

Part A Non Confidential Minutes of the Audit Committee meeting
Held on 13th June 2023 at 4.00pm
In 4H01 at the University Centre, Grimsby

Governors Present: Josh Greaves (JG - Chair), Jim Harris (JH), Guy Lonsdale (GL), Keith Pearson (KP)
Apologies from Governors received from: Peter de Braal (PB) and Mike Stopper (MS)

In Attendance: Clare Parkes (CP – TIAA), David Hoose (DH – Mazars) Maria Turnbull-Kemp (GVP Finance), Adrian Clarke (GVP Corporate Services), Antonia Praud (AP – Director of Governance)

Apologies received from: David Robinson (DR – TIAA) and Ann Hardy (CEO),

1	<p>Welcome and Apologies for absence Members were welcomed to the meeting. Apologies were received from Peter de Braal, Mike Stopper, and also from David Robinson and Ann Hardy. These were accepted, with consent.</p>	
2	<p>Declarations of Interest Members were reminded to declare any interests as and when they arise. JG declared an interest, as the organisation he worked for was internally audited by Mazars.</p>	
3	<p>Internal Audit</p> <p>Audit report on casual staff: The audit was carried out in April 2023, and the auditors confirmed reasonable assurance was given for the processes in place.</p> <p>Overall “good processes” that were “well established” were identified. One recommendation was made relating to the underpayment of holiday pay, and the recommendation is ongoing as it is dependent on the outcome of the judgement from the government, as a result of the supreme court ruling.</p> <p>Governor challenge: The committee questioned what the potential impact of the ruling could be, and whether the group should make payments now. They also questioned the decision to move away from using casual staff, and impact on recruitment and morale.</p> <p>It was confirmed that if staff are employed for a period of time or on a regular basis, they should then be permanent staff. This review was separate from the legal judgement, and was a positive step for recruitment and for staff.</p> <p>Governors questioned if the backpay due, will impact other companies or if the TEC Partnership’s level of risk was higher than the sector or norm. It was confirmed that nationally, this judgement impacted all companies with casual staff, and could impact their practices.</p> <p>Governors questioned if the group had been taken to court, or there was a complaint that had initially raised the need for the audit and it was confirmed this was not the case.</p>	

	<p>Governors questioned the decision making authority for the decision for the back payments (ie a decision for corporation) and it was confirmed that it would be based on government guidance.</p> <p>There was a risk of liability, but it has not crystallised. TIAA had raised the legal process in their audit last year. The government judgement would confirm what may be due and how far to go back (e.g. to understand the liability that may accrue).</p> <p>The committee reviewed the wording in the report, when questioning the overall decision to make a payment. It was confirmed the partnership would not make a payment based on the report from TIAA, but would follow the government process, reporting back to the board with the legal decision. The committee therefore challenged the nuance in the language used in the management comment. CP agreed TIAA would issue a revised final report, noting the need for a risk informed decision, after government guidance is received.</p> <p>Progress report and update:</p> <ul style="list-style-type: none"> • The recruitment and retention audit is currently underway. • The management accounts audit has not started yet as it is timetabled for July. <p>The committee thanked CP for her time, and CP left the meeting.</p>	1
4	<p>External Audit</p> <p>The team are getting ready for the year end audit and a pre-meeting was held on 25th May. It was confirmed, this year there will be no changes to the senior team supporting the audit and the timetable had been agreed.</p> <p>Attention was drawn to the changes in the process from last year (pages 12 and 13 of the report). This included:</p> <ul style="list-style-type: none"> • The impact of ONS reclassification. • College accounts will have more similarities to academy disclosures. • Modified audit opinions have been rare, but will become more common in the sector. • The need to obtain permission for “novel, contentious or repercussive transactions”. • Additional statements required as a result of the revised Audit Code of Practice, within the regularity reports. <p>The Auditors then drew the committee’s attention to section four of their report, and the risk assessment undertaken within the audit. Testing to identify significant risks will include:</p> <ul style="list-style-type: none"> • Opportunity for fraud by manipulation or overriding of controls • Revenue recognition (which is greater this year as a result of the capital grants received in the sector) • Assumptions used in calculating the value of the Local Government pension scheme. <p>The Auditors also confirmed they were aware of the recommendation for the Hive Up of Modal at the year end, and confirmed that whilst this creates additional testing this year, it also removes some considerable risk for the group overall.</p>	

Fees: Attention was drawn to the proposed fees, and the additional non audit fees (tax advice for Hive up of Modal and VAT on Skegness project) , that were one off fees for advice this year.

