

PART A Minutes of the Audit Committee meeting held on 1 October 2019 at 4pm

Boardroom 4H01, University Centre

Present Robert Edwards (Interim Chair), John White, Keith Pearson

In Attendance Gill Alton CEO, Tony Lawlor Group Director Finance, Andy McCulloch TIAA, David Hoose Mazars, Susan Bailey Clerk to the Corporation, Walter Leschenko (observer) Hugh Callaway GD Marketing and Commercial Businesses (for Modal Presentation – minute 4) Jodie Pennachia, Governing in FE research project.

Prior to the meeting at 3.45 pm members of the Audit Committee met with the Internal and External Auditors without management present in order for members and the auditors to give feedback / raise any queries privately (See part B minutes)

1. Interim Chair's welcome

1.1 Following introductions the Chair welcomed Keith Pearson to his first meeting of the Audit Committee, Walter Leschenko (prospective governor) as an observer and Dr Jodie Pennachia, from the Governing in FE Project (observing and filming for the duration of the meeting and for which consent release forms were distributed and signed).

2 Apologies

2.1 Apologies were received from Lucy Ottewell-Key (Staff Governor) and Mike Stopper

3 Declarations of Interest

3.1 There were no declarations of interest.

4. Governor briefing – ESFA Funding Assurance review 2018-19

4.1 The GD Finance presented an overview of the process for the ESFA (Education & Skills Funding Agency) Funding Assurance review 2018-19 of which the TEC Partnership had been subject to wc 23 September 2019.

4.2 Members were pleased to note that the outcome of the funding audit had been positive. No major issues had been found in any other areas with the auditors reassured that the TEC Partnership's funding claim was accurate and clawback was not required.

5. Minutes of the Audit Committee Meeting held on 25 June 2019 and any matters arising

5.1 RESOLVED The minutes of the Audit Committee meeting held on 25 June 2019 were accepted as a correct record and signed by the Chair. There were no matters arising.

6. Internal Audit Service (IAS) assurance review of GDPR (General Data Protection Regulations)

6.1 TIAA submitted the IAS review report on GDPR (deferred at the last meeting) which had considered the arrangements in place to ensure full compliance with GDPR requirements. The review confirmed the following:

- The TEC Partnership had successfully implemented its GDPR Compliance Project.
- Data Protection Policies linked to the TEC Partnership websites were now up to date.
- The appointment of the dedicated Data Protection Officer demonstrated that the TEC Partnership took Data Protection and compliance with GDPR very seriously.
- Continual improvement was embedded within the Data Breach process.

6.2 As reported at the last meeting TIAA confirmed that the Audit Review of GDPR Compliance had been positive receiving 'substantial assurance' that the TEC Partnership's compliance with GDPR was effective.

6.3 RESOLVED The Internal Audit Service report on GDPR was received and noted.

7. Internal Audit Service (IAS) assurance review of Follow up

7.1 TIAA submitted the final IAS review report on Follow up (deferred at the last meeting) in respect of the following IAS reviews undertaken during 2018-19 and which confirmed that out of three recommendations two had been implemented and one recommendation had been considered and not implemented by management.

Key Financial Controls – Cashflow	2017/18 March 2018
GDPR Preparedness	2017/18 June 2018
Follow Up	2017/18 June

7.2 **RESOLVED** The Internal Audit Service report on Follow up was received and noted.

8. Internal Audit Service (IAS) Annual Internal Audit Final Report for 2018/19

8.1 TIAA submitted the IAS Annual Internal Audit Report 2018-19 which summarised the outcome of the reviews carried out on the TEC Partnership's framework of governance, risk management and control. The report, designed to assist the Corporation in making its annual governance statement confirmed that TIAA's Head of Internal Audit was satisfied that, for the areas reviewed during the year, the Grimsby Institute had reasonable and effective risk management, control and governance processes in place. This opinion was based solely on the matters that came to the attention of TIAA during the course of the internal audit reviews carried out during the year.

8.2 **RESOLVED** The Annual Internal Audit Final Report for 2018-19 was received and noted.

9. Internal Audit Plan 2019/20

9.1 TIAA submitted the Internal Audit Plan 2019/20 detailing planned audits for the forthcoming year, following discussions with the GD Finance, CEO and feedback from EMT. Agreed audits were as follows:

- Project Management Assurance (due to multiple projects currently underway)
- National Employability Training (NET) due to revenue increase from £0 to £4m over the last 2 years)
- Bursary payments (due the volume issued)
- Risk Register and Board Assurance Framework
- Contingency
- Follow up

9.2 TIAA stated that the plan did not include subsequent year planned audits in view of the forthcoming merger with ERC and that a further plan 2020-22 would be submitted to the June 2020 meeting of the Audit Committee accordingly. Following consideration of the plan members agreed to recommend it to the Corporation for approval.

