

**MINUTES OF A MEETING OF THE JOINT AUDIT & RISK AND FINANCE & RESOURCES COMMITTEE HELD ON MONDAY 6<sup>TH</sup> DECEMBER 2021**

**Present**

Dolly Agoro	Governor
Greg Clarke	Governor
Peter Grant	Governor
Preetha Kumar	Co-opted Member
Paul Pascoe	Co-opted Member
Iwi Ugiagbe-Green	Governor
Lee Walker	Governor

The quorum for the meeting was four Members.

**Finance & Resources Members**

Angela Briggs	Governor
Richard Gravestock	Governor
Karen Jackson	Governor
Emma Kirk	Staff Governor
Mick Lochran	Governor
Paul Scanlon	

**In attendance**

Barrie Shipley	Director of Finance
Jo Garrison	Director of Governance / Clerk to the Corporation
Jason Wilkinson	Chief Information Officer
Lisa Smith	RSM
Deborah Watson	Grant Thornton

The meeting was held via MS Teams and commenced at 5.19pm.

Item	Minute	Action
<b>1</b>	<b>Apologies</b>	
	Apologies for absence had been received from Antony Ball and Lee Tillman (Audit & Risk) and Mark Swales (Finance & Resources) R Barnett (RSM) and Christina Green (Grant Thornton). New members were welcomed, Peter Grant, Preetha Kumar and Karen Jackson.	
<b>2</b>	<b>Declarations of Interest</b>	
	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.	
<b>3</b>	<b>Teachers' Pensions EOYC Return</b>	
	B Shipley updated members on the Teacher's pension scheme which teaching staff and non-teaching staff are enrolled in. There is extensive compliance and the incentive calculations of the contributions, employer and employee contributions are monitored. Every year there is a requirement for external audit or an external audit firm to confirm the calculations for the employer and employee contributions have been calculated appropriately. The report summarises the various contributions balance as part of that.	

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	<p>They are required to confirm that the materiality threshold is extremely low. B Shipley informed members there isn't anything and last year it was an insignificant value. There was an anomaly, so this assurance is to demonstrate there are control processes around those contributions and it is working effectively. There is no underpayment or overpayment contributions due to the teacher's pension scheme and the paper is for information only.</p>	
<b>4</b>	<b>Regularity Self-Assessment Questionnaire</b>	
	<p>B Shipley presented to the committee the regulatory self-assessment and explained the group must do a self-assessment questionnaire around several themes and provide evidence assurance. This is provided to both A&amp;R Committee and to Corporation and is subject to review by the external audit to provide an opinion on regulatory assurance that would find the financial statements and annual account that are submitted to the ESFA. The first step of that is this report was presented to Audit and Risk committee at the last meeting in draft format. Most of this is very standard exceptions with similar questions in terms of previous years around the systems of internal control policies and procedures. The ESFA added some supplementary CV19 related questions this year and last year so that there is no change in terms of substance. Members were informed of the disclosure around management expenses that was not operated. The report should be coming for approval however, Grant Thornton have not completed work on the regulation assurance, therefore the committee cannot approve subject to material findings from Grant Thornton's work.</p>	
	<p>A Briggs requested additional information to be incorporated into the report around governance assurance from in-depth reviews and link governor engagement to strengthen areas of Estates and CV19 additional work completed where appropriate.</p>	BS
	<p>E Kirk and Karen Jackson joined meeting 5.33pm</p>	
	<p><b>Resolution:</b> Members agreed not to rush a decision until Grant Thornton work is completed.</p>	
<b>5</b>	<b>Annual Report of the Audit &amp; Risk Committee</b>	
	<p>B Shipley presented the annual report of the A&amp;R committee. The Audit committee is committed to provide an assurance overview of their effectiveness throughout the year to Corporation Board. The report went to the committee's last meeting in a draft format. Mainly date changes were agreed at the last committee on the back of the central audit and review of the Apprenticeships.</p>	
	<p>The advisory report identified there was a weakness in controls around apprenticeships. B Shipley has included a statement around that within the report to reflect that. Members were informed the report is subject to Grant Thornton completing their work. Members were asked to approve recommendation of the report for Board approval.</p>	
	<p>Members asked about timescales for completion of Grant Thornton work. B Shipley advised that the subsequent work to be completed was early December. Members raised concern that they seem to be rushing for approval in preparation for the Board on 13 December and no time to read and digest or further question Grant Thornton.</p>	
	<p>K Jackson enquired about the timeline for submitting the report, to gain understanding of the requirements to approve.</p>	
	<p>B Shipley assured members that the Audit &amp; Risk committee annual report has come to committee previously; there were no substantial changes to either of the reports. B</p>	

