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MINUTES OF A MEETING OF THE AUDIT AND RISK COMMITTEE HELD ON 9 JUNE 2021

Present

Antony Ball (Chair for the meeting)	Governor
Paul Pascoe	Governor
Lee Walker	Governor

The quorum for the meeting is three Members.

In attendance

Peter Doherty	Chief Operating Officer
Barrie Shipley	Director of Finance
Joanne Platt	Interim Director of Governance / Clerk to the Corporation
Lisa Smith	RSM
Deborah Watson	Grant Thornton
Christina Green	Grant Thornton
Tina Harrison	Director Curriculum Support and PDBA (Items 1-3 only)
Jason Barnard	Director Digital & Information (items 1-3 only)

The meeting was held via MS Teams and commenced at 4.30 pm.

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1	Apologies	
	Apologies for absence had been received from Paul Senior, Roger Eccleston, Richard Gravestock, Greg Clarke and Rob Barnett (RSM)	
	As the Chair of the Committee was having technical issues and had accessed the meeting via his mobile phone, Antony Ball agreed to chair this meeting.	
2	Declarations of Interest	
	Members should declare any personal or financial obligation, allegiance or loyalty which would in any way affect decisions in relation to the subjects under discussion.	
	There were no declarations of interest.	
3	Internal Audit Report – Learner Journey Initial Advice and Guidance	
	Lisa Smith presented the outcome of the internal audit of the Learner Journey, noting that this was an advisory audit, and as such no assurance rating was given.	
	Overall, the report was positive with 12 recommendations to further improve what is already being done, agreed with management.	
	In response to a question from a Governor, it was confirmed that the audit work had not included any conversations with students, but that conversations with management had provided assurance that staff do hold conversations with those potential students who ultimately decide not to attend the College.	

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Governors asked how information is shared with students and potential students and it was confirmed that the College has a number of mechanisms in place to demonstrate to students how they will be supported if they enrol at the College. It was noted that the usual 'drop in' sessions haven't taken place due to the Pandemic, but that information on how to maximise access to guidance and support can still be shared via student newsletters and social media.

Governors noted that the report reaffirmed that the actions being taken by the College were the right ones and that the audit had not picked up anything the College wasn't aware of.

In response to a question from a Governor, it was confirmed that student feedback is passed onto the Curriculum Team and to the College's Marketing Team to action, to ensure that it is used to bring about tangible improvements.

Jason Barnard and Tina Harrison left the meeting at 4.47pm

4 Minutes of the Audit & Risk Committee meetings held on 3 March 2021 and 25 March 2021 and any matters arising

The minutes were agreed as a true and correct record and will be signed by the Chair.

In relations to the actions list, it was noted that the action for Item 5 (RSM to review KPIs in Internal Audit Progress Report) was to be addressed by RSM in the 2021/22 progress report and the action relating to wider governor training would be addressed in discussion with the Chief Operating Officer in relation to the next Continuous Assurance visit.

All other actions arising from the meetings of 3 and 25 March 2021 were complete.

5 Post 16 Audit Code of Practice 2020-21

The Committee considered a report highlighting changes to the Post-16 Audit Code of Practice for 2020/21 issued by the Education & Skills Funding Agency (ESFA) in March 2021. The Code sets out a common standard for the provision of assurance in relation to funding of post-16 providers, setting out the overarching assurance arrangements for post-16 providers and the specific responsibilities within the assurance framework for sixth-form and further education corporations and their external auditors/reporting accountants.

The Code also sets out how the ESFA gains assurance from providers to meet its duties to spend public money in accordance with HM Treasury's guidelines and in properly discharging any statutory and other legal requirements. It is updated annually, and it was noted that the latest edition applies to all financial periods commencing on or after 1 August 2020 and the funding year 2020 to 2021.

