

Minutes of the Audit Committee meeting

held on 29th June 2022 at 3.15pm at MODAL Training Centre, Immingham

Present Keith Pearson (Chair), Jim Harris, Mike Stopper, Chelsea Senior

In Attendance Dan Humphrey Clerk to the Corporation, Maria Turnbull-Kemp, Interim Finance VP (both in person), and via MS Teams; Adrian Clarke Group Director Corporate Services, David Hoose (Mazars), Andrew McCulloch (TIAA).

1 Apologies for absence and Appointment of Interim Chair

None.

It was noted that the previous Audit Chair had resigned since the last meeting of Audit Committee and members voted unanimously to appoint Keith Pearson as Interim Chair for this meeting.

2 Declarations of Interest

Chelsea Senior (CS) declared that since the last meeting she had undertaken volunteer work for Outdoor Learning Schools, an organisation with some relationship with the TEC Partnership (TP) but that she has no involvement in that, plus with GY-95, who do not have any links with TP. Members were reminded to declare any interests as and when they arise.

3 Minutes of the Audit Committee Meeting held on 22nd March 2022 and matters arising

3.1 The Minutes of the last meeting were agreed. Dan Humphrey (DSH) noted that the original version in meeting pack were minutes since superseded by final version uploaded which removed a typographical error at minute 6.3

3.2 The Action Tracker was checked with the following comments:

- 3 ongoing; deferred to next meeting
- 4.6 superseded by today's tour and talk by Group VP
- 6.3 item 4 today refers
- 13.1 to be discussed at item AOB below
- 13.2 to be discussed at item 12 AOB below

RESOLVED The minutes of the Audit Committee meeting held on 22nd March 2022 were accepted as a true record to be duly signed by the interim Chair electronically.

9. External Audit Plan 2022/23 Financial Statements

9.1 A request was made to move this item forward on the agenda to release David Hoose (DH) for a subsequent meeting and this was agreed. DH stated that given Maria Turnbull-Kemp

(MTK) had commenced as the interim VP Finance in mid-May, not all questions with External Audit had been worked through yet but MTK and DH have planned a July meeting, giving MTK and Finance four weeks to prepare so Mazars can then perform the Audit. There remains a considerable amount of balance sheet work, and also concerns regarding capital and revenue and fixed assets. Management Accounts are being issued. Travel is in the right direction. MTK noted there are gaps, and lack of staff is one of these as four members are leaving in the next 4 weeks. Documents are being uploaded for Mazars to review in due course. Jim Harris (JH) stated that Committee appreciated the update and offered any help the Committee could offer.

9.2 MTK stated that the figures involved here are substantial, noting the approximate sizes of the Capital Account (£24million) and of Fixed Assets (£88 million). Mike Stopper (MS) asked if there is a risk element with so much work to be done so rapidly, and MTK reiterated that more staff are needed, though there are interviews scheduled this week to possibly replace 2 of those departing.

9.3 A governor asked if the work on capital and revenue will have a financial impact or be more of a tidying up exercise, and MTK stated that it is unclear what the outcome will be, but it may be that fixed assets are being over-depreciated, and that not all capital and revenue is being released into the accounts, so income could go up. MTK identified these are two possible positive impacts but also pensions need reconciling for example. Progress has been made; the ESFA income has been reconciled, payroll has been done.

9.4 A governor summarised that some concerns have been addressed but would it be a struggle to meet the four week timetable? MTK agreed but Mazars as external auditors understand the position and work closely. EMT are supportive too.

9.5 A governor asked for clarification as to the nature of the payroll work carried out, and MTK remarked that a reconciliation of the balance sheet regarding payroll was carried out to identify and tackle issues. A governor agreed they found it reassuring to hear what is being done.

Another governor asked how can we resolve the overall situation and MTK stated via the work being done and bringing in knowledgeable staff.

9.6 A governor sought clarification that whilst there may have been mistakes made, had there been any fraud? MTK said no but see item 11 of this agenda as is relevant too.

RESOLVED: That the update be noted and that the Committee offer their support to the Finance team.

4. Internal Audit Service Progress Report

4.1 Andrew McCulloch (AM) introduced the report noting that the topic of Safeguarding is next in line for an internal audit. In accordance with the previous Committee minutes, the HE Access audit commences next week.

4.2 The committee discussed the Property Compliance internal audit report. AM stated that the Risk Register needs reference to property-related health and safety. As per the recommendation made, there is need for some enhancement. AM stated that more regular reviews are required and there are two priority #2 recommendations listed.

- 4.3 A governor queried the electrical compliance element; the report tells us that a policy is in place but not followed, why not and who is responsible? Adrian Clarke (AC) responded that in the aftermath of the merger with ERC, Estates has been centralised and a new Manager coordinates the P.P.M. work (planned preventative maintenance). AC confirmed this will be added to the annual health and safety report which goes to Corporation. AC's view was that it is a Corporation matter not an Audit matter, and noted that the centralised system will mean increased efficiency and more cost-effective for TP.
- 4.4 Members of Committee queried the process going forward and the Chair stated that his understanding is that once management commit to an action, we receive a report, and the recommendations are then implemented and reviewed. AM confirmed that the follow up report works to ensure implementation with reasons required if not implemented.

