

**PART A Minutes of the Audit Committee MS Teams meeting held on 29 September at 4pm**

**Present** Walter Leschenko, Keith Pearson and Mike Stopper

**In Attendance** Susan Bailey Clerk to the Corporation, Tony Lawlor Group Director Finance, Adrian Clarke, Group Director Corporate Services, Gill Alton CEO, Andrew McCulloch TIAA, David Hoose, Mazars, Steph Rushton Finance Manager ERC, Mike Welsh Principal ERC

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. Governor briefing ISA 570 & Going Concern**

1.1 The GD Finance provided a governor briefing on ISA 570 and Going Concern. Members also noted and received the latest Post-16 Audit Code of Practice 2019-20 as at July 2020.

1.2 **RESOLVED** The governor briefing was received with thanks to the GD Finance

**2 Apologies**

2.1 Apologies were received from John White. The Chair welcomed Mike Welsh Principal East Riding College and Steph Rushton Finance Manager East Riding College to their first meeting of the TEC Partnership Corporation Audit Committee post-merger.

**3 Declarations of Interest**

3.1 There were no declarations of interest. Members were asked to declare any interests should they arise throughout the meeting.

**4 Minutes of the Audit Committee Meeting held on 23 June 2020 and any matters arising**

4.1 **RESOLVED** The minutes of the Audit Committee meeting held on 23 June 2020 were accepted as a true record to be duly signed by the Chair electronically.

**5.1 Introduction to Mike Welsh, Principal at East Riding College (ERC)**

5.2 The Chair welcomed Mike Welsh, Principal East Riding College and Steph Rushton, Head of Finance East Riding College to the meeting. It was agreed by all that the recent merger with ERC and TEC Partnership had been a very positive process and one which now secured a very sustainable future for all parties in serving the needs of respective communities and learners.

## **6. Internal Audit Service Review reports, recommendations and actions:**

6.1 TIAA confirmed that there had been no deterioration in the scrutiny applied to Internal Audit Reviews undertaken during Covid-19 restrictions. Re-prioritisation had resulted in two planned reviews not being undertaken (Business Continuity and Learner numbers compliance testing) as TIAA concurred with management that the TEC Partnership had very detailed internal reporting to management and governors in these areas. Final reports on the following Internal Audit Service reviews were as follows:

### **a) Governance and Risk Management**

TIAA confirmed that the outcome of the review of Governance and Risk Management in June 2020 using 3 audit days from contingency had been very positive with substantial assurance provided that governance was well managed and directed and that risk management processes and strategy across the TEC Partnership were robust and proactive, particularly in the approach to the Covid-19 pandemic. The review of the Corporation's standing orders found no discrepancies in relation to the Instrument & Articles of Government. No recommendations had been made as a result of the review which members agreed was commendable.

### **b) Follow up summary**

TIAA confirmed that management action had been taken in respect of the recommendations arising from the following internal audit reviews during 2019-20:

- Follow-up 2018-19
- Health and Safety
- Key Financial Systems
- GDPR
- Network and Cyber Security

Management had taken action to address 14 of the 16 recommendations made as a result of the reviews 2 of which were considered but not implemented. Members noted that the internal audit service review of examinations had been deferred due to Covid-19 restrictions and the halt of examinations during summer 2020 and which would be implemented in the 2020-21 plan.

### **c) Final Report for 2019-20: GIFHE and ERC**

TIAA submitted the IAS Annual Internal Audit Reports 2019-20 for GIFHE and ERC which summarised the outcome of the reviews carried out on both institutions 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 and particularly in relation to the impact of Covid-19, both GIFHE and ERC had reasonable and effective risk management, control and governance processes in place. Members noted that 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 at GIFHE and ERC during the year.

**6.2 RESOLVED** The Internal Audit Service review reports on Governance and Risk Management, Follow-ups and the Final report for 2019-20 were received and noted.

## **7. Audit Strategy Memorandum – year ended 31 July 2020 – Addendum**

- 7.1 Mazars submitted an addendum to the Audit Strategy Memorandum for the year ended 31 July 2020 (considered by the Audit Committee on 23 June 2020 – min 9) in respect of the following areas where further guidance from the ESFA had now been received:
- a) Audit Scope, approach and timeline and the impact of the Covid-19 pandemic on Colleges ‘Statement of Regularity’
  - b) Post-16 Audit Code of Practice for 2019-20 issued in July 2020
- 7.2 Members noted the main changes to the Post-16 Audit Code of Practice issued July 2020 particularly the requirement for Colleges registered with the Office for Students (OfS) to comply with the OfS Accounts Directions including the provision of an audit opinion on the use of funds.
- 7.3 Members also noted the supplementary bulletin to the college accounts direction 2019-20 and the Post-16 Audit Code of Practice 2019-20 including the additional Covid-specific Self-Assessment Regularity Questionnaire to be completed by the college, and guidance on factors boards and auditors were required to consider in respect of the impact of the Covid pandemic on the Colleges sustainability and going concern assessments.
- 7.4 The fees for external audit and other services, representing a small increase on last year were noted.
- 7.5 RESOLVED** The addendum to the Audit Strategy Memorandum was received and noted.

