MINUTES OF A MEETING OF THE AUDIT AND RISK COMMITTEE HELD ON WEDNESDAY 7TH JUNE 2023

Present

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

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

In attendance

Barrie Shipley	Chief Operating Officer - Finance & Infrastructure (COOF&I)
Rachel Maguire	Chief Operating Officer - People & Information (COOP&I)
Sharon Harmon	Clerk to the Corporation
Lisa Smith	RSM
Ryan Falls	Cavanagh Kelly
Mark Swales	Governor

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

Item	Minute	Action

1 **Apologies**

Apologies for absence were received from Antony Ball and Lee Tillman.

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 and confidential minutes of a meeting of the Audit & Risk Committee held on 6 March 2023 and any matters arising**

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

Matters Arising

Members noted that oversight of digital risk now sits with both the Audit and Risk committee and the Finance and Resource committee.

Item 3 – Members noted the action relating the circulation of internal audit progress reports as they are completed in September 2023.

Item 3 – The COOF&I provided a verbal update on the progress of the phishing campaign. Members noted that there had been two phishing campaigns completed so far in 2023. The COOF&I outlined the results of those campaigns and explained that training materials had been updated to reflect the increased sophistication of potential attacks. The COOF&I reported that there had been a set of

Item	Minute	Action

recommendations following the campaigns which are now in test and will be fully operational by the end of the summer. Members requested an update report at the next meeting with detailed results of the campaigns and resulting action plan. Members would also like more detail on technical IT controls.

COOF&I

Item 4 – The COOF&I provided a brief update on the Internal Review and Funding Audit. The COOF&I reported that there was confirmation from the ESFA of no claw back on the subcontractor audit. The subcontracting standard self-assessment questionnaire audit is ongoing and nearing completion. A full update will be provided at the next meeting.

COOF&I

4 Audit Recommendations and Actions (Composite Report)

The COOF&I presented the Audit Recommendations and Actions report. Members noted the contents of the report. Members noted that since the March committee meeting, a further 12 recommendations had been added to the audit tracker following completion of the second continuous assurance visit and internal audit of DBS for students and suppliers. Members noted, excluding the actions that are not yet due, 87% of actions have been completed.

Members noted a minor rounding error on the table of actions for June 2023. The COOF&I noted for correction.

COOF&I

Members asked in relation to outstanding actions whether staff turnover had contributed to some actions becoming overdue. The COOF&I explained that actions are reallocated and picked up by appropriate managers as soon as a member of staff leaves the organisation. The COOF&I explained that the overdue actions are relating to large areas of work that require more time to complete actions. The COOP&I further assured members that when members of staff leave there is a comprehensive handover.

Members commented on the good progress made against actions and expressed the committee's appreciation to all the members of staff that have contributed.

5 Group Risk Register

The COOF&I presented the Group Risk Register report for May 2023. The committee noted a revised risk reporting format which has been redesigned for easier tracking of risk, levels of assurance and actions being taken to manage and/or reduce risks. Members noted that each strategic risk summary will be presented at the assigned sub-committee for review and monitoring. Members noted that this was a first presentation of the reports and that they were not yet populated fully particularly in capturing all actions.

Members noted a summary update of each risk is as follow:

Ref 1 – 16-18 - No movement. Recruitment over allocation. Retention is very good and on track to hit achievement targets. Monitoring use of catch-up funding.
Ref 2 – 19+ - Risk Reduced. Good performance against allocation.
Ref 3 – Apprenticeships - No movement. Watching brief on recruitment. Overdue reviews and Off the Job improved.
Ref 4 – HE - No movement. Restructure in progress
Ref 5 – Legal - No change. GDPR and Data Protection actions remain outstanding.
Ref 6 – Finance - Financial position remains challenging. Risk on outturn are apprenticeship recruitment and achievement, remaining AEB delivery and HE withdrawals. Staff costs and non-pay are mitigating reduction in income.

Ref 7 – Digital Risk reduced. Department review and position statement completed to be updated to the next F&R Committee.

Ref 8 – Staff Increased risk. Job Evaluation appeals nearing completion. However, impact of staff recruitment remains challenging, and threat of industrial action in the sector.

Ref 9 – Property Risk reduced. DC Roof remains a significant cost pressure. However, funding allocated to target the worst area with works due to commence.

Ref 10 – Governance - No Change.

Ref 11 – Sustainability - Action Plan and SECR Report updated and to be reported to F&R Committee.

Ref 12 – Data - Funding Audits completed. Risk reduced due to reduced clawback value and confirmation no subcontracting clawback, however there remain a number of recommendations for implementation.

Ref 13 – Growth - New Risk focussed on student recruitment and growth.

