

**Draft Minutes of the Audit Committee meeting**

**held on 22<sup>nd</sup> March 2022 at 4pm via MS Teams**

**Present** Walter Leschenko (Chair), Keith Pearson, Jim Harris, Mike Stopper

**In Attendance** Dan Humphrey Clerk to the Corporation; Steph Rushton, Acting Group Director Finance; Robert Morton, Group Executive Director of IT; Ann Hardy, CEO; David Hoose (Mazars); Jane Butterfield (TIAA).

**1 Apologies for absence**

None

**2 Declarations of Interest**

There were no declarations of interest. Members were reminded to declare any interests as and when they arise.

**3 Minutes of the Audit Committee Meeting held on 17<sup>th</sup> January 2022 and matters arising**

3.1 The Chair requested a verbal update on the action points from the January meeting.

Minute 5: The Clerk confirmed that the VP Employee Services was unable to attend today but had provided an update regarding the issue of pay differentials, including some examples of the impact of recent central government increases to the National Living Wage. The Chair suggested that a further update be provided to Audit Committee in due course.

Minute 6 was to be addressed at agenda item 9 in this meeting. Minute 9 had been amended. Minutes 11 and 12 were each submitted to the Corporation meeting which occurred later that day.

**RESOLVED** The minutes of the Audit Committee meeting held on 17 January 2022 were accepted as a true record to be duly signed by the Chair electronically.

**4. Finance Directors' Governor Briefing - verbal**

4.1 The Acting Group Director Finance (SR) provided a verbal update stating that from a Group perspective income is looking positive, and some areas are performing better than planned for. Areas which are behind are being monitored carefully. The 16-19 Tuition Fund is progressing slowly, with officers aware that it has to be spent or be refunded. Apprenticeships are doing well, looking very positive. Higher Education is slightly behind but being worked on. Pay costs have seen significant savings but this is based on figures prior to National Insurance and National Living Wage increases, and these savings often relate to unfilled vacancies.

Non-pay costs are more difficult to assess due to an invoice backlog which is a work in progress. Temporary finance staff were brought in to tackle this, with further interim staff hopefully being brought in to continue this work.

- 4.2 It was confirmed that the Santander loan requires a Covenant Compliance Certificate which includes measures of net asset levels, and the operating surplus:total debt ratio. Both measures are being met comfortably at present. There are no covenant concerns currently. It was noted that these requirements are likely to be added to the Management Accounts data going forward.
- 4.3 Finance are awaiting external advice regarding the MODAL loan and the likely impact of converting this into shares, with advice due at the end of this month.
- 4.4 An external consultant has been engaged to seek efficiency regarding use of the financial systems, and amongst the issues highlighted at the inputting of purchase orders, and levels of training and support across the Partnership.
- 4.4 Members queried whether SR has a clear picture of where she wants to reach in respect of Finance's resources. SR confirmed that a plan is being taken to next week's EMT for support. Members noted difficulties with the new finance package post-merger, and sought an overview of the plan after the report to EMT. SR agreed to bring the action plan to the next Audit Committee meeting.
- 4.5 Mr Hoose noted that he would be interested in the content of the MODAL advice regarding whether the debt from MODAL would remain recoverable, and anticipates that the issue will not be resolved entirely, but should impact the balance sheet and enable MODAL to move forward more easily.
- 4.6 The Committee expressed their desire to see the plans regarding MODAL and the TEC Partnership, with particular reference to post-COVID strategy and suggest that the VP Commercial and Marketing be invited to the next Audit Committee meeting to provide an update.