## **8. Internal Audit Service Plan 2020-21 update**

- 8.1 TIAA provided a verbal update on progress towards completion of the Internal Audit Plan 2020/21 delayed due to recent developments with Covid-19. TIAA confirmed that at a recent planning meeting the following areas for internal audit review had been identified and now awaited final confirmation:
- Cyber security
  - Performance Management
  - Examinations
  - Follow up in relation to Banking procedures.
- 8.2 It was agreed that the biggest challenge to the TEC Partnership during Covid-19 was from the threat of cyber attack. The GD Finance confirmed that insurance expenditure had been increased in relation to cyber security and loss of HE income and that following the merger insurance providers would be asked to tender for services accordingly.
- 8.3 Members queried the measures put in place since the GD Finance was first in post in June 2019 to mitigate the risk of a cyber attack. The GD Finance reported that IT security had been further strengthened with attack attempts monitored closely and that he was confident that the TEC Partnership’s IT defense mechanisms were strong with 100% priority attached to IT security.
- 8.3 RESOLVED** The Internal Audit Plan 2020/21 update was noted.

## **9. Ney Review report July 2020**

9.1 The outcome of the Independent review of college financial oversight 'The Ney Review' undertaken by Dame Mary Ney in August 2019 and published in July 2020 was considered. The recommendations made about the relationship between Government and colleges will feed into the white paper on further education expected in the Autumn. Key themes of the review were as follows:

- There was call for greater clarity and higher expectations of good governance practice at institutional level.
- Recognition of the need to create a broad strategy to elevate the role of Further Education and support colleges in a vital and transformative mission was required.
- Capacity and curriculum planning should take place at a local geographical level.
- There was call for greater clarity over funding with the potential for 3-year funding settlements and a more explicit strategic vision for colleges.

**9.2 RESOLVED** The Ney review report published in July 2020 was received and noted.

## **10. Merger completion verbal update**

10.1 The GD Finance provided an update on merger completion confirming that following the successful merger with East Riding College merger costs had been kept well within budget. Remaining actions to synchronise bank accounts, payroll, accounting systems and processes controls and regulations were progressing well and on time and within budget.

10.2 During questions and answers it was confirmed to members that a new qualified accountant had been employed to oversee integration of the project plan / follow on plan by the agreed due dates to ensure full and effective integration of ERC into the TEC Partnership family. It was also confirmed that nominated leads in IT, MIS and HR continued to work towards full integration with the work monitored to ensure achievement of targets.

**10.3 RESOLVED** The merger completion update was noted.

## **11. Update on Covid-10 and return to sites**

11.1 The GD Corporate Services submitted a report detailing the TEC Partnership's continuing response to Covid-19 the key points of which were as follows:

- The vast majority of learners were now being delivered at TEC Partnership campuses within their normal environments with learners organised into bubbles by their course groups.
- Signage, additional sanitisation and one-way systems had been put in place.
- Masks were now in use and compulsory in circulation and common spaces.
- Covid-19 return to site risk assessments had been updated to reflect the current situation.
- The unions appeared to be happy with the TEC Partnership's current approach to Covid-19
- The TEC Partnership now adhered to new 4 tier system guidance for schools and colleges (detailed within the report)
- £120k additional expenditure had been incurred directly due to Covid-19 mitigations related to cleaning costs, sanitisation products and potential further modifications to the

physical environment with a separate cost code for Covid-19 set up in order to monitor any additions which could be claimed back.

- The impact of Covid-19 would likely hit some of the TEC Partnership's funding streams particularly Apprenticeships and HE provision.

11.2 During discussion members were reminded of the Corporation's approval to revisit the 2020-21 budget in September 2020 which the GD Finance confirmed had now been revised due to the variability of funding streams due to current uncertainties and which would still achieve a surplus, pre-depreciation.

11.3 **RESOLVED** The update on Covid-19 and return to site report was noted with thanks and appreciation to the GD Corporate Services, GD Finance and all staff concerned for their efforts to ensure the safety of all, compliance with all regulations and secure the currently favourable financial position.

## 12. Risk Management update and Risk Register

12.1 The Group Director Finance presented the TEC Partnership's most up to date Risk Register circulated earlier in the day prior to the meeting. Whilst it was evident that TEC Partnership Risk Management was robust / proactive and the Risk Register included the latest key risks it was agreed that members be allowed more time to assimilate the information within the report and feed back any comments or queries to the Clerk accordingly.

12.2 **RESOLVED** That the Risk Register be circulated to members of the Audit Committee for comment.

