

AUDIT AND RISK COMMITTEE MEETING

CONFIRMED MINUTES OF THE MEETING HELD ON MONDAY 12 DECEMBER 2022 AT 1:00PM VIA MICROSOFT TEAMS

Present:

Bree Sherwood (Chair), Jill Lanning, Nikki Gray

Attendees:

Jerry White (Principal), Martin Colbourne (Deputy CEO), Paul Goddard (Scrutton Bland) until 12:57pm, Stuart McKay (Macintyre Hudson) until 12:57pm, Jodie Mitchell (Director of Governance & Legal), Barbara Ashby (Governance & Legal Administrator, minutes)

1. Apologies for Absence:

No apologies were received for this meeting.

2. Declarations of Interest

Governors and Committee members are requested to make known any relevant pecuniary interests relating to any items on the agenda and it was noted that all declarations will be recorded.

There were no new declarations of interest given at the meeting.

3. SECTION A

3.1. Draft Audit Committee Report 2021/22

BS and Governors confirmed they had nothing to raise relating to the committee report.

The report was recommended for approval by Board on 13 December 2022.

3.2. Letter of Support to EOC Enterprises

MC stated this is a standard intercompany letter, with Enterprise being a subsidiary of the college and the going concern that relates to the income received from the use of the sports hall and building at Easton by the college. BS had no concerns with the letter but commented there is a need to know what they are being asked to support and why so it is right this information is featured in the letter, so Governors are aware. BS emphasized it is not legally binding.

The letter was recommended for approval by Board on 13 December 2022.

3.3. Draft IAS Annual Report 2021/22

PG highlighted Appendix A, 'Summary of Findings for year ending 31 July 2022' of the report and noted the overall opinion from Scrutton Bland was that CCN are providing a strong and significant assurance.

Appendix B, 'Audit Benchmarking Data' shows CCN is rated as having an 80% significant assurance rating against the average of 55% across the rest of Scrutton Bland's FE client base so this is a positive outcome.

However, PG added that more red and amber assurances have been issued this year across their client base than previously, equating to 20%. CCN have had red and amber ratings before but not many and PG stated this can happen at times. PG reassured the committee that this is a current trend as colleges are having to take on more risk and at a higher level than would have done in previous years.

NG asked if there are themes linked to the red assurances given to other colleges for CCN to be aware of?

PG responded stated there are three main themes and outlined them as follows:

- 1 Funding Assurance for Apprenticeships - due to the 'off the job' training creates a challenge for CCN.
- 2 Health and Safety has flagged up several red and amber assurances for the college and will be discussed in a separate report, item 3.3.1.
- 3 Cyber Security where CCN have had an audit already carried out and resulted in 1 medium and 4 low recommendations. But this year more red assurance reports have been issued than previously and relates to the level of framework security needed to be in place to track this.

JL asked was there any feature of management in terms of the general attitude toward risk that was a deciding factor rating CCN lower than it had been? PG Responded stating that the rating was affected by significant changes in management, that create challenges such as different or less knowledge as people come and go and prioritising risk.

JL stated this information is helpful so as to be aware of what to keep a watch on as changes are implemented.

JW agreed with JL adding he is mindful there have been changes to senior management teams in recent months requiring the need to support them on college operation in terms of compliance. JW then referred to the 3 areas outlined above by PG confirming that both H&S and Cyber Security have been audited in the previous academic year. In terms of Apprenticeships JW stated a small sample had been audited fairly recently including some ILR work through the year which have identified areas for future focus.

MC stated these were valuable observations by PG and commented whether this is a sign of the sector in general being under pressure and how this is impacting on control measures.

3.3.1 2021 / 22 Audit Reports

PG provided an update for each IAS report which had been distributed to the committee, and the following was noted;

Follow Up Review

PG stated this is the last audit of the year and is always completed then to allow time for implementation by management and the following was noted:

- 24 of 33 recommendations have been implemented
- 5 recommendations have been partly implemented
- 4 recommendations have not been implemented

1 of the 4 recommendations not implemented is rated amber/medium risk. PG confirmed this related to Apprenticeships 'off the job' training category and affects claiming the ESFA funding, if the 20% target in terms of completed learner hours is not returned then full funding cannot be claimed, therefore it is an important control to factor in. PG added that good progress had been made with the recommendations overall.

BS asked in terms of the Apprenticeships point how does CCN identify monitoring those students going 'off track' with their course and what would CCN need to do to rectify it? JW responded stating he would need to provide this information to show how this is being dealt with but added it is also an area where there has been a lot of management turnover affecting monitoring. JW stated further that in terms of the 20% target these rules have changed since the audit was carried out and therefore needs re-examining and would provide an update at the next meeting.

ACTION 1: JW to provide an update regarding apprenticeship monitoring at the next A&R meeting on 7 March 2023.