**RESOLVED:** That the update be noted

**RESOLVED:** That the Clerk invite the VP Commercial/Marketing to the next Audit Committee meeting to provide an update on post-Covid strategy

## 5 **Plans to address issues raised in the External Audit Management Letter 2020/21**

- 5.1 SR noted that the letter referred to three medium risk points:
  - a) Trade Creditors; being reviewed as may relate to invoices not yet on the system, but volume has decreased.
  - b) Lack of linkage between Capital Growth and Fixed Assets Register; works are ongoing, but there is a new vacancy as a member of staff dealing with this has departed
  - c) VAT; issues of inconsistency have resulted in liaison with a VAT Consultant to review what is done and guidance regarding the new system. It was noted that previously each

college had dealt with VAT differently and consistency is required going forward, and that the Finance team requires an increased level of VAT confidence also.

Following a question from members, it was confirmed that engaging with the consultant at this early stage avoided the risk of incurring VAT penalties.

Mr Hoose confirmed that this approach sounds sensible and timely, and noted that the fixed asset register point in particular was one inherited by new postholders.

**RESOLVED:** that the update be noted

## **6. Internal Audit Service Progress Report**

- 6.1 Ms Butterfield updated the Committee on the Exams Audit report stating that the process is very well directed and complies with internal policies and relevant regulations. There was a minor point identified about consistency of handbooks regarding wearing of watches in exams, but otherwise a very good report. The Chair offered congratulations to all involved in the exams process.
- 6.2 The Chair sought an update regarding the Internal Audits planned going forward. It was confirmed that Estates was reviewed just last week. TIAA and SR are in discussions regarding which other areas are to be audited.
- 6.3 The Chair asked for an update on HE Access and Participation Audit, which could be this year or next. The Chair provided the historical background, that this audit was suggested regarding who controls books and laptops borrowed by students, and the CEO suggested that this Audit was carried out either this year or next.

**RESOLVED:** that the report be noted and the audit at 6.3 be scheduled for 2022 or 2023.

## **7. Cyber Security Update**

Mr Morton (RM) provided a brief verbal update, stating that in the last year there has been heavy investment in a Secure Operations Centre (SOC) to monitor cyber threats via detection, response and mitigation. The Partnership's firewall has been upgraded, and Multi Factor Authentication (MFA) has been introduced to increase security. Steps have been taken to align the IT team to best practice including meeting government Cyber Essentials standards.

- 7.2 It is difficult to list all threats but they have been tackled via the firewall, by combining proactive and reactive measures, and utilising a staff education programme including the purple phish character. Overall the position is positive and future plans include work on disaster recovery measures, likely to include a more Cloud-based system and MFA to students also.
- 7.3 Members recalled that the last annual update noted that many FE colleges were affected by cyber security and RM confirmed that there had been a wave of incidents at the start of the pandemic, but these seem less common as systems have been secured. Members queried whether IT believe there is sufficient awareness regarding cyber security partnership-wide, and RM confirmed that the education programme has worked well, plus SOC offers another

'set of eyes' to IT. The Chair asked what would happen if the Cloud was compromised, and RM confirmed that there is a recycle bin element which pre-empts this.

**RESOLVED:** to note the Cyber Security update

## 8. Risk Register 2021/22

8.1 SR introduced the Register, and highlighted the MODAL loan issue mentioned above; risk MOD1, plus a new risk added the climate change risk at risk TEC15.

8.2 Members noted the following points:

TEC 7 has a residual risk greater than its inherent risk which seems unusual. SR will investigate

TEC 14; there was a specific query regarding Financial Regulations regarding procurement which SR agreed to discuss with KP after the meeting

TEC 15; members stated this newly identified risk is welcome to try to identify alternative measures regarding climate change

**RESOLVED** The Risk Register update was noted, subject to minor issues at TEC 7 and potentially TEC14.

## 9. Board Assurance Framework 2021/22

9.1 SR noted that this had recently been discussed by colleagues, earlier today, 3 of whom were new to the BAF. The BAF as it currently stands has some gaps to be completed, and an associated guidance document is being prepared to clarify which staff own which elements. Members were keen to see how the BAF develops in future, and noted it is a work in progress.