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Shipley advised the group is required to submit the accounts to the ESFA before the 31st December. He also informed members of the College's closure on the 17<sup>th</sup> December.

Members requested that progress on implementation of the action plan be reported by management to the Audit and Risk committee. J Wilkinson attended the meeting to do that. Members were asked to approve the annual report subject to Grant Thornton completion.

I Ugiagbe-Green joined the meeting at 5.38pm

**Resolution:** Members approved recommendation of the A&R Annual report for Board approval on 13 December 2021.

## 6 Financial Statements and Regularity Assurance Report 2020/21

### i. Annual Report and Financial Statements

B Shipley reported the outstanding financial statements outturn is a positive position that broadly consists with previous updates. The financial resources to be included. They are draft pre audit accounts and there are a few things to take into account. Governors were asked to recall subjects equally significant under delivery on adult education. The Group had submitted a business case for £940k of that being retained and this was successful. This is not a business case and that will be reflected in the financial statements. The group have had to write off some Apprenticeship income from this year on from previous years which is £65k £328K relates to the period before 2021 so it's unrelated to previous year. This represents about £237k remaining income for the year from the £7 million that is accounted for in terms of the Apprenticeships income for 2021.

As reported to A&R and Board previously there was the expectation of some minor movements in terms of ILR submissions between R12 and R14. Claw back 16 - 19 funding that was growth funding in year but had some withdrawals in year, and that was reclaimable which equates to £167K and there were some movements between adult education too £173k requiring reconciliation. There was some additional income from bursary schemes so the net impact of that is £96K. Summaries main changes in terms of the statement of income and expenditure. This does not take into account the improvements to the balance position £1.5m AEB clearly some is still refundable and was not part of the business case.

Expected £700k to be claimed back. Main balance sheet movements. Local Government Pension scheme evaluation and reported positively post CV19. Last year there was a significant hit to the pension liability and now moved back to £33m deficit in the scheme but is still high; pre CV19 was £25m but still a positive move and £7m in the accounts. This has improved the net asset position.

Paperwork standard which is a prescribed template from the ESFA with some revisions for curriculum requirements. R Gravestock raised several queries of potential typographical/casting errors that will be issued to B Shipley outside the meeting to review and revise the reports.

BS

Going concern basis, significant headroom around banking covenants and financial health and this gave the group least headroom of cashflow around £2m. Challenges around HE income, worse case £800k depending on retention and changes to staff pay and non-pay should safeguard at least 50% of the worst case forecast planning. Cash flow position for 12-18 months is particularly strong and forecast cashflow at the end of 2021/22 is currently £11m.

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B Shipley updated on the subsidiaries. There are two dormant subsidiaries Doncaster College and North Lindsey college, nothing to report. There are 3 active subsidiaries. Members were informed the process has commenced to close down D C Teach Ltd and the accounts have been closed down. There was a small loan with DC Teach and DN Colleges resulting in a small surplus of £1,500 to write-off the loan. Cash balance reduced to zero and going to write to Companies House and dissolve the company.

Optime surplus is £364K and all support staff previously contracted from NL College are not eligible for the South Yorkshire Pension scheme so a significant saving. Surplus increased from last year. Catering and cleaning staff were TUPE'd in and should have been TUPE'd to Doncaster College and this created a pensions liability. The resolution £102k deemed as profitable and taxable profit which the group is taking legal advice as this is believed not to be correct. But the profit will be gift aided back to DN Colleges Group. Worst case scenario there is a corporation tax liability of around £20k.