The Committee specifically noted the introduction of a requirement for independent assurance reports on subcontracting arrangements to be considered by audit committees, a requirement for corporations to have a policy in place for regular re-tendering of external auditors, clarification that external auditors will present their findings annually to the Board of Governors, and clarification that, whilst the ESFA will continue to provide both corporations and their auditors with a statement of grant payments made in respect of the funding year, the statement does not constitute assurance over the funds earned by the College

It was noted that the College does have an informal policy in place for regular re-tendering of external auditors which will now be formalised to better comply with the new Code. It was also noted that the College's Financial Regulations (as approved by the Finance & Resources Committee in March 2021), will be amended to take account of the need to have a policy in place for the regular re-tendering of external auditors.

The Committee noted that the ESFA maintains that reference in the Code to the auditor's statement of grant payments not constituting assurance over the funds earned by the College is not a change from previous requirements and is for clarification only. However, as the College's auditors have previously taken assurance from the ESFA's statement of grant payments, they assert that to now obtain assurance otherwise is likely to result in additional audit work, including learner file reviews, which will give rise to additional cost.

This is currently being discussed within the sector and further discussions will take place with the ESFA in the next few days. The Committee noted that the outcome of those discussions will have a bearing on auditing fees.

It was noted that the Committee's Terms of Reference (to be considered at Item 10) has been reviewed to ensure it fully complies with the Code.

In response to questions from governors in relation to how the Committee can improve its effectiveness, it was noted that the Committee's Annual report provides an opportunity for the Committee to review its performance to ensure that it is effective in meeting its Terms of Reference and in this regard, it was noted that having the right people with the right skills on the Committee was an essential element of an effective Audit Committee.

It was also noted that the informal post committee meetings that take place provide an opportunity for the Committee to challenge and satisfy itself that it is being effective. The Committee also provides a summary of the matters it has considered to every meeting of the Corporation Board.

6 Internal Audit:

a. Continuous Assurance Visit 2

The Committee considered a report on the outcome of the second Continuous Assurance Visit which had taken place in February 2021, noting that the same suite of controls previously agreed with management had been tested as during Visit One. These controls are deemed to be high risk areas which management seeks assurance on throughout the year for both functionality and effectiveness. It was noted that there was just one high priority action relating to the monthly review of overdue invoices (previously reported from Visit One but which due to the timing of Visit Two, management had not had chance to action). Governors noted that Visit Three has just been completed and would be reported to the next meeting of the Committee.

b. Learner Journey Initial Advice and Guidance – Advisory Review

Considered under Item 3 above.

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	<p>c. Internal Audit Progress Report</p> <p>The Committee considered the Internal Audit Progress report, noting that two reports (Risk Management and Learner Journey) plus the Continuous Assurance Visit Two have been completed since the last report. Fieldwork is completed for the ESFA Mock Funding audit and the Continuous Assurance Visit Three and is on-going for the Business Continuity and Disaster Recovery audit. Dates for all remaining audit work has been agreed with relevant managers and audit planning meetings have also been held for these.</p> <p>It was noted that remote working remains the default way of working, with site visits where possible by exception on a case by case basis. The Committee noted several sector briefings that had been shared by RSM.</p>	
	<p>d. Risk Management</p> <p>The Committee considered a report on the outcome of the Risk Management audit, noting that a substantial assurance rating had been given with just one low priority action, which has been agreed with management and will be actioned by 31 July 2021.</p> <p>Governors noted that four risks had been reviewed during the audit. A deep dive had been undertaken of these four risks, looking at the controls and sources of assurance.</p> <p>In response to a question from Governors, it was confirmed that the review of both existing and emerging risks are a standing item on the agendas of SLT meetings.</p> <p>Governors welcomed a very positive and encouraging report.</p>	
	<p>e. Internal Audit Plan 2021/22 (Draft)</p> <p>The Committee considered the draft Internal Audit Plan for 2021/22, noting that planned activity was based on an analysis of the College's corporate objectives, risk profile and assurance framework and changes within the FE Sector. The plan provides an increased level of resource to 60-days and includes aspects of funding assurance arising from the revised Post-16 Audit Code of Practice.</p> <p>It was noted that the plan includes a governance review to assess effectiveness, including training and support for governors.</p> <p>In response to questions from governors, it was confirmed that the plan doesn't include everything that can be looked at but is focused on those areas where RSM can add most value. Governors asked for a full list of auditable areas that could potentially be reviewed to be included in future, with reasons why any items aren't included in the planned audit work, to provide them with additional assurance that internal audit coverage is appropriate. Lisa Smith agreed to provide this information to be shared with the Committee via email.</p> <p>It was noted that the audit plan was flexible throughout the year and may be subject to change as needs arise.</p> <p>Resolved: to approve the Internal Audit Plan for 2021/22 as it stands, recognising the need for agreed modifications as needs arise throughout the year.</p>	<p>RSM</p>