## 13. LGPS Pension Liability update

13.1 The Group Director Finance presented an update report on the LGPS Pension Liability circulated earlier in the day prior to the meeting and which detailed the FE Sector wide significant increase in pension liabilities. It was agreed that members be allowed more time to assimilate the information within the report and feed back any comments or queries to the Clerk accordingly.

13.2 **RESOLVED** That the LGPS Pension Liability update report be circulated to members of the Audit Committee for comment.

## 14. Internal Audit Service Governor briefings - Audit and Risk Committee – navigating Covid-19

14.1 TIAA submitted governor briefings in respect of Audit and Risk Committees navigation of Covid-19 and testing for fraud resilience under Covid-19 were considered. Members noted the following key points:

- Audit and Risk Committees would need to understand the areas where previous controls were no longer able to operate in the new environment (under Covid-19) leading to potentially new areas of risk.
- During the pandemic the organisations risk appetite would likely change therefore impacting upon the controls in place, leading to the need for new controls which must be sustainable and operated.
- A fraud checklist developed by TIAAs Fraud Intelligence team had been designed as a prompter rather than a definitive list of all potential fraud flags with three aspects of fraudulent activity identification:
  - Frauds which pre-dated Covid-19

- Lockdown frauds
- Post lockdown frauds
- The checklist also provided guidance key markers as follows:
  - **Be Awake** to the possibilities of fraud and not rely upon there being no-one committing fraud during a pandemic.
  - **Listen** to what colleagues say as often a number of people can be individually suspicious of a possible fraud.
  - **Engage** proactively with management to strengthen the controls over Covid-19 impact processes to prevent and deter fraud.
  - **Report** your suspicions to management immediately, do not investigate them yourself.
  - **Together** we can deter and detect fraud against the organisation and we must not leave it to others to do this.

**14.2 RESOLVED** the Internal Audit Service Governor briefings on Audit and Risk Committee navigating Covid-19 was received and noted with thanks to TIAA .

**15. MODAL update and 20/21 forecast – confidential minute see PART B**

**16. End of year Audit Progress update for GIFHE and ERC**

16.1 The GD Finance confirmed that the end of year audit progress for both GIFHE and ERC was going well with the interim audits undertaken in July / August positive.

**16.2 RESOLVED** the end of year Audit progress update for GIFHE and ERC was received and noted.

**17. End of year integrity check**

17.1 The GD Finance submitted a report detailing the results of the most recent Data Integrity Test undertaken in July 2020 (performed annually during the summer term) The test performed compared the listing of staff payed to a listing of staff emails. The outcome of the test found that 29 members of staff who were paid in June did not have an email address. Further investigation was completed to establish the reasons why and to confirm if there were any discrepancies / irregularities within the payroll database. The result of the investigation confirmed the reasons for missing records were genuine and there were no instances of fraud or irregularity indentified.

**17.2 RESOLVED** the end of year integrity check report was received and noted.

**18. ESFA letter to the College Accounting Officer August 2020.**

18.1 The GD Finance submitted latest correspondence from the ESFA regarding submission of 2019/20 financial statements and associated documents which confirmed that the usual / predicted deadline 31 December 2019 had been extended to 31 January 2021 in light of the challenges presented by Covid-19.

**18.2 RESOLVED** the ESFA letter to the College Accounting Officer was received and noted.

**19. Insurance Settlement – confidential minute see PART B**

## 20. Policy review cycle 2020/21

20.1 The Committee considered a report by the ED Quality Improvement and Learner Success detailing the work of the Quality team to ensure all policies adopted and adhered to were regularly reviewed 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 which members were informed was reviewed on a monthly basis.

Members were reminded of the agreement during transition to merger with ERC, 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, a process which was now in progress.

20.2 **RESOLVED** The policy review cycle for 2020-21 was received and noted.

## 21. Self Assessment of Audit Committee Performance 2019-20

21.1 The Clerk stated that the Self-Assessment of Audit Committee Performance 2019-20 would be undertaken using the questionnaire previously used by ERC Audit committee. Following liaison with the Chair of the Audit Committee the questionnaire would be sent to members to complete, the results of which would be discussed collectively at the next meeting of the Audit Committee.

21.2 **RESOLVED** the update on Audit Committee self assessment of performance was noted.

## 23. Funds fraudulently obtained report – confidential minute see PART B

24. Any other business - none received.

25. Date and time of next meeting Tuesday 8 December 2020 @ 4pm

The meeting closed at 6 pm

Chair of the Audit Committee

Signed \_\_\_\_\_

Date \_\_\_\_\_

## Action Schedule

	Minute	Action by	Action
8	Internal Audit Service Plan 2020-21 update	GD Corp / TIAA	Final plan submitted to next meeting 8 Dec 20
12	Risk Management update and Risk Register	Clerk	Circulate Risk Register to all members for comment
13	LGPS Pension Liability	Clerk	Circulate report to all members for comment
21	Self Assessment of Audit Committee Performance 2019-20	Chair / Clerk	Meeting to work up SAQ – circulate to members for completion and discussion prior to next meetog

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