9.2 Members suggested that a further update of the Board Assurance Framework should be added to future Audit Committee agendas. SR noted that this could be aligned to the Risk Register Update.

**RESOLVED** The Board Assurance Framework update was noted

## 10. Value for Money Policy – verbal update

10.1 SR confirmed that she is due to meet with the Clerk to review this policy and will update Committee at the next Committee meeting, hopefully with a revised draft policy. A key element of a redraft should be to expand the policy beyond purchasing, to include the provision of Value for Money regarding expenditure. It was also noted the policy should cross-reference with other relevant policies, and it is intended to review other college's policies where appropriate

**RESOLVED** To note the verbal update, and to seek a further update at the next Audit Committee meeting

## 11. Funds Fraudulently Obtained Report

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11.1 SR had no new incidences of fraud to report

**12. Review of Local Board Minutes (sample)**

12.1 Members had reviewed the autumn Board minutes provided and noted they were happy that there were no gaps or contradictions between the minutes. The minutes included details and showed Governors on each board are fulfilling their role of challenging and querying. The Chair noted that themes were repeated Partnership-wide including staffing shortages, and hoped that if these continue the solutions will become more creative and innovative.

**13. Appointment of Audit Service Providers – verbal update**

13.1 SR provided an update, noting the 2 areas are due to go out to tender at the end of this month and the beginning of April. Mr Hoose noted that the usual balancing act is between ensuring a robust process and not leaving the Partnership without auditors if the process was left to late. The Committee noted that they would like to be consulted regarding the tender process, and SR agreed to do this.

13.2 SR noted that internal audit retains an open topic slot, and invited suggestions from the Committee to consider. The Chair noted that some areas mentioned above for example GDPR had been reviewed as recently as 2018-19 so the concern is whether it is too soon to re-audit or not. Members suggested that in addition to cyber security, involving disaster recovery as mentioned above, one area to consider would be business continuity.

**RESOLVED: To note the verbal update and for the suggested areas to be fed back to EMT**

**14. Any other business**

14.1 Chair's Departure

It was noted that this is the Chair's final meeting of the Audit Committee as he has chosen to resign, and members thanked him for his contribution to the Audit Committee over the last few years which Members agreed had been greatly appreciated and valued.

A new replacement Chair will be required shortly which is something for current members to consider; it is likely that a temporary Chair will be sought for the next Audit Committee meeting from the current Committee members.

**15. Date and time of next meetings**

- a) Monday 4<sup>th</sup>/ Tuesday 5<sup>th</sup> April Strategic Planning Event
- b) Tuesday 21<sup>st</sup> June 2022 @ 4pm

The meeting closed at 5.30 pm

Chair of the Audit Committee

Signed \_\_\_\_\_

Date \_\_\_\_\_

## Action Schedule

	<b>Minute</b>	<b>Action by</b>	<b>Action</b>
3	Previous minutes	Clerk	To invite VP Employee Services to update the next Audit Committee regarding this item
4.4	Finance Director's Briefing	Acting GD Finance	To provide further update to the next Audit Committee
4.6	Finance Director's Briefing	Clerk	To invite VP Marketing/Commercial to next Audit Committee meeting to update
6.3	Internal Audit Service Progress Report	Acting GD Finance	To schedule the internal audit topic noted for 2022 or 2023.
8.2	Risk Register 2021/22	Acting GD Finance	To investigate the specific risk imbalance at TEC7 , and to meet with the governor regarding the TEC14 potential issue
9.2	Board Assurance Framework	Clerk	To incorporate the BAF update within the agenda of future Audit Committee meetings
10.1	Value for Money	Acting GD Finance/ Clerk	To provide a redrafted policy for the next Audit Committee
13.1	Appointment of Audit Service Providers	Acting GD Finance	To consult Audit Committee members as appropriate regarding the tender process between meetings
13.2	Appointment of Audit Service Providers	Acting GD Finance	To forward those suggestions to EMT and report back to next Audit Committee