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MINUTES OF A MEETING OF THE AUDIT AND RISK COMMITTEE HELD ON MONDAY 6 MARCH 2023

Present

Antony Ball	Governor
Greg Clarke	Governor
Peter Grant	Governor
Preetha Kumar	Governor
Paul Pascoe	Co-opted Member
Lee Tillman	Governor
Lee Walker	Governor

The quorum for the meeting was four Members. The meeting was quorate.

In attendance

Barrie Shipley	Chief Finance Officer
Sharon Harmon	Clerk to the Corporation
Lisa Smith	RSM (Items 1-9 only)
Ryan Falls	Cavanagh Kelly
John Rees	CEO (Items 1-4 only)
Sharon Smith	Principal / Deputy CEO (Items 1-5 only)

The meeting was held at on MS Teams and commenced 5.00 pm.

Item	Minute	Action	Due Date
1	Apologies		
	There were no apologies for absence.		
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 made.		
3	Minutes of the meeting of the Audit & Risk Committee held on 28 November 2022 and any matters arising		
	The minutes of the meeting of the Audit & Risk Committee held on 28 th November 2022 were agreed as a true and correct record for signing by the Chair.		
	Matters Arising		
	Item 3 – The Clerk confirmed that G Clarke had agreed to extend his membership of the Board and the Audit & Risk Committee subject to Board approval.		

Item	Minute	Action	Due Date
Item 5 – The CFO confirmed that the proposed amendments to the Annual Report of the Audit & Risk Committee had been made.			
Item 7 - Internal Audit Progress Report - as there will be a number of reports submitted to the Audit & Risk Committee in September 2023. It was agreed to circulate reports to the committee once complete in order to allow committee members sufficient time to read reports prior to the meeting. The Committee noted this was an action for September 2023.		Clerk / CFO	
Item 8 – In the absence of the CIO the committee agreed to defer the report on the progress of the phishing campaign to the next meeting of the Audit and Risk Committee in June 2023.		CFO	
Item 9 – The Clerk confirmed the review of the Risk Register is now on committee meeting agendas. The Board will consider committee responsibility for oversight of 'Digital' risk as part of the review of the Risk Register at the Board meeting on 27 th March 23.			
4 Internal Review and Funding Audit			
The CEO presented a report on Internal Review and Funding Audit. Members noted the contents of the detailed report outlining the circumstances which led to NCFE finding the College was responsible for maladministration due to making invalid certificate claims, the outcomes of the resulting internal review and the subsequent follow up actions.			
Members noted that the issue related to subcontractor provision and the loss, in transit, of learners' work which led to a review of processes in relation to subcontractor provision and an internal investigation under the framework requested by NCFE. The CEO advised that following the outcome from NCFE the College was placed under sanction, in the form of a 12-month written warning and the College's direct claims status for two qualifications was withdrawn. The CEO confirmed that all the necessary and appropriate external bodies were notified of the situation. The CEO proposed a number of mitigation measures and actions.			
The CEO provided an update to the committee in terms of engagement with funding agencies. The CEO advised members that, at this point in time, there are no known impacts on the funding position.			
Members asked how learners whose work had been lost were being supported. The CEO explained that the College has been working directly with the learners and with the EQAs to try to compile alternative sources of evidence, which would enable the learners to be certificated in due course, subject to sign-off by the EQA team.			
Members discussed the introduction and requirements of the ESFA subcontracting standard and noted that the College's report and declaration should be submitted to the ESFA by 31 st July 2023. Members noted that the self-assessment questionnaire would identify any weaknesses in controls relating to subcontractors.			
Members asked what, if any, the potential impact could be on banking covenants. The CFO advised that the potential funding clawback, if it is deemed appropriate, could be a significant amount of money that potentially puts funding		CEO / CFO	

Item	Minute	Action	Due Date
	<p>compliance, financial health, and banking covenant compliance at significant risk.</p> <p>Members reviewed and discussed the proposed mitigation measures and actions recommended in the report. Members agreed these were appropriate.</p> <p>Members agreed an update report including progress on the implementation of the agreed mitigation measures and actions should be provided at the next Audit and Risk Committee meeting in June. If available, the report should include an initial view of the subcontracting standard self-assessment questionnaire.</p> <p>Members thanked the CEO for the detailed report. The CEO left the meeting.</p>		
5	Audit ILR Updates		
	<p>The Committee received the ILR Funding and Data Audits update report. Members noted the report provided an update on the Office for Students (OfS) audit, the ESFA Full Funding Audit for 2021/22 and the South Yorkshire Combined Mayoral Authority (SYMCA) AEB audit for 2021/22.</p> <p>The Principal/DCEO provided an update on the Office for Students (OfS) Higher Education Data audit. Members were advised that following the final submission of the required changes to the ILR and updates on the OfS action plan, the OfS have now closed off the audit after a delegated authority action from their Data Amendment Panel. The letter from the OfS confirming that the audit is now formally closed was shared with the Committee.</p> <p>The Principal/DCEO provided an overview of mitigations against the ongoing risks to the accuracy of the HE ILR especially for non-prescribed HE. Members were advised that following the restructure of HE, HE Registry, Admissions and Admin have been centralised to bring this in line with all registry, ILR and audit activity; there was an extensive handover and knowledge transfer from the Director of HE Academic Registry and Admissions; The OfS ILR action plan will be progressed by the HE Registry and Admissions Team Leader with oversight from the Director of this area and the Assistant Principal (AP) for HE; this team will continue to work closely with the relevant Directors that oversee the non-prescribed HE courses that do not sit in the HE area.</p> <p>Members noted that the OfS have requested confirmation of a further internal audit to be undertaken by RSM on the wider set of HE data (prescribed and non-prescribed). Members noted the OfS are seeking additional external assurance that the College has made improvements which will inform whether they need to do a follow up audit. Members discussed the appropriate timing for the audit and agreed June/July 2023 would be the right time.</p> <p>Resolution: Members approved the commission of an additional internal audit of HE ILR in June / July 2023.</p> <p>The CFO provided an update on the on the ESFA audit, undertaken by PwC on behalf of the of the ESFA looking at all funding streams. Members were advised of two areas of potential concern from a financial clawback perspective.</p> <p>The first area of concern relates to evidence of learning activity and the second relates to apprenticeships. A substantial part of the audit which has focussed on apprenticeship delivery where there has been a period of inactivity of greater</p>		