RESOLVED: that the report be noted

5. Cyber Security Update

- 5.1 AC provided an overview of the report stating that the TP position is pretty good, with a level of investment akin to that found in the University sector.
- 5.2 He summarised two particular areas;
Multi Factor Authentication:
This has been looked at for students but with possible difficulties, so it has been decided to run a trial in late September/early October to identify possible issues. There needs to be a balance between student service and security.
- Off site recovery solutions
A provider has been identified for implementation during the next academic year 2022-23.
- 5.3 MS asked if the complexities of cyber security lead to increased staff training demand, and if so, what are the funding implications? AC responded that the BoxPhisch package works well, and there is specialist training for 3 staff who work with the SOC centre.
- 5.4 Governors stated it is reassuring given that cyber security is an issue the auditors have mentioned as a headwind in the field, that the report and update shows TP are taking it seriously and it is well funded.

RESOLVED: to note the Cyber Security update

6. Risk Management Strategy 2022/23 and 7. Board Assurance 2022/23 (joint item)

- 6.1 MTK introduced these items together as a joint report had been submitted to the Committee. The consensus at EMT is that the risk registers are traditional and perhaps too much of a 'tick box' exercise, lacking life or reality. There is an opportunity to change these, to take a different approach and to look at risk and opportunity. The thinking is to make Risk less procedural, with a change of culture.

- 6.2 For example MTK was present at the recent ERC Board meeting and it was apparent they need to receive more awareness of TP financial issues.
- 6.3 A governor stated the issue is the consequence of risk. MTK added EMT are working on a new risk register proposal and in due course the CEO or Group VP Corporate Services may attend Audit Committee to present the proposal. AC stated the current style of Risk Register has been long-used. We do add and do delete risks, but do have a lot of repetitive risks. An Opportunity Risk approach could add flavour, could be more specific, and move focus away from history and towards actions.
- 6.4 A governor invited AM's view. AM stated the approach to risk is interesting as there is no right or wrong answer. AM likes the notion of the Board Assurance Framework (BAF) working with the Risk Register and is happy to share example of how other organisations deal with risk.
- 6.5 MTK clarifies the risk register needs modernising not reinventing, while a governor commented that the BAF was never finished, remaining keen to see it finished.
- 6.6 A governor asked whether risk had been discussed with external auditors, and MTK confirmed not yet. DSH noted that the opportunity element was discussed at Strategic Planning Event.
- 6.7 A governor said he is conscious of resources and timing element, and demands on the finance team, as per demands above, so seeks a realistic timescale.
- 6.8 Members agreed a normal update at next 2 Audit Committees and a more detailed update on Risk and BAF at the 3rd 2022-23 Audit Committee

RESOLVED: To support the review of the Risk Register in accordance with the report at #6, and the completion of the BAF in accordance with the report #7, and invites a regular update on the Register, with a specific agenda item at the Audit Committee #3 of 2022-23 on the new Register and completed BAF.

8. Financial Regulations 2022/23 Annual Review

- 8.1 MTK presented the revised Financial Regulations including that some parts were out of date and had been updated, with some positive additions too
- 8.2 DSH provided some background that the governance sections need a further review and MTK has helpfully tackled the financial elements. There is some renumbering to be done, and naming of appendices. Some amendments may follow the forthcoming governance review. As an example the Scheme of Delegation in Appendix B may need further work and may need to be moved or mirrored in other governance policies.
- 8.3 Committee Members sought a before and after or track changed versions to accompany the summary report.

- 8.4 A governor noted that he appreciated that there may be some legal elements to also check, but anything that makes the Regulations more practical is definitely of benefit and welcomes the amendments.

RESOLVED: To note the report on the amended Financial Regulations and to consider further once further reforms proposed.

9. External Audit (see above as previously discussed)

10. Audit Committee Calendar and Business Cycle 2022/23

- 10.1 DSH introduced this item, and noted the first Audit Committee of the new academic year will also be the first overall meeting of the new academic year. DSH had been made aware of MTK's unavailability on the previously proposed date of 27th September, so suggested moving that Committee either forward one week or back 2 days.
- 10.2 Preferred timings of meeting were discussed, and members agreed that afternoon meetings are fine. Two members were flexible, one preferred afternoons and one agreed but no later than a 4pm start.
- 10.3 Members discussed that the biggest links on the Risk Register link to MODAL so the purpose of attending MODAL today was to understand MODAL better.
- 10.4 DH seeks to encourage strong working relationship with Group VP once appointment ratified, and the Audit Committee. He stressed the importance of a Committee which oversees and is pro-active. He also raises a query regarding reserves. While being pleased with TP's financial position and the substantial amount of reserves, he expressed concern that reserves could be eroded by inflation, so this is a real topic and seek advice/views on this going forward.
- 10.5 A governor questioned if Management Accounts will be made available via email/Board Effect to Audit Committee? It was agreed that they would and indeed they were on next week's Corporation agenda. Given that 2 of the 4 members of Audit Committee are not on Corporation, the Clerk will forward the papers for perusal.
- 10.6 It was suggested that the agenda may be reviewed amended further in due course after the next Corporation meeting

RESOLVED: To recommend to Corporation that the 1st Audit Committee meeting of 2022-23 take place on Tuesday 20th September 2022 at ERC, Flemingate, Beverley, at 4pm.