Kingsway activity is where ancillary buildings are leased to the NHS in New Beacon and Global House. The income has had delays to get lease terms signed, however we do have written consent. The lease terms of conditions have been agreed and the signature should occur in the next few weeks.

P Pascoe asked for the date of when the agreement will be signed. B Shipley advised all details issued last week and the individual to sign the document for the NHS only works 5 days in the month but agreed in principle.

**ii. Final Audit Findings Report**

D Watson presented on the final audit findings. Apologies were given to delay in the completion of works. There are two significant factors, the first so much more work around the revenue and taken more time within the scope in the audit plan. Auditing Standards also have the expectation of further work. There are also significant resourcing issues within GT. No significant issues and only recommendations of a few issues of the work conducted to date.

There is a need to get the bank letters back before the audit opinion can be finalised and the going concern. There is not significant risk, but these must be reviewed in detail. The delivery of audit plan there was not clarification for the ESFA funding based around the audit code of practice which essentially required further testing of funding than previous years. Testing approach work is well progressed. But directed the significant risk to AEB and Apprenticeships rather than 16-19 provision but a significant sample has been tested.

Second area impairment of capital estates, given the financial performance and college buildings all in use this has reduced the risk.

Members were taken through key areas of the report, such as revenue, funding income of AEB and Apprenticeships. Testing reconciliation is being reviewed and AEB retention of the £140k. And ensure this can be recognised as revenue to be signed off.

Detailed testing on a few students and documentation required from the Finance team but no further judgements or testing required. Whilst detailed testing has been substantial no ESFA audit funding audit testing undertaken.

Pension provision is held on the balance sheet, so a gain and additional work on pension schemes and assets and LGPS in invested. Optime there has been some

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transfers in the scheme so a bespoke actuarial assumption. Also going concern is a key area to complete work.

Completeness of trade creditors and looking at classification of creditor items and site within the financial statements. One observation for High Melton and grant funding received in previous years. But not expecting any adjustment or additional disclosures.

Loans, valuations and covenants there are no breaches shown within the calculations but waiting on the year end confirmations from the bank to close. There is one employment tribunal but that is due to be struck out as there is an employment status with this one.

No new internal control concerns which present a clear position. Uncompleted actions are for management responses and none are of significant concern to GT.

Field work to be completed by end of the week and final review with detailed work of the numbers. Receipt of bank and loan letters, and audit of going concern assessment needs to ensure student numbers and enrolments are correct. Also to ensure compliance with covenants and pension scheme to be able to finalise and sign off.

iii. Letters of Representation

Letters of representation were not yet available but an overview was provided by Grant Thornton.

Members agreed not to recommend approval of the statements and that a final version be circulated for Board approval on 13 December. Agreement was reached that Board would seek to sign off the statements on 13 December and approval given, with the contingency that if this is not finalised by 13 December. The Board will provide delegated authority to a Chair's action for sign off. This will consist of the Chair of the Corporation, Chair of A&R and the Chair of F&R agreement. If this cannot be reached, then a request would be made by B Shipley to the ESFA for a slight delay in submission.

**Resolution:** Members did not sign off the financial statements and requested they be submitted to the Board on 13 December.

F&R members left the meeting at 6.33pm

**7 Minutes and Confidential Minutes of a meeting of the Audit & Risk Committee held on 23 September 2021 and any matters arising**

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

Matters arising:

09/06/21 – Item 6 RSM to provide a list of areas that can be audited for the next meeting. Keep up to date and track across college for reporting on a cloud base live software.

11/10/21 – Item 11 Strategic risk will form part of the governor away day which is being rescheduled to 19 January 2022.

11/10/21 – Item 18 – DoG to circulate link governor policy for members to review and revisit at the next meeting.

**DoG**

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J Wilkinson informed members as part of business continuity that there are two priorities currently. Critical core business systems, so the groups have recovery time and objectives identified and prescriptive audits to restore systems.

