

## DN COLLEGES GROUP

### CORPORATION AUDIT & RISK COMMITTEE

#### Minutes of the Meeting held on 20 June 2018

1. **Present**

A. Briggs (Chair), G. Clarke, P. Grinell, M. Keyworth, H. Osborne

**In Attendance**

J. Charles, D. Burke (BDO) P. Doherty, T. Hutchinson, R. Lewis (RSM), D. Reeve, N. Sandher (by telephone conference for item 9 – Internal Audit Reports from Mazars)

2. **Apologies** I. Falconer, D. Hilditch, M. Lynds

3. **Declaration of Interests**

Members were reminded to declare any personal or financial obligation, allegiance or loyalty which would in any way affect decisions in relation to the subjects under discussion.

It was agreed that a reordering of the agenda would take place to allow attendees to leave after their items, and to ensure quoracy for approval items.

4. **Internal Audit Reports – Doncaster**

GDPR

T. Hutchinson was in attendance to answer questions from Members on the preparations in place to meet GDPR regulations.

DB presented the advisory report prepared by BDO on GDPR preparation in Doncaster College. The audit had resulted in 6 recommendations; 2 high and 4 medium. It was noted within the report that the GDPR progress is applicable across the Group.

Members' noted the management response to all recommendations which included details of how the recommendations will be implemented.

In his absence, I. Falconer had forwarded a number of comments with reference to the Committee reports. In response to his comment on the GDPR report, PD said that the new Clerk to the Corporation, on appointment, will be the DPO. In the interim, the responsibilities will be covered by J. Barnard and T. Hutchinson.

In response to a question, PD explained that following advice and guidance, it had been agreed that the responsibilities for DPO would be included in the

role description for the Clerk to the Corporation as the role did not have senior finance, systems or data responsibilities and reported directly to the Corporation Board. It was recognised that training might be required initially, and support will be available from J. Barnard and T. Hutchinson.

It was agreed that progress on the GDPR preparation will be monitored by the Group Executive Team and any risks reported to the Audit and Risk Committee by exception. The next internal audit plan will also include GDPR.

*T. Hutchinson left the meeting at this point.*

## 5 **Terms of Reference**

The Terms of Reference for the Audit and Risk Committee had been agreed by the Corporation Board and were presented for the Audit and Risk Committee members to adopt and own.

It was noted that Paragraph 2.5 states that Staff Governors will not be members of the Audit and Risk Committee. The paragraph will be extended to explain that the Audit Code of Practice guidance advises that staff *should* not be members; the Corporation Board had agreed that at DN Colleges Group, the membership *will* not include staff governors.

Item 3.4 to be added, i.e. With reference to 2.3 (The Chair of the Corporation and the Chief Executive cannot be members of the Audit and Risk Committee) The CEO is ineligible for appointment as Chair or Vice Chair.

There was a robust discussion around 2.6 which states that the Committee should include individuals with an appropriate mix of skills and experience. Whilst it was acknowledged that this is currently a potential weakness in that an audit professional is leaving the Board, members are kept up to date with the audit framework and guidance on such issues as GDPR and therefore it was agreed that the wording as presented would remain.

With these amendments, the Terms of Reference were approved.

With reference to the Work Plan for 2018/19, it was agreed that items 8, 9 and 10 would be removed from the Joint meeting with Finance and Resources on 26 November 2018, as this meeting was primarily to receive the Financial Statements and Regularity Assurance Report and therefore this would generally exclude any other normal business.

With this amendment, the Work Plan for 2018/19 was approved.

## 6. **Minutes**

The minutes of the Audit and Risk Committee meeting held on 19 March 2018 were approved as a true record and signed by the Chairman. The action detailed in the reserved item will be considered later in the meeting, under item 14 – Reserved – External and Internal Audit Services.

## 7 Action Points / Matters Arising from Minutes

| Date    | Item | Action Point   | Action   |
|---------|------|--|----------|
| 19.3.18 | 4    | Governors had been informed that they should use their college email addressed with effect from 1.7.18 and that devices, other than the College-issue ipads, should be checked by the IT department for security. Clarification will be available at the Corporation Board meeting when staff with the relevant expertise will be in attendance. |          |
|         | 8    | An audit recommendation and action tracker had been prepared and would be considered later in the meeting. Issue addressed.  |          |
|         | 9    | The work plan and strategy of the Local Stakeholder Boards was not yet finalised. Carry forward.   | PD/Clerk |
|         | 10   | The Risk Assurance Groups had been established across DN Colleges Group to progress risk management and assurance. Issue addressed.  |          |
|         | 12   | The planned internal audit work is being continued in both Colleges. Issue addressed.  |          |
|         | 14   | No additional information had been passed to the Clerk regarding implications of assurances. Issue addressed.  |          |

## 8 Post 16 Audit Code of Practice 2017/18

Members received an updated version of the Post 16 audit Code of Practice. This sets out a common standard for the provision of assurance in relation to funding of post-16 providers including:

- The overarching assurance arrangements for post 16 providers
- The specific responsibilities within the assurance framework for sixth form and further education colleges.