RESOLVED: To recommend to Corporation the Committee Calendar and Business Cycle be otherwise approved

11. Funds Fraudulently Obtained Report

- 11.1 MTK revealed a recent incident and invited AC to give background. Details in private business.
- 11.2 The Committee discussed the matter and noted that there appears no direct evidence of fraud but Regulations not followed. MTK confirmed that it was an uncompetitive quote of

over £100,000 that was not proceeded with nor were any of these 3 original quotes. AC stated that an independent quote for 50%-60% of these quotes has since been obtained. It was concerning that somehow ERC Finance did not get alerted to the matter, which was a procedural error.

11.3 A governor noted that those who picked this up have prevented a potentially serious fraud and thanked them for their oversight.

11.4 AM asked that TIAA be notified of any suspected fraud as it can provide specialist independent advice and guidance

RESOLVED: note the verbal update

12. Any other business

12.1 Covid Assurance Review

AC stated that this audit went well as per the attached correspondence, it relates to a new Covid-19 recovery fund with a good audit result. DSH queried whether it was a one-off review, and AC confirmed so. The Chair was pleased with recent good funding results

RESOLVED: To note the correspondence and verbal update

12.2 Value for Money Policy – verbal update

12.2 DSH provided a verbal update that whilst priority was given to review of Financial Regulations, further work is imminent. A governor volunteered to get involved in this work and is keen that the VFM policy state how we measure VFM, subjectively/objectively. DSH understood that since the last Committee, Steph Rushton had received agreement from EMT to start again with VFM policy

RESOLVED: To note the report and seek a further update at next Audit Committee.

12.3 External Audit update

12.3 This was an outstanding action point from the last Committee meeting. The Committee agreed to recommend to Corporation that a one year extension is approved to the current auditors (Mazars) and that a re-tender takes place during January 2023 to give sufficient time to tender.

12.4 Internal Audit Update

12.4 MTK also noted it is important to check the current Internal Audit position and to update members. It was requested that MTK provide members with an urgent update post-meeting as to which organisations have submitted tender documents.

A governor noted regarding both Auditors, that there is no concern over competence, the issue is one of governance and cost, potentially, and this is the reassurance sought.

13. Date and time of next meetings

Tuesday 20th September 2022 @ 4pm, at East Riding College, Flemingate , Beverley (subject to availability and Corporation approval) with 3.45pm pre-meet as usual

The meeting closed at 5.15pm

Audit Committee 29 June 2022

Chair of the Audit Committee

Signed _____

Date _____

AUDIT COMMITTEE Action Schedule ; 29 June 2022

	Minute	Action by	Action
3	Previous minutes	Clerk	To invite VP Employee Services to update the next Audit Committee regarding pay differentials issue
6.2	Risk/B.A.F	TIAA/Group VP Finance	To provide other risk documents to Committee via Group VP Finance
6.2	Risk/B.A.F	Group VP Corporate Services/CEO	To update Audit Committee #3 of 2022/23 regarding new risk opportunity register template
6.2	Risk /B.A.F	Group VP Finance	To provide further risk register updates
6.4	Board Assurance Framework	Group VP Finance	To provide a completed BAF for next Audit Committee
8.2	Financial Regulations	Clerk	To provide finalised version of Fin Regs including governance amendments
8.2	Financial Regulations	Clerk	To provide track changes/ comparison version of the Financial Regulations to members
10.4	Calendar of Business	Audit Chair/Group VP Finance/Clerk	To consider agenda amendments after Corporation on 5 th July and prior to next Audit Committee meeting
10.5	Reserves	Group VP Finance	To provide update on Reserves to next Audit Committee
10.6	Management Accounts	Clerk	To forward latest Management Accounts and Financial Health to members, from Corporation 5/7 agenda, ASAP
12.2	Value for Money	Clerk/Group VP Finance	To provide a redrafted policy for the next Audit Committee
12.3	Appointment of Audit Service Providers	Group VP Finance	To recommend to Corporation that the External Auditors be appointed for another year and that a tender process be carried out in January 2023 for the next year.
12.4	Appointment of Audit Service Providers	Group VP Finance	To confirm to Audit Committee members a list of organisations who have submitted tender documents regarding the Internal Audit tender and provide appointment recommendation