The COOP&I advised members in relation to Risk 8 'Staff' that the People and Transformation committee have completed a deep dive and a follow up into the Group's staffing position and agency spend, particularly in relation to engineering recruitment. The committee have been monitoring the situation over the last six months and noted the actions that have been taken to mitigate that agency spend.

Members asked that the Risk Register be updated to reflect oversight of Risk 7 'Digital' to sit with both the Finance and Resource committee and the Audit and Risk committee. **COOF&I**

Members reviewed the risks for which the committee has oversight.

Members requested in relation to Risk 5 'Legal' that a Health and Safety reporting to the committee be added to the second line of assurance. **COOF&I**

Members noted in relation to Risk 7 'Digital' that there will be further updates on actions added to the second and the third line assurances. Members noted that the Group's digital strategy is currently under review and redeveloped following the restructure of the team and the removal of the CIO post. Members noted that the Digital strategy will be developed alongside the Group's Strategic Plan.

Members noted in relation to Risk 12 'Data' actions on new compliance assurance system. Members asked for updates on these actions at the next meeting.

6 Funding Audit Updates

The COOF&I presented an update report on the following funding and compliance audits:

- SYMCA – ESFA undertaking on behalf of the South Yorkshire Combined Mayoral Authority (SYMCA) AEB audit for 2021/22
- ESFA Full Funding Audit (PWC) – undertaking ESFA funding audit for 2021-22

Members noted in relation to the SYMCA audit £124,133 has been identified for potential clawback. In addition, there are two observations with a number of recommendations. Both recommendations have been accepted, with a data quality exercise currently being undertaken on current year ILR data. Clawback of the funds will be for SYMCA to take forward, the Group is yet to receive confirmation as to whether this will be adjusted for in the 2022-23 allocation. The 2022-23 forecast financial position has been adjusted assuming these funds will be subject to clawback. Members noted that £120,424 of the potential clawback relates to a

technical IT issue and migration to a new Microsoft tenancy preventing the College from providing evidence of learning. The Group will be following this up with SYMCA as a potential reason for funds to be retained.

Members noted in relation the ESFA audit that the final audit report from PWC highlights that the potential funding clawback has increased to £213,018 (including £127,316 relating to funding years prior to 2021/22). Members also noted from the report a number of recommendations for improving the Group's administration of ESFA funded provision. The COOP&I will be the Executive Lead moving forward and will work with the Director of Curriculum Support and Governance to implement these recommendations. Members further noted the Colleges response, as it is believed the apprenticeship rules are not being applied were applicable in 2021/22 and before, and it will be taken up with the ESFA that £172,800 should not be subject to clawback. Progress against all recommendations will be reported at the next Committee meeting.

Members sought assurance, in relation to issues with providing evidence of learning, that going forward appropriate systems and controls are in place to mitigate against this happening again. The COOP&I assured members that a new compliance assurance system is in place to test and provide assurance on internal compliance going forward. The COOP&I assured members that recommendations from the audit would be implemented. The COOP&I will provide an update report at the next meeting of the committee.

Members asked what the timeline was for a decision on the potential clawbacks. The COOF&I advised that the Group had not been given a timeline but that they would be seeking to have a decision by 31 July 2023 for the completeness of year end account.

7   Internal Audit Reports

Lisa Smith (LS), RSM, presented the Internal Audit Strategy 2023 - 2026 and the Internal Audit Plan for 2023/24. Members noted the key points from the plan as follows:

- Internal audit activity for 2023/24 is based on analysing the Group's corporate objectives, risk profile and assurance framework as well as other factors affecting the Group in the year ahead, including changes within the Further Education and Higher Education sectors.
- The level of resource required to deliver the plan is in line with 2022/23 with the daily rate in line with the agreement made upon our re-appointment. RSM will continue with the approach of introducing the use of technology when undertaking operational audits. in 2023/24 in order to strengthen the sampling, focus the audit testing and increase the level of assurance provided.
- Along with key priorities and changes within DN Colleges Group, RSM have considered sector wide challenges and issues within the proposed coverage for 2023/24 and beyond. RSM have also included aspects of funding assurance within the plan to consider how the Group ensures compliance with Education and Skills Funding Agency (ESFA) requirements.
- RSM's approach to working with the Group will respond to changing assurance needs. By employing 'agile' or a 'flexible' approach to service delivery, RSM will be able to change the focus of audits / audit delivery; keeping the committee informed of these changes in progress papers to the Audit and Risk committee during the year.
- One area of risk not included in the plan is recruitment of learners as further investigation is required on how to provide assurance in this area.

Item	Minute	Action

Members considered the plan in terms of areas for coverage, areas of focus and timetable for 2023/24. Members also considered whether there was anything missed in terms of the internal audit plan for the next year. Members agreed the audit plan was well balanced across all of the risks and covered the appropriate areas of focus for 2023/24.