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7 Financial Statements – Audit Plan 2020/21

The Committee considered the Financial Statement’s Auditors’ Audit Plan for the 2020/21 financial year, noting that although the plan is broadly in line with previous years, changes to the auditing regime introduced late last year in relation to going concern and auditing accounting estimates have impacted on the proposed fees for the year. The plan currently allows for an uplift on last year’s fees for inflation, with the inclusion of the additional fee of £5,000 for last year agreed in March and how this will impact on the current year’s fees, still to be discussed with management.

There is also uncertainty over the requirements in the Post-16 Audit Code in relation to seeking independent assurance of grant payments which, if confirmed, is likely to result in additional audit work and additional cost. Accordingly, the annual fee can’t be confirmed at present.

It was noted that further discussions with the ESFA in relation to this were due to take place and it is anticipated that there should be clarity enabling the fee to be confirmed in the course of the next few weeks. This will be confirmed with management and brought to the Committee’s attention as soon as possible.

In response to a question from a governor, it was confirmed that the Group’s approach to pensions is in line with the rest of the sector with most colleges enrolling staff in either the LGPS or the TPS.

8 Audit Recommendations and Actions (Composite Report)

The Committee considered a report including all formal recommendations arising from audit work (primarily internal audit but also from external, funding and subcontracting audits). As agreed at the last meeting of the Committee, dates for outstanding actions have been re-set and all actions are tracked by SLT with progress reported to each meeting of the Committee.

The Committee noted that the overall number of recommendations is higher than at the corresponding time last year, due to a recent advisory review of Learner Journey Initial Advice and Guidance which had resulted in 12 recommendations.

Of the actions not completed and overdue from their original target date as at June 2021, two were assessed as high priority (one from a Funding Assurance Review with a revised implementation date of May 2021 and one from Continuous Assurance Visit 2 with a revised implementation date of August 2021). Of the remaining actions not completed, four relate to Cyber Risk Management (two medium and two low priority actions), three relate to IT Review Phase 2, two relate to GDPR Governance and two relate to Income Collection (both medium priority actions).

The Committee noted that the majority of the recommendations not completed and overdue from their original target date had new target dates of before the end of September 2021.

9 Group Risk Register

The Committee considered a report providing an update in relation to the strategic risk register, noting that this remains subject to ongoing review by the Senior Leadership Team.