Future planning: The Auditors noted that in the longer term, the government would like the sector to move to a March year end. Colleges, Auditors and the AoC are pushing back, but it is still under discussion.

It was confirmed that the financial regulations have been substantially rewritten to reflect the changes in the ONS reclassification. Controls have been put in place (e.g. debt write off). The group are following the guidance within the bite size guidance (e.g. pay controls) and will raise anything deemed as “novel, contentious or repercussive”.

The group are also using a new software programme called Caseware.

Governor challenge:
It was noted that academies use their auditors as a critical friend, and can ask their external auditor for a second opinion before raising anything as “novel, contentious or repercussive” with the ESFA. It was asked if this was a potential avenue for the sector too. In time, with evidence from the sector, this may be an approach. There is no clear guidance for the sector at present.

Governors noted the different treatment of operating financial leases, to the academy sector, and it was noted there may be further updates to harmonise this in time. It was confirmed that the group had 295 operating leases (relatively low for the sector) and no finance leases.

Governors questioned the capacity within the group, and key personnel risks (e.g. if MKT was absent). It was confirmed that Lauren O’Brien was working with MKT this year, and would take the lead in future years. MKT plans to train other members of the team, to reduce this risk, for future years, planning to continue to develop resilience within the team.

Governors confirmed they were happy with the plan for the audit, and subject to confirming authority for approval in the scheme of delegation, to approve or recommend the process and fees, to the board.

The committee thanked DH for his report and contribution. DH left the meeting.

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5 **Minutes and Confidential Minutes from 14th March 2023**
The committee approved both sets of minutes as an accurate record of the meeting.

No	Minute	Action by	Action	Update
6.3	Delegated Authority Policy	MTK	MTK will provide a further update once we receive the ESFA guidance.	The policy was approved and further updates will be given on an ongoing basis.
8	Risk Management Progress Report and Risk Register Update 2023/24	AH/MTK	ELT would identify and share their sense of the “hot” areas; these were noted as	A presentation on the assessment process will be provided at the

			staffing, recruitment, budgets, how we can afford the next pay rise. It was agreed there would be a presentation on the assessment process at the next meeting.	October meeting, to enable discussion in person.	3	
Confidential Minutes						
No	Minute	Action by	Action			
4	Group VP Finance's Governor Briefing and Year-End 2021-2022 update and proposal to extend the audit provision	MTK	Members asked MTK to seek legal advice from Eversheds as to whether this could be done, as this would be a deviation from a previous Audit Committee decision and needed recommending to Corporation.	The recommendation was within Confidential meeting pack of the corporation of 27 th March 2023, confirming legal advice		
4	Group VP Finance's Governor Briefing and Year-End 2021-2022 update and proposal to extend the audit provision	MTK	It was agreed that once legal advice had been sought, an email would be sent to allow a decision through a written resolution in order to recommend a decision to Corporation on 27 th March 2023.	Completed on 27 th March 2023		
4	Group VP Finance's Governor Briefing and Year-End 2021-2022 update and proposal to extend the audit provision	MTK	JG asked for the written resolution to include the total contract costs including the tax element.	Completed on 27 th March 2023		
6	<p>Finance report</p> <p>The committee received the report as assurance. The month end testing was completed in the afternoon and it was confirmed the forecast has increased (before pension journals). Cash available has increased to £17 million.</p> <p>Modal – see confidential minutes.</p> <p>Confirmation of Financial Health: The committee received the latest ESFA financial health confirmation, and noted it dropped from Outstanding, to the very top of Good. Whilst disappointing, the team are working hard to achieve Outstanding financial health again.</p>					