9.3 RESOLVED The Internal Audit Plan 2019/20 was approved.

10. Local Government Pension Fund update

10.1 The Group Director Finance submitted a report and supplementary documents which outlined the performance of the Local Government Pension Fund (LGPF) 2018-19. Members noted the adverse swing of £11.1m this year from the previous year.

10.2 The GD Finance reported that there was evidence of large swings of this kind across the FE Sector and that the TEC Partnership's positive Balance Sheet in terms of net assets and the covenants in place with Santander excluded the pension liability.

10.3 To counter this increase in pension deficit, with the agreement of Mazars, the TEC Partnership proposed keeping pay rises to a 1% cap for the next 5 years.

10.4 Management had also requested a new report (£200 charge) and by changing an assumption on future longevity data, the pensions liability could be reduced by circa £3.5m - £4m down to circa £19m.

10.5 It was acknowledged that negative LGPF swings of this nature were not uncommon within the history of the FE Sector and the drops were generally clawed back in intervening years.

10.6 RESOLVED The Local Government Pension Fund report was received and noted.

11 Merger update – verbal

Minute 11 was classified as confidential in accordance with Clause 17 of the Instrument of Government.

12. Modal Training Ltd presentation

Minute 12 was classified as confidential in accordance with Clause 17 of the Instrument of Government.

13. Risk Register

13.1 The Group Director Finance submitted the TEC Partnership's most up to date Risk Register confirming the addition of Finance team staffing risk (RAG rated) It was agreed that the Risk Register provided an accurate record of current risks and the steps taken to mitigate these risks.

13.2 RESOLVED The Risk Register 2019-20 as at 1 October 2019 was noted.

14. Risk Management Strategy and Board Assurance Framework

14. The Group Director Finance provided a verbal update on the current status of the TEC Partnership's Board Assurance Framework 2018-19 stating that due to current staffing levels within the Finance team and work towards merger with ERC it had not been possible to submit a draft framework as originally planned. It was agreed that the Board Assurance Framework and Risk Management Strategy be submitted to the next meeting of both the Audit Committee and the Corporation.

14.2 RESOLVED The Risk Management Strategy and Board Assurance Framework update report was noted.

15. Financial Regulations 2019-20 Annual Review

15.1 The Group Director Finance submitted the Group Financial Regulations for annual review and reported the key changes in line with the following:

- a. Reference to the TEC Partnership and Local Advisory Boards now incorporated throughout the document.
- b. All references to Estuary TV removed
- c. Amendment to the procedure for approval of governor mileage claims to make clear that the Chair of the Corporation authorises the CEOs mileage claims and the Clerk to the Corporation authorises the Chair / members of the Corporation and Local Advisory Board members' mileage claims.
- d. Reference to the Remuneration Committees responsibilities as a result of the Corporation's recent adoption of the AoC Senior Post Holder Remuneration Code (April 2019)

15.2 It was agreed that the Financial Regulations were comprehensive providing clear guidance on financial procedures. It was acknowledged that further amendments throughout the year may be required particularly in view of the forthcoming merger with ERC.

15.3 RECOMMENDED FOR CORPORATION APPROVAL That the Group Financial Regulations 2019-20 be approved by the Corporation.

16. Policy Review Cycle 2019-20

16.1 The Committee considered a report by the VP Curriculum detailing the work of the Quality team to ensure all policies adopted and adhered to were regularly reviewed on a timely basis to ensure compliance with all necessary legislation and alignment to the TEC Partnership's Quality Standards. Included within the report was a complete list (Policy Catalogue) of the TEC Partnership's policies and status within the review process. Members noted the recommendation of the Merger Transition Group to defer review of financial policies unless there was a legal requirement to do so in order to use best policy practice from both organisations following the merger.

16.2 Members requested a further review of the small number of policies marked 'under review' (RAG rated amber) as the dates for these policies were out of date by more than one year.

16.3 **RESOLVED** The policy review cycle for 2019-20 was received and noted.

17. Funds fraudulently obtained report.

17.1 The GD Finance confirmed that management were not aware of any funds fraudulently obtained since the last meeting.

17.2 **RESOLVED** The funds fraudulently obtained report was received and noted.

18. Any other business – no other business was raised at the meeting.

19. Date and time of next meeting

19.1 **RESOLVED** Tuesday 3 December 2019 4pm – The Boardroom, University Centre

The meeting closed at 4.45 pm

Chair of the Audit Committee

Signed _____

Date _____