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	<p>It was noted that the strategic risk in relation to failure to complete the timely disposal of High Melton has been removed from the risk register following completion of the sale in May 2021.</p> <p>Governors noted that the College currently has two red risks (19+ and Higher Education), eight amber risks and one green risk (Governance) and that the risk score for 19+ and Higher Education has increased during 2020/21, whereas the risk scores for Apprenticeships and Finance have both reduced compared to previous assessments.</p> <p>Five of the 11 risks have an assessed residual risk score at May 2021 that is higher than the initial target risk score – two are red compared to a target score of amber (19+ and Apprenticeships) and three are amber compared to a target score of green.</p> <p>The Committee noted the outcome of the recent internal audit of risk management considered under Item 6 (d) above, which has resulted in a substantial assurance rating with just one low priority action agreed with management.</p> <p>Governors found the reporting format helpful in identifying key areas of focus and noted that the strategic risk register will be presented to the Corporation Board meeting on 7 July 2021.</p> <p>In response to a question from a governor, Lisa Smith confirmed that it was usual for target risk scores to change over time in line with risk appetite and tolerance to risk, and that an annual review of target risks is recommended. It was confirmed that the Group's risks are in line with others in the sector, although the Group is performing better in comparison to other colleges in relation to apprentices. It was suggested that target risk scores be reviewed to check for relevancy in light of current performance and that these should then be reviewed by the Board.</p>	
10	<p>Review of Committee Terms of Reference and Workplan 2021/22</p> <p>The Committee reviewed its Terms of Reference and Cycle of Business for 2021/22, noting that both had been reviewed to align with the revised Scheme of Delegation which had been considered by the Search and Governance Committee at its meeting on 19 May and to take into account changes arising from the revised Post-16 Audit Code of Practice.</p> <p>RESOLUTION: to recommend approval of the Committee's revised Terms of Reference and Cycle of Business for 2021/22 to the Corporation Board for approval.</p>	
11	<p>Policy Management</p> <p>The Committee considered a report on the outcome of a review of all policies which had been requested at the last meeting of the Committee in March 2021.</p> <p>It was noted that the review had been informed by a 'Policies and Codes for Further Education Colleges' publication provided by Eversheds-Sutherland which provides guidance to FE colleges on the most important policies and codes to have in place.</p> <p>Governors noted that the review was incomplete, with 19 policies still under review. A further update will therefore be provided at the next meeting of the Committee.</p>	<p>Director of Finance</p>

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12	<p>Business Services Term 2 report:</p> <p>a. Health & Safety</p> <p>The Committee considered an update on health and safety activity at the end of Term 2, noting that following the third lockdown starting in January 2021, the College had introduced onsite asymptomatic testing facilities at North Lindsey and Doncaster campuses, facilitated mass onsite testing from 8 March, with more than 7,000 tests conducted in Term 2, had introduced onsite testing facility at CATCH in March, with more than 300 tests conducted during March and initiated a home testing programme for staff and students during March.</p> <p>During Term 2, the College had successfully managed 80 positive COVID-19 cases and identified and managed the isolation requirements of almost 90 close contacts.</p> <p>Governors were assured that the College was providing a safe environment for staff and students, were encouraged by the scale of the COVID testing and thanked the Team for their work and commitment during this challenging time.</p> <p>In response to a question from a governor in relation to Health and Safety training compliance, it was confirmed that management has scheduled further staff training to take place in Term 3 to address this.</p> <p>b. Procurement</p> <p>The Committee considered an update on procurement activity at the end of Term 2, noting that procurement activity has been primarily focused on tendering for capital funded works for T-Level, ESFA Condition Survey Works and Sheffield City Region Building and Digital Equipment.</p> <p>The report provided a summary of contract awards, to provide assurance that all contract awards are compliant with relevant procurement legislation and how contract award criteria ensure value for money.</p> <p>It was noted that procurement activity amounted to £371,681 in Term 2 with anticipated annual savings of £114,410 year to date. Direct and related COVID activity has incurred additional expenditure of just over £611,000.</p> <p>A significant volume of activity related to capital works expenditure and the Committee noted the support provided by Tenet and Turner Townsend in relation to this.</p>	
13	<p>Link Governor Report</p> <p>The Committee noted that all Link Governors had provided comprehensive reports on their activities in this academic year to the Search and Governance Committee and that these reports will be provided to the Corporation Board at its meeting on 7 July 2021.</p> <p>There was no additional activity to report.</p>	
14	<p>Governance QIP and Emerging Issues</p> <p>The Committee considered its QIP at the end of Term 2, which had been reviewed following the special meeting of the Committee held on 25 March 2021. Action 1.13</p>	

