

PART A Minutes of the Audit Committee meeting held on 8 December 2020 @ 4pm

The Boardroom, University Centre

Present Walter Leschenko, John White, Mike Stopper, Keith Pearson

In Attendance Susan Bailey Clerk to the Corporation, Adrian Clarke, Group Director Corporate Services, Tony Lawlor Group Director Finance, David Hoose Mazars, Andrew McCulloch TIAA, Richard Lewis RSM UK LLP, Steph Rushton Head of Finance ERC, Mike Welsh Principal ERC, Harshad Taylor Group Executive Director of ICT – IT Services.

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

1. Cyber Security presentation including questions and answer session

1.1 The Group Executive Director of ICT – IT Services provided a presentation on cyber security – click link for presentation slides:

<https://gig.sharepoint.com/:p/r/sites/Governors/Staff%20Documents/Meeting%20Papers%20-%20Working%20Folder/Audit%20Committee/2020-21/02.%2008-12-2020/Governors%20-%20AuditC.pptx?d=wd3b7376107014138a2b6371984cfd3f2&csf=1&web=1&e=bOIOLF>

1.2 The following questions were raised:

Q Were any of the cyber-attacks mentioned in the presentation devastating and could that happen to TEC Partnership?

A We are working together across regions and within the sector and are acutely aware of the dangers.

Q How does the committee assure itself that the TEC Partnerships cyber security measures are effective and what would be the appropriate measures and outputs we should see and review going forward?

A The TEC Partnership is well placed with the ICT – IT Services team in dealing with the seriousness of a cyber-attack with mitigations in place and internal penetration testing undertaken and regular warnings to all staff about the dangers of responding to suspicious emails.

1.2 Members acknowledged that no institution was safe from a cyber-attack and expressed thanks to management for their work to mitigate the risks and protect the whole Group from the danger of cyber attacks. It was also agreed that the upcoming Internal Audit review of Cyber Security would provide further assurance and guidance as to key risks. Members thanked the Group Executive Director ICT for a most informative and thought provoking presentation.

2 Apologies

2.1 There were no apologies for absence.

3 Declarations of Interest

3.1 There were no declarations of interest.

4 Minutes of the Audit Committee Meeting held on 29 September 2020 and any matters arising

4.1 The Chair submitted a query received via email from a member of the committee regarding staff welfare during Covid. The CEO provided a short summary in response:

- The TEC Partnership offered a 24/7 telephone helpline for all staff to contact if they had any concerns / issues relating to physical and mental health and wellbeing, bereavement, Covid-19, financial, stress and anxiety issues.
- HR staff were in regular contact with every department to monitor / liaise with any members of staff identified as vulnerable.
- A team of people were working hard to support staff ie the innovate team operated from 8am – 8pm each day to support staff and identify / address any issues with teaching delivery.
- The CEOs fortnightly meetings with the Unions continued to be constructive.

4.2 Members thanked the CEO for her update and assurance that staff welfare was a priority and well managed particularly under present turbulent circumstances.

4.3 RESOLVED The minutes of the Audit Committee meeting held on 29 September were accepted as a true and accurate record, subject to deletion of minute 15.5 (typo) to be duly signed by the Chair electronically.

5. Draft Financial Statements 2019-20 East Riding

5.1 RSM UK LLP submitted the following documents:

- a) Draft financial statements 2019-20 for East Riding College year ended 31 July 2020
- b) RSM FE Emerging Issues Autumn 2020 report
- c) Draft ERC Audit Findings report year ended 31 July 2020
- d) Letters of representation

5.2 RSM thanked the ERC Head of Finance and her team for working remotely on an entirely 'virtual' audit and production of all required information in a timely manner. RSM drew members attention to key aspects within the report.

5.3 Members were informed that it had been a very good year for East Riding College with a healthy cash balance of £1.6m achieved following payment of the loan breakage clause with Barclays Bank.

5.4 Members wished to congratulate the ERC Principal and Head of Finance in their work in achieving such an excellent result and thanked RSM for the production of a very satisfactory report.

