

<b>Meeting/Committee</b>	<b>Audit &amp; Risk Committee</b>
<b>Date of meeting</b>	9 <sup>th</sup> December 2020

## 1 Declarations of Interest and Eligibility

The Chair requested Governors declare any interests at the appropriate time during the meeting.

## 2 Welcome, introduction and Apologies

### Attendees :

A Phillips (Chair)  
S Bulley  
G Owen  
J White

### In attendance:

J Austin	Principal and CEO
V Parkes	Director of Governance
K Noble	Executive Director of Finance
T De'Ath	Executive Director of Corporate Services
L Smith	RSM
D Watson	Grant Thornton
K Matkin	RSM
J Pryke	Governor (Finance Committee)
T Jackson	Governor (Finance Committee)
M Rodzos	Governor (Finance Committee)

### Apologies for absence

None

## 3 Minutes of the Audit & Risk Committee held on the 16<sup>th</sup> September 2020

**Resolved:** The minutes of the meeting held 16<sup>th</sup> September 2020 were agreed as true and accurate record.

### 4a Matters Arising for meeting held on 16<sup>th</sup> September 2020

None noted other than those on the agenda.

### 4b) No further actions as part of the progress report that are not covered under the Agenda.

## **5 Audit Reports**

It was noted at the start of the meeting that unfortunately due to a delay from the auditors that it was not going to be possible to sign off the financial accounts for 2019/20 at this meeting and that an extraordinary meeting would need to be held in January in order to complete this.

### **(i) Financial Statements for the year ending 31<sup>st</sup> 2020**

The ED: Finance stated that the Group accounts and subsidiaries are complete. The notable change since the accounts were last circulated are in relation to amendments made for the pension deficit. The adjustment, which is a positive adjustment, of £2m arises from a variation to the increase of the percentage increase for pay rises which was thought to be higher than that of other colleges. This has therefore been amended to reflect a more realistic picture.

There has been an impairment review for the Dinnington Campus and the Hub as their net worth value was higher than what was actual achieved at sale. Due to them current being held for sale this has had to be reflected within the accounts. The net liabilities are affected by the pension deficit.

DW stated that they have virtually completed their audit of the accounts however due to the situation at the moment there is a heightened risk around going concern and the work that needs to be eliminated the audit risk. It was confirmed that the work from RNN's perspective was completed on time however RSM ran out of time to complete this on time. DW apologised on behalf of RSM.

A conversation was had around about the different scenarios and outcomes which could arise from the level assurance that is given once the process is complete.

The Chair expressed her concerns about meeting deadlines in January and was assured by RSM that the relevant steps of the process have been diarised and that this would be completed on time.

Governors confirmed that they were content with the wording contained within the financial statements for the Group and there were no further comments at this point. Any changes will be reviewed during the extraordinary meeting in January.

The ED: Finance highlighted that contained within the financial statement for NFPC is details relating to the CBILS Loans received and the support that is given to this from the RNN Group for 12 months. Governors confirmed their understanding and stated they were comfortable with the wording around this.

The ED: Finance also drew reference to the statement for Rotherham Education Services and it was noted that there were no further comments at this time.

### **(ii) Reconciliation to final Management Accounts**

Governors confirmed they had received the report. There were no further comments at this stage.

### **(iii) External Auditors Report/Management Letter**

DW stated that the executive summary highlights that the process was completely conducted online and she stated her thanks and appreciation to the ED: Finance and her wider team for the quick adaptation to working this way.

DW gave an overview of the report, highlighting key areas including risk. There wasn't anything throughout the audit which resulted in any changes to risk assessments. A small number of control recommendations were identified. A number of key areas were highlighted as being:

Revenue recognition – still awaiting some confirmations from the ESFA relating to AEB and apprenticeship income which is needed for final sign off

Job retention scheme - tested the process due to this being new

Pension provision – this has increased the net liabilities so has been reviewed. In addition, key assumptions have been reviewed against the benchmark. Salary increase has also been assessed and adjusted to be inline with expectations across the sector.