The Code sets out how the ESFA gains assurance from providers to meet its duty to spend public money in accordance with HM Treasury's guidelines.

The Code is updated annually. The latest edition, dated March 2018, applies to all financial periods commencing on or after 1 August 2017.

Details of the changes were outlined.

RL highlighted paragraph 34 within the Code and suggested that these issues were the tests the Audit and Risk Committee should consider with reference to transactions being regular and proper

- Is the expenditure in the best interest of the corporation
- Does the expenditure comply with approved procurement rules and policies
- Is there a valid benefit to the corporation from the expenditure and not just personal benefit to an employee
- Is the expenditure necessary
- Is the expenditure reasonable – does it meet the identified and agreed needs
- Has the expenditure been properly authorised

RL also drew attention to paragraph 44 i.e. Significant fraud is usually where one or more of the following factors are involved

- The sums of money are in excess of £10,000
- There is likely to be public interest because of the nature of the fraud or the people involved
- The particulars of the fraud are novel or complex
- The fraud is systematic or unusual in nature

RL further drew attention to Annex C: Summary of Regularity Concerns and stated that Governors should ensure there was no breach in regularity and that the issues listed under Governance and Management should be noted, that minutes of meetings should be detailed and demonstrate challenge and be a useful source of information.

## 9 Internal Audit Reports – Doncaster

### Additional Learner Support

DB, from BDO, presented the internal audit report on Additional learner Support, which offered substantial assurance. It was noted that this is a well-controlled area, and just one low level recommendation had been received which had been actioned. Members offered congratulations on the staff and management of the area, to be passed on by DR.

DR

### Internal Audit Progress Report

It was noted that final reports had been received for the following audit work

- ICT infrastructure and IT General Controls

- Student Recruitment, marketing and communications
- Budgetary control
- Contracting and tendering
- DPA and GDPR

The following reviews were outstanding and once completed will be included in the annual report. DB offered to attend the next Audit and Risk Committee meeting to present the reports.

DB

- HR internal audit follow up
- Student records ALS
- Annual follow up

*D. Burke left the meeting at this point*

## 10 **External Audit Plan**

RL from RSM presented the scope of the audit of the financial statements and the regularity assurance engagement for the year ended 31 July 2018, the proposed approach and highlighted the key risks which would be focused on during the audit work. The audit plan was based on discussions with the College and was presented prior to the completion of all the planning processes. It will be updated on completion of the detailed planning prior to commencement of the audit and regularity assurance to take account of any material events which occur or additional risks or areas of material irregularity identified. Should further matters need to be brought to the attention of the Audit and Risk Committee, this will be done so formally, or it will be confirmed that there are no such matters. Note was taken of the schedule of fees on page 12.

PD referred to an item referenced within the plan (page 13 – Matters Brought Forward from Previous Year) regarding subcontracting arrangements. An ESFA investigation is ongoing; the College has supplied all information requested. DR explained that a formal letter had been received from ESFA stating that eligibility for funding for this work was in question and as a result had identified a total of £540k of funding drawn down which might be clawed back with reference to new apprenticeship stats from 1 August 2015 to the end of July 2017. Two subcontractors were being investigated; ESFA had asked for evidence of the eligibility for funding. Work is ongoing with the contractors. It was emphasised that there was no fraud suspected; the ESFA were considering whether the funding claimed was legitimate because of process methodology being within the ESFA remit. If this was found not to be the case, the contractors were liable to pay 85% of the funding. The balance of the liability had been provided for in the accounts for 2017/18. In answer to a question it was established that the apprentices had not been disadvantaged because of this investigation and that arrangements

have been made to ensure they will complete. Members were informed, during debate, that there was still some exposure to these issues regarding subcontracting, but this was reducing as the College was using subcontractors less. It was agreed that the funding control framework would be considered and evidence of compliance shared with Members at future meetings (e.g. ILRs, DSAT reports). Key risks are highlighted through audit reports and via managers' reports and therefore Governors were informed of issues of concern in good time.

PD

The RSM Audit Plan for the year ended 31 July 2018 was approved.

## 11 **Internal Audit Reports – North Lindsey**

*N. Sandher presented the reports via telephone conference*

### New MIS and Finance Systems Implementation

The audit had resulted in substantial assurance, with one low-level housekeeping recommendation. There had been good monitoring by the project board. PD said that this is the second internal audit on the systems implementation; the initial audit had also reported substantial assurance. This more recent audit had been on the next stage of data migration moving towards implementation. Further work is planned after the systems went live in July.

### Merger Due Diligence Follow Up

A follow up review was undertaken to assess progress made by DN Colleges Group in implementing recommendations made by KPMG and Eversheds prior to the merger. This included both financial and legal recommendations which were made by the respective firms. The review undertook sample testing of the recommendations included in the Due Diligence Reports, of the 10 tested, all had been implemented.