5.5 RECOMMENDED that the following reports be approved by the Corporation:

- a) Draft ERC Members' Report and Financial Statements for the year ended 31 July 2020, Group FD to make some slight tweaks
- b) Draft ERC Audit Findings report year ended 31 July 2020, Group FD to make some slight tweaks

c) Letters of representation

6. Deferred reports from the last meeting – emailed queries and answers summary

6.1 The Clerk submitted a report detailing members responses received in relation to circulation of deferred papers from the last meeting. It was noted that all governors' queries had been answered satisfactorily with thanks to all staff concerned.

6.2 **RESOLVED** The Clerks report was noted.

7. Internal Audit Service Annual Plan 2020-21 update

7.1 TIAA provided a verbal update on the Internal Audit Service Annual Plan 2020-21. GD Finance reported that the annual report had not been submitted to the Audit Committee this year due to the current pressures on staff during Covid with EMT reluctant to burden staff anymore during term 1. TIAA confirmed the following:

- Vulnerability testing was underway in respect of a potential cyber-attack with the internal audit review report on Cyber Security to be finalised shortly.
- Exams remained a high-risk area with a review of this area planned for term 2 to 3 alongside the review of Performance Management systems.

7.2 Members were reminded that the TEC Partnership had recently undergone a number of highly intensive assurance reviews during the merger process 2019-20 in respect of financial and legal due diligence, restructuring of loan facilities and a random and unexpected Funding Audit which it was agreed had provided extensive assurance about TEC Partnership control systems and risk management processes.

7.3 **RESOLVED** The Internal Audit Service Annual Plan 2020-21 update report was noted.

8. External Audit Service Progress report year ended 31 July 2020

8.1 Mazars submitted the External Audit Service progress report year ended 31 July 2020 reporting that the year end audit had now been substantially completed with the subsidiary accounts having been received earlier today. Mazars confirmed that there were no concerns about going concern or any issues relating to the risks detailed within the report. In conclusion members were informed that not all FE Colleges were in such a satisfactory position as the TEC Partnership due to issues encountered with remote working during Covid. Members thanked the GD Finance and his team for achieving a positive outcome under the currently challenging operating environment.

8.2 Mazars confirmed that Modal remained a going concern but that a letter of support would be required .

8.3 Confidential minute – see Part B

8.4 Members were reminded that the final GIFHE Financial Statements for the year ended 31 July 2020 would be submitted to the Audit Committee on 19 January 2021 for recommendation for Corporation approval (under agreed Chairs action) and sent to the ESFA thereafter to meet the extended deadline of 31 January 2021.

- 8.5 RESOLVED** The External Audit Service Progress report year ended 31 July 2020 report was noted.
- 9. Covid update**
- 9.1 RESOLVED** The GD Corporate Service's update report on Covid activity was received and noted with thanks to all staff concerned for their work in handling the current issues relating to Covid.
- 10. Risk Management progress report and risk register update 2020-21**
- 10.1 The GD Finance submitted the TEC Partnership Risk Register 2020-21 updated to include three new risks relating to cyber security, Covid-19 and AEB (Adult Education Budget) Members requested a jargon buster list be provided to assist with deciphering the large number of acronyms and abbreviations within reports received at meetings.
- 10.2 RESOLVED** the Risk Management progress report and risk register update 2020-21 was noted.
- 11. Audit Committee Self-Assessment of performance 2019-20**
- 11.1 The results of the recent Self-Assessment of Audit Committee performance during 2019-20 were received and the resulting action plan noted. Members agreed that Self-Assessment of performance of the Audit Committee would be revisited each year to assess whether it was necessary to undertake the process annually or bi-annually.
- 11.2 During discussion members agreed that the Committee had been effective and fulfilled its terms of reference in line with the Post 16 Audit Code of Practice.
- 11.3 RESOLVED** the results of the self-assessment of audit committee performance during 2019-20 and the agreed action plan were noted.
- 12. Annual Report of the Audit Committee 2019-20**
- 12.1 The Clerk submitted the Annual Report of the Audit Committee 2019-20 which members agreed provided an accurate record of Audit Committee business undertaken during the year 2019-20. The Clerk thanked both the Chair and GD Finance for their welcome input into the report this year. During review the following was agreed:
- 12.2 In recommending the Annual report to the Corporation the Audit Committee agreed that it was satisfied and of the opinion that on the basis of the reports received from the auditors appointed by the TEC Partnership, the Audit Committee, Senior Management, the College's Risk Management Group and other sources of audit information that the Corporation's assurance arrangements, framework of governance, risk management and control processes for the effective and efficient use of resources (Value for Money), solvency of the institution and the safeguarding of its assets were adequate and effective.
- 12.3 RECOMMENDED** That the Annual Report of the Audit Committee 2019-20 be approved by the Corporation subject to approval of the ERC and GIFHE Financial Statements 2019-20.
- 13. Treasury Management Policy and annual report**