Pension developments – updated understanding to reflect learnings from rulings made in relation to other pension schemes. Unusually this year it has caused uncertainty in property valuations. Due to the current pandemic and the impact on property prices. Consideration has been given to whether this impacts on assets and the pension scheme.

Going concern will be updated for review in January.

Three internal controls were highlighted within the report, none of which provide any significant concern.

A few adjustments have been made and have been noted within the report, several of which are closing adjustments.

The Chair thanked the ED: Finance and the wider team for all their hard work to date and to the outcome on the controls.

#### **(iv) Letters of Representation**

DW stated that the letters should align to the reports which have been presented. The Chair queried whether there could be any changes to which it was agreed that changes would be highlighted at the January meeting. No further queries were raised at this stage.

## **6 Statement of Going Concern**

The ED: Finance drew reference to the report which has been circulated which states the current situation including the issues presented by COVID-19 and risks to the future forecast.

The report also outlines the asset sales planned and currently going through. This also includes the land at Kiveton which is worth £8m. Currently this is not included on the net book value at the moment so any monies arising will be a further increase.

The forecast included is steady and risk free. The risks identified relate to HE enrolments and the AEB funding. Current conversations with the SCR indicate that the same allocation will be received. Currently, due to the significant shift on finances, RNN has tipped into 'good' financial health. Cash flow also in a good position due to recent sales and looking good for March 2021.

Governors noted the contents of the report and acknowledged that the recent sales, whilst positive, were only a one-time transaction and therefore caution needed to be applied moving forward.

Governors raised two points. One was to note recent conversations with the ESFA and that they are impressed with the significant improvements made. The second was to query why the

land at Kiveton hadn't been picked up and whether there was an issue relating to internal controls. It was clarified that this was a historical transaction arising from incorporation and it hadn't been recorded anywhere. The auditor stated it wasn't unusual for this to happen especially where land had been gifted.

## **7 Internal Audit**

### **(i) HR Mental Health and Well Being**

RSM gave an overview of the final report prepared for 19/20 and stated that they were able to give their highest level of assurance: substantial for this area. The report considered the Group's response to COVID and the support put in place for student and staff mental health. A couple of low action points were raised and one medium action point which dates back to June 2020 regarding training to support mental health.

The Chair noted the hard work of the HR team and stated it was excellent to see the highest level of assurance being given especially during such testing times.

*Members of the finance committee left the meeting – 6pm.*

### **(ii) Health and Safety**

RSM gave an overview of the final report following the verbal update given in September. Look at several aspects relating to H&S such as risk assessment, training, fire safety, accident and incident report and general governance. The scope had to be limited due to the pandemic and not being able to obtain paper-based records relating to information for new staff and visitors, risk assessments for DVC and fire safety records.

The findings were that controls exist however the compliance and effectiveness of them does not exist result in no assurance being able to be given. Findings included two high and four medium:

Findings resulting in high action points:

- First aid training registers incomplete or out of date
- Fire warden training hadn't been completed for several years and the spreadsheet was out of date

Findings resulting in medium action points:

- Risk assessments template is being consistently completed for example the risk assessments were not being reviewed by a trained and competent member of staff
- Accident reporting – number of issues identified regarding recording and reporting issues
- Late reporting in accordance with RIDDOR highlighting control issues
- No overall management of reporting or recording of accidents across the group

The ED: Corporate Services stated that reasonable progress has been made to address the issues raised but that the current situation has slowed down completion especially as staff are working hard to ensure the building is COVID safe to bring staff and students back on site. Hoping to be completed by February 2021.

The Chair queried where H&S sits in terms of governance and reporting. The ED: Corporate Services stated that reporting had been going to the finance committee. Governors stated that they would prefer an interim report to the audit committee on a bi-yearly basis as a minimum possibly quarterly.