Members agreed the Group Risk Register would need to be reviewed once the new Group Strategic Plan was in place. Members agreed to review the audit plan against the new Strategic Plan and any updates to the Risk Register or changes in future priorities. LS further assured members that RSM's approach to working will respond to the Group's changing assurance needs.

Members noted that although there is no audit planned for 'Legal' risk in 2023/24 there has been recent audit activity around this risk in the previous year and audits planned in each of the next two years.

Members discussed 'Digital' risk and agreed there needs to be a clear framework of assurances and operational controls establish and a regular review of the audit plan to ensure it is responsive to current issues around digital risk. Members discussed recent assurance activity around cybersecurity and JISC.

Action: The COOF&I and PK agreed to meet to discuss digital risk and assurances. The COOP&I agreed to liaise with the Chair of the Audit and Risk committee to discuss the compliance and assurance system and assurance sought from the committee relating to digital risk.

COOF&I, COOP&I, Clerk

Resolution: The Committee approved the Internal Audit Plan for 2023/24 as it stands, recognising the need for agreed modifications as needs arise throughout the year.

Lisa Smith, RSM, presented the Internal Audit Progress Report 2022/23. Members noted that since the last meeting in March 2023, RSM have finalised two audit reports, DBS - Students and Suppliers and Continuous Assurance Visit 2. Members noted the contents of the report.

Members noted in relation to DBS - Students and Suppliers, the controls in place to support the framework for DBS checks were found to require some improvement that resulted in three medium and three low priority management actions being agreed. The medium category actions all relate to the processes in place for DBS checks for students.

Members noted the Continuous Assurance Visit found non-compliance against seven of the controls, which resulted in one medium and six low priority actions being agreed with management, with multiple actions being agreed against two of the controls tested. The medium priority action agreed related to ensuring that all students at-risk of not progressing due to performance are monitored regularly, including having regular discussions with students to understand progress with the reasons why the student is at-risk of not progressing documented on ProMonitor, as well as setting SMART targets.

Members discussed where the committee receives assurances and LS set out where assurances are reported.

8   **External Auditors – Letter of Engagement and Audit Strategy Memorandum for year ending 31 July 2023**

Ryan Falls, Cavanagh Kelly, presented DN Colleges Group Audit Plan for the year ended 31 July 2023. Members noted the contents of the report.

Members considered the plan taking account of the following points:
- Whether the assessment of the risks of material misstatement to the financial statements is complete;
- proposed audit response to address these risks and whether this is sufficient to meet the needs of the College;
- Whether they have knowledge of:
  - Any actual, suspected, or alleged fraud;
  - Instances of non-compliance with laws and regulations; and
  - Actual, suspected, or alleged irregularity;
- Are there any additional matters to be brought to the auditors attention.

Members noted the approach and scope set out in the Audit Plan and agreed they were satisfied with the plan.

Members asked about reporting on potential funding clawback. RF confirmed the potential clawback would be considered immaterial so would not require to be reported. Members discussed the requirements and the mechanism for disclosures in the annual reporting. Members noted a letter from the DfE on a minor breach to subcontractor controls which will require disclosure.

Members sought assurance that the committee is fully briefed on any incidents relating to fraud or noncompliance. The COOF&I and Clerk assured the committee that any reports of fraud or noncompliance are reported to this committee. The Group's has in place an Anti-Fraud, Money Laundering, Bribery and Corruption Policy and a Whistleblowing policy which is approved by this committee. All reports are investigated, and a record is kept by the Clerk. An annual report on any instances of suspected and actual fraud or whistleblowing is completed and reported to this committee. As part of the regularity self-assessment questionnaire completed on behalf of the committee there are some key questions around suspected fraud and the Group's controls and disclosures.

9   **Support Services Spring Term Reports**

The Committee received the Term 2 Health & Safety Report 2022/23. Members noted the contents of the report. In particular members noted the following highlights of the report:

- Biannual, team led health and safety inspection programme completed.
- Installation of 'Audiebant' broadcasting system at the Hub.
- CEO – 'back to the floor activities' at both main sites.
- Air quality testing/sampling programme continuation across both main sites.
- Revitalised health surveillance programme roll out as part of the new occupational health provider service.
- Numerous toolkit sessions conducted to support the revised Educational Visits Process.
- 113 educational visit applications processed.
- Various assessments conducted including pregnancy, workstation, work related stress, medical condition and personal evacuation.
- 154 employer health & safety visits completed.
- Planned activity and priority review.

Item	Minute	Action

Members requested that future H&S reports include trended data and highlight key risks associated with the capital works programme. MS, as Link Governor, agreed to follow up with the Head of Health & Safety at their next meeting.