Second identify secondary systems with the Group as there are around 330 used by curriculum staff and a view to be mindful moving to new software deployment using a kite manager protocol that staff can self-serve and access directly to remove deployment. Critical systems have been identified. J Wilkinson advised members the Janet network has been identified to look at alternative routes for data resourcing. More detail would be provided to a future meeting.

**8 Internal Audit – Progress Report**

L Smith presented the key messages summarised in the progress report. Finalised one report since the last meeting which is Debtors. All dates agreed all the reviews for the remainder of the academic year and undertaking scoping work.

**9 Internal Audit Reports**

L Smith gave members an overview of the Debtor’s report which reached a reasonable assurance four priority for SLT to monitor.

First one an issue in Pro-Solutions which meant fee amounts could be manually amended or deleted by Registry staff as access to those fields was not restricted. Only one member of staff knew how to delete in the invoice daybook and Pro-Solutions to make sure everything is balancing. In terms of students who have not paid their fees within 30 days, upon testing it was identified that 7/20 debts had not been chased timely in line with debt policy. The final medium action is that any bad debts are formally approved by the board of F&R committee.

L Smith informed members that appendix b under no changes to the audit plan that the planning meeting for estates management review. SLT are wondering whether 2021/22 is the most appropriate time to take that review. Due to Estates condition survey has been undertaken the estate strategy has not been aligned to the survey which means the plans and preventative work hasn’t been aligned either. With the frameworks not being aligned members were advised it wouldn’t provide robust assurance at this time.

RSM will discuss with SLT potential areas to replace that review and A&R formal review and approval of any changes. L Smith shared some examples of inclusion. L Walker welcomed RSMs views.

Two potential areas identified and not missed from the original audit plan, just taking on more of a focus across the FE sector generally. Curriculum planning and the impact on the White Paper going forward. Starting to look at curriculum planning side and how it links to stakeholder engagement and talk to LEPs and employers that curriculum meets the local needs. Also how does overall the curriculum contribution offering still deliver to the Group.

The second suggestion is a higher priority in HE and starting to see if FE. Sexual harassment and conduct and RSM are starting to talk to colleges about this area. It isn’t a significant risk currently it is more a horizon scanning risk.

DoG informed members of the College Stakeholder boards and the engagement to the local curriculum needs. The group can demonstrate good practice in this area currently.

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Members were asked to delay the Estates review, however P Pascoe emphasised the need to not lose sight of the review, given the current projects being undertaken across the group. L Walker asked if the scope of the review could be amended to provide assurance in advance of the development of the strategy to inform the strategy. L Smith's initial response was if the review is to be undertaken it is completed at the end of the academic year or the start of next year to complete the process.

L Smith advised the HE report was an error on the agenda.

**Resolution:** Rescope audit plan and present proposal to members at the March meeting. Members agreed to delay the Estates review and agree revised scope in March.

Lee Walker left the meeting at 7.03pm  
Lee Walker joined the meeting at 7.06pm

**10 Risk Management Policy**

B Shipley presented the risk management policy following review in the summer around risk management framework and policy. Minor recommendation to include the risk matrix in the policy and the frequency of assurance. The strategic session for risk appetite has been moved to 19 January 2022.

Members were informed a risk champion is the H&S Manager and not within the lines and scopes of that role, B Shipley advised members he would absorb that function. Also looking at staffing support for B Shipley for governance risk management and discussion with SLT in the coming weeks.

This is an enhancement to the policy which members were asked to approve.

**Resolution:** Members approved the revisions to the Risk Management Policy

**11 Risk Management and Assurance**

B Shipley presented the risk register update to members. Member advised some risks have increased around digital and staffing. Have over 3,000 pieces of equipment and require further investment and increases the potential of cyber-attacks. And a second risk increased around staffing, around recruitment of staff to challenging Construction and Engineering roles, but now across the board such as Cleaning and Catering. This is linked to previous demographics in the area and Brexit and a common theme across the sector that is being a labour supply shortage, and this is wider than the education sector to achieve operational demands.