RSM stated that there will be a follow up on all actions completed in June 2021.

Governors stated that they would like to see a report on progress at the next board meeting. A brief paper on the headlines and a discussion on which committee a standard report should be reviewed. A conversation was had regarding the correct committee for this to be reviewed at. RSM stated that they usually see organisations that have a finance and general purposes. It was noted that previously the finance committee had been called finances and general purposes.

Governors stated that whilst this was still a red report then it should be regularly reviewed at the audit committee until otherwise.

**Action: Update to be given to audit committee in February 2020. A decision then needs to be made on where health and safety reporting sits going forward. Director of Governance to explore options with finance committee.**

### **(iii) Draft Annual Report 2019/20**

RSM gave an overview of the process undertaken in order to give an internal audit opinion and the limitations resulting from the current pandemic. As a result of their findings the internal audit opinion given was three which is categorised as 'there are weaknesses in the framework of governance, risk management and control such that it could become inadequate and ineffective'. It was acknowledged that a lot of work had been done to improve areas such as risk management and governance over the past 12 months. The main areas of focus, which have resulted in the audit opinion given, are: risk management, governance, quality process and health and safety and they will continue to be the areas of focus.

RSM stated that several statements to be included within the financial statement have been stated within the report (p.6) and these should be included within the statement of corporate governance and internal control section.

**Action: ED: Finance to include the statements with the financial statement.**

RSM stated that they have undertaken an assessment of subcontracted provision for the ESFA and they do not believe this results in a conflict of interest however they wanted to draw governors' attention to this.

The Chair asked the executive team whether or not the opinion feels fair. The ED: Finance stated that it is fair. They are aware of what needs to be completed and the work is ongoing to complete this.

RSM stated that if the direction of travel continues in the same way then next year will be a much more positive outcome. They feel very confident that RNN will be within the standard given to the majority of clients across the sector.

## **8 ILR Audit Report**

The ED: Finance gave a brief overview of the review completed. There are a couple of minor areas which have been picked up. There are now trained compliance officers and an ILR Manager has been employed.

## **9 OfS Audit Report**

No further comments at this stage.

## **10 Regulatory Self-Assessment Questionnaire**

The ED: Finance stated that this has been completed and it needs to be signed off. DW highlighted that an additional appendix needed to be completed for COVID-19. The ED: Finance stated that this would be added.

**Action:** The Executive Director of Finance to complete the additional appendix relating to COVID-19 prior to sign off.

**11 Annual Report of the Committee to the Corporation and Accounting Officer**

The annual report was discussed in terms of content and tone and it was agreed that the wording needed to be amended in order to reflect the current situation and to be considered at the extraordinary audit committee in January.

**12 Audit Recommendations Report**

The ED: Finance stated that this compiles all the controls highlighted. This has been colour coordinated by progress rather than whether they have been achieved or not. The Chair asked if they could stay on the sheet until internal audit have confirmed they have been completed and can be removed.

**13 Risk Management**

**(i) Summary of Urgent Risks**

No urgent risks noted.

**(ii) Risk Register 2020/21**

The ED: Finance gave a brief overview of the risk register which was circulated and drew reference to the red risks around funding and quality. Mitigation is in place and is helping to improve the ratings. There are risks relating to mass illness owing from COVID but still able to operate. A new risk has been added in for Brexit relating to data processing. The ED: Corporate Services stated that the UK may not have adequacy status relating to the transfer of data going into and back out from Europe.

**14 Audit Service Sector Update**

The Executive Director of Finance advised that there is nothing further to report.

**15 Fraud, Irregularity and Whistleblowing – 2019/20 Report**

Action arising from last meeting – GO (need to complete)

**16 Any other items of urgent business**

None stated.

**17 Date & Time of next meeting**

Thursday 21<sup>st</sup> January 2021.

Signed \_\_\_\_\_ Chair

Date \_\_\_\_\_