MS

The COOF&I presented the Procurement Services Report for the Spring Term 2022/23 outlining achievements in the period and plans for the remainder of the year. Members noted the contents of the report. Members noted 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. The College has just gone out to test the market for energy suppliers as the existing contract expires at the end of June. Whilst wholesale gas and electric prices have reduced, this is currently not cascading down to consumers. The Committee noted this was a £1.4m increase in costs 12 months ago. The Group expect some savings based on initial market testing, but this will not be at levels prior to the Ukraine conflict.

10 Terms of Reference and Cycle of Business 2023/24

Members reviewed the proposed updates to the committee's Terms of Reference and agreed the following:

- Update title at clause 2.9.
- Removal of clause 2.4 'The Audit and Risk Committee will have a distinct and separate membership to the Finance and Resources Committee. '

Members discussed updates to the Post-16 audit code of practice and the Clerk agreed to cross reference the committee's Terms of Reference with the Post-16 audit code of practice to ensure the committee's ToRs are compliant with the Code. The committee will be advised if the review requires further updates to the committee's ToRs.

Members considered the committee's proposed cycle of business for 2023/24. Members agreed the cycle of business for the four meeting in the academic year 2023/24. Members noted the Chair of the Finance and Resources committee is to be invited to the November meeting of the A&R committee where the external audit of the financial statements will be on the agenda.

Action: The Clerk to invite the Chair of the Finance and Resources committee to the November meeting of the A&R committee.

Clerk

Resolution: The Committee agreed to recommend approval of the Committee's revised Terms of Reference, pending agreed updates, and the Committee's Cycle of Business for 2023/24 to the Corporation Board for approval.

11 Governance QIP

Members reviewed updates to the Governance QIP taking note of the actions in relation to Audit and Risk. Members noted a number of completed actions in relation to reporting and monitoring of risk and that this has greatly improved. Members recommended that this improvement continue to be monitored whilst the new system of reviewing and reporting risk is embedded and is working well.

12 Committee Chair's Report to Corporation Board

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

- ILR Funding and Data Audits update
- Discussions and actions relating to developing assurance framework and controls around Digital Strategy.
- Highlight the responsibilities of committees to review, monitor and report on the risks on the Risk Register for which the committee has oversight.

13   Any Other Business

Note: Greg Clarke left the meeting 19:00

The COOP&I agreed a meeting with the Chair of the Audit and Risk Committee to discuss reporting to the Committee to provide assurances relating to data that supports sources of funding.

COOP&I

Members noted a request from the People and Transformation Committee to consider an audit of the Group's supply chain to ensure compliance with the Group's Modern Slavery Statements. The committee considered the requested and agreed that in order to make a decision on the request the committee would require further information. The committee would like to see a report on the level of risk, why the audit is needed and details of control frameworks in place around this risk. The Clerk will report back to the People and Transformation Committee.

14   Date and Time of Next Meeting

To be confirmed.

The meeting closed at 19:02 pm

Sharon Harmon
Clerk to the Corporation

Signed: ………………………………………… (Chair)   Date: …………………….

TABLE OF ACTIONS				
Date	**Minute**	**Action**	**Responsibility**	**Due Date**
07/06/23	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.	Clerk	September
07/06/23	3	Report on the progress of the phishing campaign, including action plan and more detail on technical IT controls, to the next meeting of the Audit and Risk Committee in Autumn term 2023.	COOF&I	September 2023.

		COOF&I to provide an update on the Internal Review and Funding Audit at the next meeting.		
07/06/23	5	Update the Group Risk Register to reflect oversight of Risk 7 'Digital' to sit with both the Finance and Resource committee and the Audit and Risk committee. In relation to Risk 5 'Legal' Health and Safety reporting to the committee to be added to the second line of assurance.	COOF&I	July 2023
07/06/23	7 & 13	The COOF&I and PK to meet to discuss digital assurances framework. The COOP&I agreed to meet with Chair of the Audit and Risk committee to discuss the compliance assurance system and assurance sought from the committee relating to reporting on data.	COOF&I, COOP&I, Clerk	September 2023
07/06/23	9	MS to discuss H&S reports with the Head of Health & Safety and advise of the committee's request that future reports include trended data and highlight key risks associated with the capital works programme.	M Swales, Clerk	September 2023
07/06/23	10	The Clerk to invite the Chair of the Finance and Resources committee to the November meeting of the A&R committee.	Clerk	July 2023
07/06/23	13	The COOP&I to meet with the Chair of the Audit and Risk Committee to discuss reporting to the Committee to provide assurances relating to data that supports sources of funding. The Clerk to report back to the People and Transformation Committee on the request for Audit relating to the Modern Slavery Statements	COOP&I Clerk	September