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	<p>than 4 weeks, or within the ILR period and learners have subsequently withdrawn. Whilst this has been within the funding rules, this has been the focus of stricter controls within the funding agreement for 2022-23 but appears to be a particular change of focus from the ESFA and has required a comprehensive review by the Registry department of potentially those in scope. The impact of this is a potential maximum clawback of £177k. However, the implementation of this rule is not particularly clear and is being queried by PWC.</p> <p>The CFO provided the committee with an update on the South Yorkshire Combined Mayoral Authority (SYMCA) AEB audit for 2021/22 conducted by ESFA. Members noted a closure meeting was held on Monday 28th February 2023. The draft conclusion the use of funds to be satisfactory. Areas of non-compliance were identified with a sample error rate of 2.56% putting total funds at risk of £124k. In addition, there are two observations with a number of recommendations. The Group are required to respond to those recommendations. These will be added to the Audit Tracker report for governance oversight that actions have been taken. The Director of Curriculum Support and Governance is currently drafting a response for executive Team approval.</p> <p>Members noted that whilst not yet complete there could potentially be £300k of funding clawback as part of those two main funding audits on 2021/22 financial year.</p> <p>Members thanked the Principal/DCEO and the CFO for the update report.</p> <p>The Principal/DCEO left the meeting.</p>		
6	Audit Recommendations and Actions		
	<p>The CFO presented the Audit Recommendations and Actions report. Members noted the contents of the report.</p> <p>Members noted 7 actions past their implementation date and not completed as of February 2023. Included in the 7 actions there is 1 high priority action, 1 rated as medium priority, and 4 low priority actions. The remaining had no rating as they were advisory reports.</p> <p>Members noted that of the 7 recommendations that are overdue, 4 of these were assigned to the departed Chief Information Officer, and 2 to the departed Director of Business Community Integration and Employability and Marketing Manager. Where possible, these will be picked up by the Chief Finance Officer and Chief People Officer who are caretaking the CIO areas, and Assistant Principle for Higher Education or will be assigned to any subsequent appointments.</p> <p>Members noted the progress notes and revised implementation dates have been updated for all actions that remain outstanding for completion. Actions continue to be tracked and reported by SLT lead and updated via a shared live report in Microsoft Teams.</p> <p>Members thanked the CFO for the update report and commented on the improvement in reducing the outstanding actions to 7 actions, 4 of which are low priority.</p>		

Item	Minute	Action	Due Date
7	<p>Group Risk Register</p> <p>The CFO reported that following the Board risk management training on 18th January 2023, management have reviewed the Risk Management Policy to embed defining risk appetite within the policy and categorisation of risk. The proposed updates have been informed by the training day hosted by RSM and the guidance from HM Treasury Orange Book.</p> <p>Members considered the proposed updates to the Risk Management Policy. Members agreed the proposed updates to the policy were helpful. Members had a full discussion of risk appetite and the scoring of likelihood and impact of risks within the Risk Register. Members noted that once the strategic plan is agreed, the committee will revisit the strategic risks and the risk appetite for each of those risks. Members considered risks 5 and 14 for which the committee has responsibility for oversight. Members agreed they were comfortable with the scoring of those risks at the moment. Members noted that every other subcommittee would also be reviewing the risks for which they have oversight at each of the committee meeting.</p> <p>The Committee was asked to approve the proposed updates to the Risk Management Policy.</p> <p>Resolution: Members approved the updates to the Risk Management Policy.</p>		
8	<p>Internal Audit Reports</p> <p>Lisa Smith, RSM, presented the Internal Audit Progress Report. Members noted that since the last meeting on 28th November 2022, RSM have finalised two audit reports. The first is the 22/23 Continuous Assurance Visit 1 and the second is the 22/23 Framework for Higher Education Students Early Statistics Survey (HESES) Return.</p> <p>Members noted in relation to the Continuous Assurance Visit 1, RSM tested six control areas selected by management and found non-compliance against five of the controls, which resulted in two medium and five low priority actions being agreed with management.</p> <p>Members noted in relation to the Framework for Higher Education Students Early Statistics Survey (HESES) Return that RSM's review identified that the Group has processes in place for the completion and review of the HESES return; however, they are not formally documented. The HESES 22 return had been submitted within the required timeframes outlined by the OfS so far.</p> <p>As a result of testing RSM identified and agreed two medium priority management actions. These are in relation to the lack of a documented process in place for the preparation, formulation and submission of the HESES return and the lack of quality checks undertaken on the 2022/23 data prior to the data being extracted from Pro Solution.</p> <p>Members reviewed the Internal Audit Plan for the remainder of 2022/23. Members discussed the timing of scheduled audits and the scheduling of the additional internal audit of HE ILR in June / July 2023. After a full discussion members agreed to defer the planned Staff Mental Health and Wellbeing Audit scheduled for April 2023 to the start of the next academic year. Members felt assured that deferring this audit would not present a high risk as the Board receives assurances in this area via the Wellbeing and Engagement report</p>		

