

## Audit Committee Minutes

Meeting held on Thursday 12<sup>th</sup> March 2020 at 5.30 pm, Room 301, SRC Teesdale

*Governors:* Stuart Blackett, Subhash Chaudhary, Richard Poundford (Chair) and Norma Wilburn

*Apologies:* No apologies for absence from committee members

*In attendance:* Rosalind Armstrong, Ian Wallace and Stephen Veitch (all from AuditOne)

*Officials:* Phil Cook (Chief Executive Officer and Group Principal), Phil Hastie (Group Executive Director Planning and Infrastructure), Gary Potts (Group Director of Business Engagement), Fiona Sharp (Group Executive Director Finance), Kay Taylor (Group Director of HR), Sarah Thompson (Clerk) and Sam Young (Governance Support Officer)

*(Meeting commenced at 5.30pm)*

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The Chair welcomed members and auditors to the meeting.

### **Audit Plan Summary**

Members **noted** the update to the Audit Plan Summary 2019-20; the Group Executive Director Finance added that all audit activity was taking place as planned.

### **A20/1 Agenda Item 1 – Standing Invitation to auditors to speak with committee members**

Auditors were invited to speak with members. The internal auditors had no issues to raise and would address agenda items as they arose. The external auditors were unable to attend the meeting following RSM's guidance to staff not to attend external meetings due to COVID-19.

*The following agenda items were considered by way of a presentation.*

### **A20/2 Agenda Item 2 – Minutes of previous meeting**

The minutes of the Audit Committee meeting and joint Audit and Finance and Employment Committee held on 26 November 2019 were **agreed** as an accurate record.

Under actions, members **agreed** to remove the action to update risks with reference to staff secondment [redacted] as this was now obsolete. The Group Executive Director

Finance reported that online training in fraud and irregularity for staff would be discussed at the next Staff Development Group meeting; Ian Wallace had shared the video as noted and consideration would be given to possible adaptation for group use. In relation to the upcoming Cyber Security audit due to be reported at the June meeting, members noted the recent cyber crime incident at Redcar and Cleveland Borough Council (RCBC). Progress against actions was **noted**.

**A20/3      Agenda Item 3 – Notification of Items of Other Business**

There were no items of other business notified.

*Stuart Blackett joined the meeting.*

**A20/4      Agenda Item 4 – Emerging Issues – Fraud**

The Chair welcomed Stephen Veitch, Counter Fraud Specialist for AuditOne, to the meeting. Stephen outlined his own professional background and the range of AuditOne’s activities in relation to counter fraud; he then gave a presentation on the legal framework, common areas of fraud and management, prevention and awareness.

In response to a member’s question, Stephen explained that ‘working whilst sick’ meant that an employee, whilst on sick leave with their substantive employer, took on work elsewhere; an employee might consider this additional work a hobby and such cases would often go to tribunal.

Stephen gave an example of a fraud case in the education sector and emphasised that, in order to prevent fraud, organisations needed to change their perspective, identify weaknesses and take a risk based approach, with typical higher risk areas being finance and HR. A range of channels, including staff training and promotion activities, could be used to create a culture of awareness and, in particular, how staff identify and report suspected fraud.

The Group Executive Director Finance outlined current counter fraud measures in place at Etc., including strong controls and segregation of duties, and promotion of a culture of vigilance and reporting through the Whistleblowing Policy and Fraud Response Plan. Stephen outlined AuditOne’s work in terms of testing systems for clients to identify possible weaknesses.

A member stressed the importance of knowing staff and being aware of any life events that could lead to behavioural changes and fraud risks and the Group Director of HR agreed and added that HR processes and regular audits were in place to identify discrepancies in, for example, timesheets. Stephen stressed the importance of maintaining staff welfare support to avoid staff feeling under-appreciated or frustrated

at work. Ian Wallace highlighted the increase in qualifications fraud and the Group Director of HR agreed that reference fraud had also become more prevalent and that systems were in place to verify and challenge the validity of references and supporting documents.

The Chair agreed that there were both financial and reputational risks from fraud and asked how this committee could gain surety and confidence in the group's ability to detect and prevent fraud. The Group Executive Director Planning and Infrastructure explained that, through the internal audit plan, periodic review in terms of fraud would be referenced in audit reports. Members agreed that broad assurance was embedded in the Strategic Risk Register which highlighted possible significant fraud risks. In response to a member's question about levels of staff training, the Group Executive Director Finance confirmed that the development of online training was already being considered in order to increase fraud awareness.