Data Protection and legal compliance has now been reduced as J Wilkinson's team has strengthened. A new risk around sustainability and proposing an agenda item for F&R reporting moving forward and developed a strategic action plan and first sustainability report against baseline data. Some risks exceed risk appetite and need to be reviewed.

G Clarke asked about the net zero and baseline. B Shipley advised this has not been reported this in the past. The Sustainability Group meets monthly and it is hoped to finalise the report before Christmas once understanding of the baseline is determined. This report will be brought to Audit & Risk in the future.

P Kumar asked what business transformation awareness training is delivered to staff on new processes. J Wilkinson advised his intention to move to ISO27001. There will be key identified staff that will receive training also refresher training for staff more

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generally moving forward. J Wilkinson also acknowledge the wider scoping of work with regards to data control and archiving.

J Wilkinson referred to the points that B Shipley had raised earlier in the meeting. There is some core infrastructure at both sites which is no longer supported by the manufacturers, consequently it is very difficult to get any parts and if the equipment failed it would have to be replaced. Laptops and desktop computers could also become obsolete as they will not support Windows 11; there is a need to enhance the replacement cycle of equipment. L Walker added it just emphasises the timeliness of the board reviewing the groups risks.

**12 Any Other Business**

- Apprenticeships Audit & Data Protection Update

Two pieces of work that are being carried out are core pieces of work around the action plan that came out of the audit findings and most of the actions are closed. 25/57 actions are closed. Some will move to monitoring and surveillance where the curriculum support team will manage ongoing surveillance around processes to ensure the group has complied with checklists.

J Wilkinson informed members that the group will create an internal audit data and governance team within curriculum support, which will be managed by T Hutchinson. This will provide continuous assurance around internal audit or the activity the remaining external items.

Members were updated on apprenticeships. There will be a task and finish group to complete remaining actions. These are recursive actions. The new Director of Apprenticeships will be responsible for these.

B Shipley added an ESFA mock audit has not been undertaken but a sample was audited. P Pascoe raised what concerns/impact could there be in terms of clawback for historical testing and errors found. B Shipley advised there could be clawback but not an area for great concern. He advised the sample selected could impact on funding but not allowed a provision in the accounts. Most issues were 2018/19 and 2019/20 but L Smith added if the learner is on programme at any point they can be selected in the sampling. A potential risk and if they don't complete, they could be part of the testing, but the ESFA would take this into account in that selection process. Members were assured this is a residual risk. P Pascoe sought assurance that the team will continue mock testing. J Wilkinson confirmed this will be undertaken for governance and audit as part of the monitoring and surveillance.

P Pascoe left the meeting at 7.36pm

J Wilkinson also provided a data protection and cyber security update. He has reviewed the ongoing action list and completed most of the actions. A new fulltime support is in post and looking at the elements of data protection impact assessment to streamline processes. The Data Protection role moves to T Hutchinson from the New Year. The IT controls do not sit with the DPO which provides assurance, separation of functions and good practice. J Wilkinson is looking to lock ports down for usage of external USP memory sticks after Christmas to strengthen security information. The introduction of data leak protection will help prevent personal data leaving the college.

**13 Date and Time of Next Meeting**

The next meeting of the Audit & Risk Committee is scheduled for Wednesday 16 March 2021, 4.30 pm, MS Teams

The meeting closed at 7.41pm

**Jo Garrison**  
**Director of Governance / Clerk to the Corporation**

**Signed:** ..... (Chair)

**Date:** .....

<b>TABLE OF ACTIONS</b>			
<b>Date</b>	<b>Minute</b>	<b>Action</b>	<b>Responsibility</b>
06/12/21	4	Add In-depth Reviews and CV19 additional monitoring and frequent updates to the Regulatory SAR	BS
06/12/21	6	Revision to financial statement figures raised by R Gravestock	BS
11/10/21	18	Review link governor policy and consider if a flowchart is required	DoG
06/12/21	9	Scope audit plan and proposal of suggested areas for consideration	RSM/BS