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	<p>which is reviewed by the People and Transformation Committee. Members further agreed that the additional internal audit of HE ILR should be scheduled in place of the Staff Mental Health and Wellbeing Audit.</p> <p>Lisa Smith, RSM, requested that John Rees write to OfS giving permission for RSM to speak to them in relation to the audit.</p> <p>Resolution: Members agreed that the additional internal audit of HE ILR should be scheduled in June/July 2023 in place of the deferred Staff Mental Health and Wellbeing Audit.</p>		
9	Support Services Autumn Term Reports		
	<p>Members received the Health and Safety Report for the autumn term 2022/2023. Members noted the following highlights from the report:</p> <ul style="list-style-type: none"> • Health and Safety Area SAR Validated as 'Outstanding' • Numerous toolkit sessions conducted to support the revised Educational Visits Process • 116 educational visit applications processed • Active Fusion inducted and settled in at the Hub • Air quality testing/sampling programme initiated across both main sites • Various assessments conducted including pregnancy, workstation, work related stress, medical condition and personal evacuation • Successful Humberside Fire & Rescue Inspection of Global House (NLC) • 167 employer health & safety visits completed <p>Members noted the increase in training completion rates with the majority now over 90%.</p> <p>Members received the Procurement Services Report for the autumn term 2022/23. Members noted the achievements in the period and the plans for the remainder of the year. Members noted that savings from procurement activity within the period are minimal, however the term was an extremely busy period with preparation for a number of large contracts being undertaken. Members noted that the Pro-suite software (student record system) was due to expire on 31st December 2022 and that, following the departure of the CIO, the contract has been extended for a period of two years to allow for a strategic review of the area and to agree a way forward.</p> <p>Members asked for an update on cover arrangements for the CIO role and the ongoing oversight of strategic risks relating to that role. The CFO provided the committee with an overview of interim arrangements.</p>		
10	Internal Audit Services Tender		
	<p>Lisa Smith, RSM left the meeting.</p> <p>This item is considered confidential and is kept as a separate record by the Clerk to the Corporation.</p>		
11	Committee Chair's Report to Corporation Board		

Item**Minute****Action****Due
Date**

Members considered the business of the meeting and agreed the following items for inclusion in the Committee Feedback report to the Board.

- Internal Review and Funding Audit / NCFE finding that DN Colleges were responsible for maladministration due to making invalid certificate claims.
- ILR Funding and Data Audits update
- Risk Management Policy
- Internal Audit tender

12 Any Other Business

The Clerk informed the committee that a report of fraud had been received and investigated. The report related to student self-reporting on concerns around certification on the completion of their course. Upon investigation it was found that no fraud had occurred, the student’s work had not been examined and no certificate had been issued. The investigation was closed as no fraud had occurred and it was a concern around the student’s view of their own work and certification and not a case of fraud.

13 Date and Time of Next Meeting

The next meeting of the Audit & Risk Committee is scheduled for Wednesday 7 June 2023, 5.00 pm on MS Teams.

The meeting closed at 7.06pm

Sharon Harmon
Clerk to the Corporation

Signed: (Chair)

Date:

TABLE OF ACTIONS				
Date	Minute	Action	Responsibility	Due Date
06/03/23	3	Internal Audit Progress Report - as there will be a number of reports submitted to the Audit & Risk Committee in September 2023. Circulate reports to the committee once complete in order to allow committee members sufficient time to read reports prior to the meeting. The Committee noted this was an action for September 2023	CFO / Clerk	Sept 23
06/03/23	3	Report on the progress of the phishing campaign to the next meeting of the Audit and Risk Committee in June 2023.	CFO / Clerk	June 23
06/03/23	4	Provide an update report on progress of the recommendations of the Internal Review and Funding Audit report to the next Audit and Risk Committee meeting in June. If available, the report should include the initial view of the subcontracting standard self-assessment questionnaire.	CEO / CFO	June 23