The Group Executive Director Finance agreed to develop a suitable mapping exercise for common areas of fraud against the internal audit plan to give assurance and identify any areas for development.

*Stephen Veitch left the meeting.*

#### **A20/5 Agenda Item 5 – Outstanding Actions Status Report**

The Group Executive Director Finance highlighted that the status reports in her previously circulated report indicated that agreed audit recommendations had been implemented within the agreed timescales. The actions arising from the advisory review of Post-Merger Policies and Procedures were in progress; all policies were up to date and the policy database was in place. It was anticipated that policy statements with key points listed at the front of each policy would be in place by the end of March. The Group Executive Director Planning and Infrastructure added that, in broad terms, the development of an Environmental Strategy had been presented to Corporation and the strategy would be presented at the Finance and Employment Committee meeting in March.

The Group Executive Director Finance gave a verbal update on the outstanding external audit action for NETA. [Redacted]; RSM had been notified. There were no other outstanding actions from external audits.

The update was **noted**.

## **A20/6 Agenda Item 6 – Internal Audit Reports**

Rosalind Armstrong from AuditOne highlighted the inclusion of the Internal Audit Progress Report which would be provided in the papers for each Audit Committee meeting to give assurance of progress against the 2019-20 Internal Audit Plan.

### **6.1 – Apprenticeships Internal Audit Report**

The final report had been circulated with the meeting papers and provided Substantial assurance with three Low Risk recommendations.

In response to a member's question, Rosalind confirmed that the same 25 apprentice records were used as a sample for each test. [Redacted] The Group Director of Business Engagement confirmed that current systems had standardised practice across the group but work was ongoing to identify and correct legacy inconsistencies; this had been referenced on page 7 of the internal audit report. As members were unclear of whether the sector norm would be Substantial or Good in terms of assurance profile, Ian Wallace agreed to compile some sector benchmarking.

A member asked for clarification of the instances where calculation of Off-the-Job (O-t-J) in the Commitment Statement varied to the hours calculated on Smart Assessor. The Group Director of Business Engagement explained that due to changes in funding rules and the legacy use of manual calculations some discrepancies had been identified; Smart Assessor was now used for all initial O-t-J hours calculations in order to ensure compliance with current funding rules. All Commitment Statements would be reviewed with apprentices and employers to ensure compliance with Smart Assessor.

Members **noted** the Apprenticeships Internal Audit Report.

### **6.2 – Payroll and Expenses Internal Audit**

Rosalind Armstrong explained that this report was still in draft but that there had been no formal recommendations and that controls in this area were well-designed.

### **6.3 – Risk Management Internal Audit**

The Group Executive Director Finance noted that, as part of this internal audit, AuditOne had reviewed the Audit Committee Good Practice Checklist and feedback on this would be provided in the final report.

The Chair confirmed that any member of the AuditOne team could approach him individually should they encounter any issues and emphasised that the internal audit process should be open and transparent, providing best value to the group. The Group Executive Director Finance agreed to share Etc.'s Tone of Voice statement with the internal auditors.

The Group Executive Director Finance proposed that a number of contingency days be utilised for a review of Safeguarding, including the Single Central Record, to provide assurance of compliance and as preparation for a potential inspection by Ofsted; the number of days would be agreed with AuditOne as part of the audit scope. The Group Director of HR added that the Group Vice Principal Curriculum and Development, the Group Head of Student Services and the Group Director of Quality had already been consulted.

The **update** was noted and members **agreed** to the use of contingency days, number to be decided, from the Internal Audit Plan 2019-20 for the proposed review of Safeguarding.

#### **A20/7      Agenda Item 7 – Cyber Security Update – USB Action Plan**

The Group Executive Director Planning and Infrastructure highlighted from his previously circulated report action taken to restrict the use of USB removable drives across the group. Restrictions in all business support areas had already taken place; however, USBs remained in use for examinations and continuous assessments in curriculum areas. IT staff were working with curriculum teams to ensure a cloud based solution, using SharePoint Online, would be in place for 2020-21. Multi-media students would be issued with registered USB devices which could only be used on restricted computers. USB restrictions would be rolled out to all laptops by the end of May 2020.

In response to a member's question, the Group Executive Director Planning and Infrastructure confirmed that USBs used by multi-media students would be used on both internal and external computers but that, in addition to virus protection on internal computers, use of these USBs would be limited to specific workstations not connected to the college network.

Members **noted** the update.