	<p>Digital Dashboard: Governors received a report on the new tool, and confirmed the benefits from benchmarking. However, they also acknowledged the importance of context and suitable comparators and confirmed their support to receiving input from MTK and the team, to use the tool in an optimal way.</p> <p>Governors challenged if it was possible to receive benchmarking for other strategic risks – eg recruitment, sickness absence or health and safety compliance. It was confirmed that the ELT receive reports from Heads of each area, and a summary of key stats and performance could be shared with relevant committees.</p> <p>Fixed assets: The committee received assurance that new processes introduced for ERC now record fixed assets and links to funding. A new group fixed asset register has been installed. Governors challenged if this housekeeping had impacted the group’s financial health score. It was acknowledged it was linked to a range of factors, and the accounts were also not as strong as the original forecast too. The information in the accounts is much more accurate this year.</p> <p>The committee wished to record their thanks to the team for the improvements achieved this year, and for the improved integrity within systems and processes. They will be looking for confirmation of this, within the external audit report.</p>	4
7	<p>Cyber Security Update</p> <p>The committee received the progress update, noting:</p> <ul style="list-style-type: none"> • Disaster recovery – testing was completed in March and follow up testing will soon be completed. Staff were able to get the servers up again in good time. • The group have achieved the cyber essential accreditation. • They are rolling out MFA authentication (additional security) for students. It will be rolled out on smaller sites first and all students will be enrolled in September. • The group have moved to a full Teams telephony system and have an automated secondary connection. • The group are looking to roll out BoxPhish cyber security training for students (which is already in place for staff). • They have rolled out Azure factor authentication, moving our internet facing services such as HR and MIS behind a security layer within the Microsoft cloud network. This has enabled us to hide the systems and services from cyber threats and attacks and to also protect them with Multi-Factor Authentication. • The group have a 24 hour response security operations centre monitoring the group and it’s services. <p>Governors questioned if any adjustments would be made for students with needs and it was confirmed a response to this would be requested from the team.</p> <p>Governors acknowledged a recent cyber attack at a local authority and asked if the group had considered a cloud based back up strategy. The group is currently apprx 50/50 (physical and cloud based), with daily back ups on the system. It will be reviewed regularly but is currently seen as effective. There is an overhead for the site and physical servers, and costs of back up cloud based alternatives are regularly reviewed too. However the dual approach is seen as effective currently.</p> <p>IT Safeguarding</p>	5

	<p>The committee recognised a cross over with the Curriculum and Quality Committee, and received the detailed report. Substantial Assurance in the audit in 2022 had been received.</p> <p>Of note:</p> <ul style="list-style-type: none"> • Staff received training on a very regular basis. • There is always a risk and a need for continual vigilance. • Organisational change – the partnership have introduced a group Safeguarding role. • The group are introducing CPOMs, enabling improved access to learner files, especially from feeder schools. <p>Governors questioned if the group participated in the local authority safeguarding audit and it was confirmed it did. The group also has representation on the EHCP committee.</p> <p>It was confirmed the committee can review areas for internal audit activities at the next meeting.</p>	6
8	<p>Risk Register</p> <p>Three new risks have been added to the register:</p> <ul style="list-style-type: none"> • TEC39 LSIPs/LSIFs/Accountability Statements • TEC40 Implementation of T-Levels and removal of alternative qualifications • TEC41 Management re-structure at GIFHE - interviews have been completed. There will be vacancies to recruit to. <p>Governors reviewed the register and confirmed some risks were outside of the control of the group (e.g. inflation).</p> <p>Governor challenge: Governors asked how the ratings were considered, and it was confirmed the register is reviewed by GLT and ELT. All red rated risks are reviewed as agenda items. Assurance was given that it is not a tick box exercise, but actively reviewed.</p> <p>Governors asked that a column be added to the report, with directional arrows, so the direction of travel for each risk could be easily assessed. Governors also questioned if it could be separated into themes, for the benefit of the reader.</p> <p>Governors noted that even with additional controls being introduced, some inherent risks would always remain and the committee needed to consider what assurances it needed. The committee also acknowledged that some specialist areas (eg IT/ Safeguarding) may benefit from more specialist reviews, than an audit from the Internal Auditors, depending on the expertise of the team available. Governors asked for a summary of the audits by TIAA from the last three years.</p>	7 8
9	<p>Financial Regulations</p> <p>Financial Regulations 2023 Annual Review, including Changes to KMP Disclosure (public money)</p> <p>Governors reviewed the revised regulations and thanked the team for the significant work taken to update this, in light of the new ONS reclassification.</p> <p>Governors confirmed they would recommend it to the board, and asked that the date of approval and review date be added to the cover sheet.</p>	9