- 13.1 The Group Director Finance submitted the proposed Treasury Management Policy and annual report on behalf of the ERC VP Commercial and Corporate services. Members welcomed the addition of the policy which it was agreed was comprehensive and timely. Members thanked the ERC VP Commercial and Corporate services most sincerely for his work in devising the policy and for his work undertaken throughout the merger process.
- 13.2 RECOMMENDED** that Treasury Management Policy be approved by the Corporation.
- 13. Senior Post Holder expenses 2019-20 annual report.**
- 13.1 The Group Director Finance submitted the Senior Postholder Expenses 2019-20 Annual Report which provided full details of all expenses claimed over 2019-20 by the Executive Management Team (EMT). The Group Director Finance stated that the report would continue to be submitted annually to the Audit Committee going forward to provide the Audit Committee with assurance that VFM had been secured in respect of EMT expense claims.
- 13.2 Members welcomed the report in providing the Audit Committee with full and transparent information regarding senior post holders expenses claims, which it was agreed were again extremely prudent and commendable.
- 13.3 RESOLVED** The Senior Post Holder expenses 2019-20 annual report was noted.
- 14. ESFA Funding Assurance Review update**
- 14.1 The Group Director Finance provided an update on the recent ESFA funding assurance review (“the review”) for the funding year 2019-20 undertaken by KPMG LLP, the results of which would be submitted to the next meeting of the Audit Committee.
- 14.2 The Group Director Finance confirmed that a ‘good’ funding assurance would again be achieved demonstrating that the TEC Partnership operated under robust internal control systems. Members wished to thank and congratulate all members of the MIS team for their work in securing such a tremendous result.
- 14.3 RESOLVED** the ESFA Funding Assurance Review update report was noted.
- 15. Funds fraudulently obtained - verbal report**
- 15.1 The Group Director Finance confirmed that there had been one minor instance of funds fraudulently obtained (£60) since the last meeting of the Audit Committee with action taken accordingly. It was agreed that the controls in place had been effective in detecting the incident.
- 15.2 RESOLVED** The Funds fraudulently obtained verbal report was noted.
- 16. Any other business**
- 16.1 **Additional Audit Committee meeting 19 January 2021 to receive GIFHE Financial Statements.** Members agreed the additional meeting to recommend the GIFHE Financial Statements to the Corporation, via Chairs action would take place on 19 January 2021 at 4pm.

16.2 Value for Money Policy As a result of discussions during the recent Audit Committee Self-Assessment exercise Members requested that the GD Finance submit a proposed Value for Money Policy to the next meeting of the Audit Committee.

16.3 Board Assurance Framework The GD Finance stated that work to draw up a possible Board Assurance Framework had slipped due to the pressures of Covid. The CEO stated that a rough draft would be presented to the next meeting of the Audit Committee for members consideration.

19. Date and time of next meetings Tuesday 19 January 2021 @ 2pm
Tuesday 9 March 2021 @ 4pm

Chair of the Audit Committee

Signed _____

Date _____

Chair of the Audit Committee