#### **A20/8      Agenda Item 8 – Preparedness for Coronavirus / COVID-19**

The Group Executive Director Planning and Infrastructure introduced his previously circulated report and commented that events were rapidly changing, with COVID-19 now officially designated a pandemic. Information for staff and students was being kept up to date and made available via the Gateway, posters and email communications to staff. To date, the group had not been notified of any confirmed cases in either staff or students by Public Health England. The Group Director of HR confirmed that HR staff had access to consistent and up to date information for staff phoning in to report absence due to illness. The Group Executive Director Planning and Infrastructure added

that a Pandemic Contingency Plan, as part of the wider Group Emergency Plan, had been reviewed by the Health and Safety Committee in February and that a specific planning group, comprising college principals and some key heads of support departments, had already met twice and would continue to meet at least weekly until no longer required. Key risks and issues had been identified as part of the contingency plan and were outlined for members.

In response to members' comments, the Group Executive Director Planning and Infrastructure agreed to liaise with the Group Head of Estates about the visibility of hand sanitiser dispensers and appropriate warnings about alcohol content. A member asked whether extra precautions had been taken with regard to door handles and keyboards and the Group Executive Director Planning and Infrastructure confirmed that cleaning arrangements had been fully reviewed by Estates and the Learning Resource Centre Manager.

The Chair stressed the importance of gaining assurance that appropriate structures and processes had been put in place and that the group was acting in line with the most up to date guidance. The Chief Executive stressed that, in addition to group-wide decisions such as stopping all overseas trips, each campus would need to take action specific to their geographic area and curriculum areas. The Group Executive Director Planning and Infrastructure added that staff were also carrying out risk assessments for individual programme areas. A member outlined the precautions already taken in his own organisation and, in particular, an early decision to isolate key finance personnel to maintain business continuity. There was a discussion about the possible future need for remote meetings and the Clerk confirmed that, under the Cycle of Business, there were no upcoming decisions that required formal approval at meetings. In response to a member's question about supply issues, the Group Executive Director Planning and Infrastructure confirmed that hand sanitiser was currently the only product in short supply. He confirmed that COVID-19 had been added to the Strategic Risk Register.

The Chair concluded that, though day to day management of COVID-19 remained a management responsibility, it had been important to consider actions from a risk perspective.

Members **noted** the update.

## **A20/9      Agenda Item 9 – Risk Management**

The Group Executive Director Finance highlighted key updates to the Strategic Risk Register for 2019-20, including the addition of one new risk (ref 28) in relation to Coronavirus.

A member asked about insurance cover in relation to COVID-19 and the Group Executive Director Finance explained that Etc.'s insurers had confirmed that, as it was not a listed notifiable disease in the policy wording, COVID-19 was not covered under Business Interruption insurance. The Group Executive Director Planning and Infrastructure added that this was a sector-wide issue and that the Association of Colleges (AoC) was seeking clarification and support from the government.

Members **noted** the progress of risk monitoring for 2019-20 for the Education Training Collective.

**A20/10 Agenda Item 10 – Fraud and Regularity Update**

The Group Executive Director Finance confirmed that there had been no fraud and regularity issues. Members **noted** the update.

**A20/11 Agenda Item 11 – AuditOne Update**

Ian Wallace asked members to note the sector update from AuditOne and members agreed that both the update and the presentation on fraud had been of value. A member commented on the Education Think Tank report, 'Runaway Training', which had highlighted the level of funding wasted in the apprenticeship system and whether this had any potential significance for the group. The Chief Executive anticipated that there could be changes in the future but that, as yet, no formal recommendations had been made for changes to the apprenticeship funding system.

Members **noted** the AuditOne Update report.

**A20/12 Agenda Item 12 – Any other business**

There were no items of additional business.

**A20/13 Agenda Item 13 – Approval of Documents for Public Inspection**

It was **agreed** that the agenda and approved minutes be made available for public inspection. Supporting documents were all deemed confidential for reasons of commerciality.

**A20/14 Agenda Item 14 – Date and Time of the Next Meeting**

Thursday 11 June 2020, 5.30 pm, CR1, Redcar and Cleveland College

**A20/15 Agenda Item 15 – Key Themes**

The following items were identified as 'Key Themes'

- Presentation on fraud risk mitigation from a Counter Fraud specialist from AuditOne

- Received Apprenticeships Internal Audit Final Report
- Agreed to the use of contingency days from the Internal Audit Plan 2019-20 for a review of safeguarding, including the Single Central Record
- Update on USB Action Plan in relation to Cyber Security
- Consideration of Etc.'s preparedness for COVID-19 and risk mitigation
- Update on risk monitoring through the Strategic Risk Register 2019-20

*The meeting ended at 7.10 pm.*

**Approved at a remote meeting**

**Date: 11 June 2020**