10	<p>Funds Fraudulently obtained report – verbal It was confirmed there was nothing to report.</p>	
11	<p>Governance Update and Self Assessment</p> <p>Governors noted the terms of reference and standing orders would be reviewed over the summer.</p> <p>The committee reviewed their self assessment of the committee and confirmed:</p> <ul style="list-style-type: none"> • Performance of the Auditors – a request will be made for a summary of performance and a review will be an agenda item. The committee could alternatively review their SLA. Governors confirmed this action could be partially met as feedback was requested in private sessions before each meeting. • The committee reviewed the coverage of audits and the days support agreed for the group. The committee debated if 35 days internal audit support was reflective of the size of group and complexity of business. • The committee noted there were some activities that they would be keen to complete next year – e.g. ILR, and that potentially audits could be obtained from other sources. • Governors would like an overview of the mapping exercise, and to debate how the review risks against the strategic plan. <p>Governors agreed to send personal feedback to AP by Monday 26th June.</p>	<p>10</p> <p>11</p> <p>12</p>
12	<p>Any other business</p> <p>A governor raised whether the Corporation had considered where 'Value For Money' is to be placed in the Partnership's agenda.</p> <p>It was noted that a meeting had been set up – and this had shown that there was some confusion within the meaning. An assumption had initially been made that this was financial “value for money”, linked to purchasing, tenders and obtaining “value”. This would be reviewed at the Finance and Resources Committee.</p> <p>Instead, the intention was to refer to the “value” for money students were receiving, whilst studying at the TEC Partnership. This is not a statutory report, and with other looming commitments for the team, was pushed back.</p> <p>However, whilst the committee agreed this is more difficult to analyse, being very subjective, it was confirmed that the new governance structure will now see a greater focus on areas within this remit that can be measured. The Curriculum and Quality Committee will review information including:</p> <ul style="list-style-type: none"> • Student surveys • Student experience and engagement activities • Student destinations • Student progress <p>Reports will be developed and a policy can be created in the future.</p> <p>The role of the audit committee is to have oversight of the systems and processes in place.</p> <p>Governors noted the passion and commitment to focus on these matters, from the governor, and the chair confirmed he would provide a summary of the discussion, after the meeting.</p>	<p>13</p>

13	Date of next meeting 10 th October 2023 at 4pm.	
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Chair of the Audit Committee

Signed _____

Date _____

AUDIT COMMITTEE Action Schedule ; 15th June 2023

No	Minute	Action by	Action	Date
1	Internal Audit	TIAA	Send through an amended recommendation	ASAP
2	External Audit	AP and JG	Confirm delegation and approval to proceed	ASAP
3	Matters Arising	AH and MTK	Offer a presentation on the assessment process at the next meeting.	10 October 2023
4	Finance report	MTK and AC	Share external benchmarking reports and internal audits in an appropriate way	Ongoing
5	Cyber Security	AC	Confirm if adjustments have been made for students with additional needs	ASAP
6	IT Security	ALL	Review a plan for internal audit activities at the next meeting	10 October 2023
7	Risk	AH	Update the risk register report with a new column demonstrating directional movement, and grouping risks by theme	10 October 2023
8	Risk	MTK	Request a breakdown of audits by TIAA from the last 3 years	10 October 2023
9	Policies	JG	Recommend the adoption and approval of the revised financial regulations	4 July 2023
10	Governance	AP	Agenda item to review the performance of the auditors	10 October 2023
11	Governance	MTK	Provide overview of the mapping exercise and how risks linked to the strategic plan will be reviewed	10 October 2023
12	Governance	ALL	Send personal feedback on the self assessment to AP	26 th June 2023
13	Value for Money	JG	Provide feedback to MS	ASAP