BS queried that the management response regarding register reporting had been vague and asked if this could be on the action list requesting more specific details of what CCN are planning to do in terms of reviewing the registers so that effective monitoring can be done.

JW responded to BS stating that he could assure the committee verbally that this matter was actively discussed in the SMT meeting earlier this morning, covering register marks and monitoring procedures. JW emphasized that progress is being made and will provide an update in the March meeting.

ACTION 2: JW to formalise details on register reporting and to provide an update the next A&R meeting on 7 March 2023.

Health and Safety Report

Assurance Opinion – Significant

PG gave an overview of the benchmarking for this audit as follows;

The number of recommendations raised for CCN in relation to H&S is average, with generally within the sector 1 in 5 of the reports has a high-risk recommendation, although most fell under the medium rating.

Recommendations: 2 Medium and 3 Low have been raised

Medium recommendations

1. To develop a matrix to centralise recording of risk assessments, incorporating updating and signing off.
2. Reporting of incidents in a timely manner incorporating requirements and deadline for RIDDOR.

The 3 low recommendations were noted by the committee but not discussed.

JL asked in relation to the medium and low recommendations regarding staff training due October 2022, whether Business Committee see the outcomes?

JW responded stating that Business Committee do see performance of CCN against all the core elements of training and H&S is included. JW stated it is a challenge to have staff trained as soon as possible when they start with the college. H&S manager NS-C has refreshed this training and progress is being made.

Sub-contracting Report

Assurance Opinion –Significant

PG noted that this is CCN first report relating to sub-contracting as this not usually covered but in 21/22 year there were 2 training contracts that could be reviewed.

In general, an audit would normally only be carried out if the Subcontract value is £100k or above a certificate is needed from ESFA. However, in CCN case this was not needed as the value was below £100k but the audit was continued with to have an understanding of this process.

Recommendations: 1 Medium has been raised

Medium recommendation

1. To develop a robust subcontracting framework in line with ESFA requirements to incorporate use of language in contracts and on due diligence. Monitoring of checks and visits and clarification on contingency planning.

JL shared that the ESFA do not encourage subcontracting learning because of the issues they present and JL said that the college needs to be alert to how close to £100K they are, or could potentially exceed given the current inflation situation. JL emphasised that it will be important to get the assurance that the framework is in place later in the year.

JW agreed with JL and thought it was a good decision to continue with the audit as it provided learning outcomes. However, the 2 subcontractors do not have sole responsibility for the delivery of the training for the programme with each subcontractor contributing only a small amount but thought it was necessary to classify them as subcontractors ahead of any changes. Seb Gasse is dealing with this matter but there is no plan to expand the area but the controls PG has raised will be taken on board.

T-Levels Report

Assurance Opinion – Significant

PG confirmed the audit looked at how these qualifications had been implemented and referred Governors to the significance table of the report and noted the following:

- 195 individuals enrolled
- 137 students retained

Benchmarking shows no colleges are achieving poorly but some only at a reasonable level due to resource issues.

Recommendations: 4 Low recommendations have been raised to assist with the planning and development of a framework to include the following:

1. obtaining information through surveys
2. use of effective marketing
3. monitoring retention levels
4. reporting on T Level performance

JL stated that as T-Levels are due to become part of the mainstream curriculum soon and thought there is a need to understand any issues with these qualifications.

ACTION 3: JW / JK to provide information regarding the T-Level student numbers to be presented to C&S on 24 January 2022.

Funding Assurance Report

Assurance Opinion – None given

Recommendations: 1 Low recommendation has been raised

BS requested PG to provide an update regarding Funding Assurance Testing which was carried out on Adult learning back in November but with a view to assist Macintyre Hudson in the process.

Low recommendation

1. Adult learner provision – to capture start date of programmes in ILR

SMk had nothing further to add on this matter and stated the report will be signed in due course.

JW commented in relation to the funding assurance matter and stated that this is something for himself and MC to reflect upon because ESFA request some ILR testing to be incorporated in CCN annual account prior to sign off, which had not occurred previously, as ESFA had a separate audit for ILRs. Looking ahead, JW said the college will need to decide how to build this element into the year-end accounts before sign-off.

BS commented that she thought this year's auditing was originally planned to have been carried out in house but Scrutton Bland had offered their help so going forward CCN will need to be clear on how they approach this process and that perhaps some of it could be done in house next year. BS suggested this be discussed further at the meeting in March 2022.

ACTION 4: JW to provide an update about the approach CCN will take regarding Funding assurance process for next year and provide this information at the next A&R Meeting on 7 March 2023.

JL commented that management dipping into the ILR from time to time provides a good test of control measures, so it does not go off track.