Members asked, of the other recommendations, not part of the sample test, how many were overdue, why and at what risk. PD said that there were certain recommendations received which are still in progress, i.e. harmonisation of contracts for example would not have been implemented immediately on merger – this was a deliberate decision. There were no recommendations outstanding that were cause for concern. Eversheds had made the comment that the Group were unusual in their experience in formally following up on the recommendations post-merger to ensure implementation.

### Apprenticeships

The review had resulted in substantial assurance, with 1 housekeeping

recommendation. The recently agreed restructure of the team to support effective delivery and administration in terms of controls and processes will ensure quality of provision continued to be closely monitored.

#### Learner Numbers – Apprenticeships

The review was undertaken on aspects of compliance with the funding rules as set out in the ESFA Advice, Apprenticeship Funding and Performance Management Rules 2017-18. The review resulted in partial compliance with one significant and three housekeeping recommendations. Management had accepted the recommendations and are taken action to implement. In answer to a question, PD said that the recommendations are received prior to the report being finalised and that implementation of the actions is begun immediately; the finalisation of the action is dependent on the issue. Members questioned whether any funding might be at risk; PD confirmed that management actions would ensure there were no concerns regarding funding. All individuals are monitored and a plan in place to ensure follow up and to make sure systems are in place to review.

In response to a question from I. Falconer prior to the meeting, PD said that management are encouraged to give an end date by which an issue is to be resolved. Progress reviews are constant and action should be within an acceptable timeframe.

#### Compliance Review

A compliance review had been undertaken regarding a number of key risk areas involving a number of operational compliance tests to determine the effectiveness of controls. No issues had been noted.

Members commented that the reports received following the internal audit reviews had been pleasing with a good level of assurance.

*N. Sandher's telephone conference ended.*

## 12 **Recommendations Tracker**

The Audit and Risk Committee had previously endorsed the use of the BDO recommendation tracker that summarises all findings made by both internal and external auditors and the progress made in implementation. The report presented included both North Lindsey and Doncaster recommendations. Members noted the progress made on implementation of recommendations. It was agreed that all 'green' recommendations when implemented by management should be followed up by the internal auditors. When completed, the issue will stay on the

Tracker for three months before being considered for removal.

13 **Whistleblowing Report**

Members received a report stating that a protected disclosure had been received and the Whistleblowing procedure followed. The report included details of the outcome of the investigation which was communicated to the staff member. The claim was unsubstantiated, although some recommendations were accepted and implemented.

The Chair confirmed that the Clerk had kept her informed of the situation throughout.

14 **Risk Management /Assurance Update**

PD and DR presented a paper updating members on the progress made in implementing a group wide risk management and assurance process

*R. Lewis left the meeting at this point*

Members were informed that training has begun for staff members on the methodology and process. Each area will complete their own risk register which is cascade upwards to the Doncaster or North Lindsey College register as relevant and finally to the overall Group register. The process will be led by the new Director of Finance.

The current risk registers were presented for information. Future reports will include only those graded as amber or red. Risk champions will be identified in each area to offer help and support.

It was agreed that staff members from various areas would be invited to attend Audit and Risk Committee meetings to discuss risks and mitigating action. PD

DR brought to Members' attention an item which had been included in the External Audit Plan regarding an internal investigation around a procurement exercise. This investigation had been put on hold because of the associated grievance hearings which had resulted from the case. The grievance hearings were completed and following legal advice, the investigations will now continue. Members were given assurance that the process to date is appropriate.

15 **Reserved Item – Audit Services**  
**Item minuted separately**

*G. Clarke left the meeting at this point*

16 **Term Two Reports**  
**Health and Safety**

Members received the Health and Safety Report which detailed activities at both Colleges for the second term of 2017/18. It was noted that a number of collaborative projects had been undertaken to share and develop good practice.

**Procurement**

Members received a report from Tenet (procurement service provider) giving assurance on procurement activity for the Group for the second term of 2017/18 and outlined procurements plans for the year.

17 **Date of Next Meeting**

To be advised

DRAFT

| Date    | Item | Action   | Who      |
|---------|------|--|----------|
| 19.3.18 | 9    | The work plan and strategy of the Local Stakeholder Boards was not yet finalised. Carry forward.   | PD/Clerk |
| 20.6.18 | 9    | DB, from BDO, presented the internal audit report on Additional learner Support, which offered substantial assurance. It was noted that this is a well-controlled area, and just one low level recommendation had been received which had been actioned. Members offered congratulations on the staff and management of the area, to be passed on by DR. | DR       |
|         | 10   | DB (BDO) to attend the next Audit and Risk Committee meeting to present the outstanding reports.   | DB       |
|         | 11   | The funding control framework for subcontracting would be considered and evidence of compliance shared with Members at future meetings (e.g. ILRs, DSAT reports).  | PD       |
|         | 14   | It was agreed that staff members from various areas would be invited to attend Audit and Risk Committee meetings to discuss risks and mitigating action.   | PD       |