and that for this year the position has been negatively impacted by COVID and the ability to contact learners. It was agreed that the final figure, once known, would be shared with the committee.

Finance
Director

March
2021

The committee noted the significant original risk figure but were reassured that the college has worked hard to satisfy the ESFA. They felt that an error rate of 0.5% on £25 million turnover was reasonable. They described it as a good piece of work that provided evidence that the college had made good strides forward.

AGREED: to note the content of the update provided.

11 **COMPOSITE COLLEGE RECOMMENDATIONS REPORT**

Catherine Walker presented her summary report. It was confirmed that there are eight actions left and that two are not RAG-rated as they relate to subcontractors. The committee felt that good progress had been made. A question and challenge was that there are a number of actions due for 31st March 2021. The committee were given assurance that these are on track.

AGREED: to note the content of the update provided.

12 **COMPLIANCE REPORT RE: BOURNEVILLE ACTIONS**

Signed : _____  _____ Chair

Date: 27/04/2021

The finance director confirmed that this review was an element of good practice and taking lessons learned from the sector. In relation to line 11, one member of the committee questioned who monitors compliance with the governance code. The director of governance confirmed that the last compliance review was undertaken by the Remuneration Committee at its November 2020 meeting. It was agreed that she would send a copy to Rebecca Joyce and would also consider potentially changing the name of the committee, given that they do look at governance as well as remuneration.

Dir Gov

Feb
2021

AGREED: to note the content of the update provided.

13 **AOB**

There were no items of additional business.

14 **DATE AND TIME OF NEXT MEETING**

The director of governance confirmed that this is 27th April 2021.

15 **CONFIDENTIAL ITEMS**

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

(Auditors left the meeting at 6.50pm)

Meeting closed at 6.55pm.

Signed : _____  _____ Chair

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