JW stated that it will be possible to provide a plan with some advice from SMK to check their requirements are being met but commented that if college are selected by ESFA for audit then this planning might not be needed.

SMk stated that in terms of an ESFA Audit selection it is dependent upon the sample size. SMk said they have a recommendation for CCN to work on an Annual Funding Assurance paper that can be supplied to this committee showing what has been done both by internal and external auditors. SMk suggested this report is available for the 12 June 2023 meeting which will allow for any points of learning needed, these can form part of the induction process through On Board.

3.4. 22/23 IA Progress Report

PG informed committee that 4 audits have been completed so far and are ready for presenting at the meeting on 7 March 2023.

- 3 Audits that are scheduled for mid to late January covering: Risk Management, Cyber Health check, student attendance.
- There are 7 reports planned and could be ready to present at the meeting in March
- 4 further reports will be brought to the Summer meeting on 13 June 2023
- Audit on Risk Management will be available for presentation at C&S meeting on 24 January 2023

BS is comfortable with the chosen audits but commented that it highlights the number of internal reports that will need to be reviewed. Therefore, an additional meeting in September may be required to review these reports and the December meeting remains for reviewing all end of year documents.

ACTION 5: CJ to review meeting schedule for next year to allow for an extra Audit and risk Meeting in September 2023.

JL asked if the college is still going to provide compliance brief for each Audit as has occurred previously. JW responded stated this will still be the case.

3.5. ILR Assurance for Audit

This item was discussed under item 3.3.1.

3.6. Risk Management Update

MC presented the risk management update and noted the following:

- The Risk Management E-system was reviewed in March and June 2022.
- This system is used to track the operational risk through fortnightly SMT, Business and C&S meetings.
- Anything of concern moves across to the strategic register with active reviews carried out.
- Changes have occurred with the new Vice Principals being appointed. They have been given training on the system.
- Risks like Industrial Action are now being considered as one to watch compared

- to 6 months ago, so this is being tracked in case it needs elevating.
- Energy costs and inflation pressures have already been highlighted.
- Some risks have been archived by JP as they are not relevant anymore.
- The recent training on the system has identified the need to carry out some editing.

MC wanted to reassure Governors that matters are kept under review and added this will be tested out via the audit in 2023.

JL stated she had never seen the full risk register and therefore does not feel she understands it. JL asked if strategic risk could be looked at in early 2023 in order to have greater visibility of what it entails. MC responded stating that this can be shared and provide the required access Governors want. JL suggested it would be an idea to see the Risk Policy again as well as see the information about strategic risk on the register.

NG stated that she has previously looked at strategic risks as a Board at college Strategy Day and wondered whether it would be a good opportunity to look at the key strategic risks at January Strategy Day against the strategic plan.

JL agreed that could work adding that at Audit committee this matter could be taken forward with a view to have regular updates. NG asked if this could be fed into January agenda.

JW agreed this could be a good idea and he and MC would examine how to bring this about for January.

ACTION 6: JW to provide overview/information regarding the Strategic risk register for the Strategy Day on 17 January 2023.

PG asked MC about risks and mitigations and whether there were any individual controls against these risks? MC confirmed that there will be new controls put in place for these.

3.7. Governance Matters

3.7.1. A&R Terms of Reference

JM confirmed the ToR have recently been reviewed and were approved in July. However, a further item relating to the auditors meeting privately with the committee, prior to the committee meeting starting has been added and worked well at the meeting on 30 November 2022. JM requested Governors recommend the amendments for approval at Board on 13 December 2022.

All Governors recommended the amendments for approval by Board.

4. SECTION B

4.1. Sector Updates

BS noted that some sector updates had been discussed during the meeting and requested any further comments.

PG noted the impact of the reclassification under the public sector will have for the college, in particular ESFA approval will be needed for any building work and financial borrowing from now on. In addition, PG noted that this will affect internal audit processes. In the new year the college will need to refer to the financial handbook produced by ESFA.

4.2. Fraud Discussion

Please see confidential minutes

4.3. Annual Whistleblowing Complaints Report

No whistleblowing complaints were received for 2021/22.

5. Other Urgent Business

No items were raised under this section.

BS asked SMk and PG to leave meeting and thanked them for their reports. They left at 12:57pm

6. Confidentiality

Please see confidential minutes for items 4.2, 7.1 and 7.2.

7. Confidential Items

7.1 Assessment of Auditors Performance Indicators for 2021/22

Please see confidential minutes

7.2 Approval of Auditors Performance Indicators for 2022/23

Please see confidential minutes

7.3 Review of SPH Expenses Claims

No expenses have been claimed to date for 2022.

8. Date of Next Meeting

The next Audit and Risk committee will take place on 7 March 2023

All business having been concluded; the meeting closed at 2:05pm.

Signed Date
(Chair)