

Audit Committee Minutes

Meeting held on Thursday 3rd March 2022 at 5.30 pm, SRC301

Governors: Rachel Beeken, Stuart Blackett (Vice Chair), Subhash Chaudhary (Chair) and Mark Wilson

Apologies: No apologies for absence from committee members

In attendance: Ian Wallace (Managing Director, AuditOne); Claire Leece (Audit Partner, RSM)

Officials: Phil Cook (Chief Executive and Group Principal), Phil Hastie (Group Executive Director Planning and Infrastructure), Gary Pluck (Group Head of IT and Learning Resources Centre (LRC) Services), Kay Taylor (Group Director of HR), Sarah Thompson (Clerk to the Corporation) and Sam Young (Governance Support Officer)

Mark Wilson, Claire Leece and Phil Cook joined the meeting remotely via Teams. Members noted that the Group Executive Director Finance and the Head of Education Services, AuditOne were unable to attend the meeting. There were no apologies for absence from committee members and no declarations of interest in items on the agenda were declared.

A22/1 Agenda Item 1 – CONFIDENTIAL ITEM - Standing Invitation to auditors to speak with committee members

The Audit Partner RSM and the Managing Director AuditOne both confirmed that they had no concerns to raise with committee members.

Phil Cook, Phil Hastie, Gary Pluck and Kay Taylor joined the meeting.

A22/2 Agenda Item 2 – Appointment of Chair and Vice Chair

Members **agreed** to appoint Subhash Chaudhary as Chair and Stuart Blackett as Vice Chair of the Audit Committee to 31 July 2022.

A22/3 Agenda Item 3 - Audit Plan Summary 2021-22

An updated audit plan summary had been circulated with the meeting papers. Members noted the volume of audits planned during March and April and asked if this would create any potential resource implications; the Group Executive Director Planning and Infrastructure explained that each internal audit would involve different Etc. and AuditOne staff and that the internal audit timetable was set according to staff availability or, as in the case of the subcontracting audit, to provide an assurance certificate for the year end. Members **agreed** that the Group Executive Director Finance should review the plan with the Head of Education Services AuditOne and circulate any resulting updates to committee members.

In response to a member's question, the Audit Partner RSM explained that planning work for the external audit would begin after Easter, with the External Audit Strategy for the 2021-22

annual report and financial statements presented at the next meeting; it was anticipated that this year's audit process would follow a similar timetable to the external audit of the 2020-21 accounts.

A member asked if there was any update on the schedule of presentations and key topics and members requested that the lists provided by AuditOne and RSM be re-circulated. The Audit Partner RSM suggested a possible presentation on RSM's Emerging Issues report published annually. The Clerk confirmed that the calendar of meetings for 2022-23 would be presented at the next meeting and suggested that a schedule of presentations could be considered at that time.

Members **noted** progress as detailed on the Audit Plan Summary 2021-22.

A22/4 Agenda Item 4 – Minutes of previous meetings

The minutes of the Audit Committee meeting and the Joint Audit and Finance and Employment Committee meeting, both held on 25 November 2021, were **agreed** as accurate records.

A member asked about the potential increased cyber security risks to the group as a result of the current situation in Ukraine. The Group Executive Director Planning and Infrastructure confirmed that the group remained vigilant for signs of increased threats and that, following guidance recently issued by the National Cyber Security Centre (NCSC), he had reviewed the implications with the Group Head of IT and LRC Services. The Group Head of IT and LRC Services added that announcements from the NCSC and other organisations were acted on as necessary but that, for several years, email traffic from Russian domains had been blocked as there was no business need for such communication; he confirmed that IT Services would continue to respond to cyber security alerts and information releases. In response to a question about staff training, the Group Head of IT and LRC Services confirmed that cyber security training was available on the Staff CPD Hub and that its content was kept under review; information was also circulated to staff through update emails and cyber security was included in student and staff inductions. A member shared information on a recent ransomware attack [REDACTED] and outlined some of the cyber security staff training used in their organisation. Using Redcar & Cleveland Borough Council's ransomware attack as an example, a member asked if it was possible for Etc.'s IT system to then be infected by the same malware and the Group Head of IT and LRC Services explained that this would only be possible if a member of Etc. staff acted on a malicious email forwarded from someone in the affected organisation.

In respect of the deferred action to define the scope for a presentation on embedding a risk culture, members **agreed** that the Chair should discuss its feasibility with the Group Executive Director Finance and report to the next meeting. All actions due had been completed and progress against actions was **noted**.

A22/5 Agenda Item 5 - Notification of Items of Other Business

There were no notifications of items of other business.

A22/6 Agenda Item 6 – Outstanding Actions Status Report

The Group Executive Director Finance had provided members with details of actions arising from previous internal and external audits; as requested by members, a key performance indicator on the implementation of audit actions had now been included in the outstanding actions status report and a target set to implement all recommendations by their due date. The report confirmed that all internal audit actions had been implemented, with those arising from recent audits to be included and reported at the next meeting. Three actions, none of a significant nature, had arisen from the external audit for the year ended 31 July 2021; two had been completed and one relating to NETA’s fixed asset register was planned to take place as part of the year end process for the 2021-22 accounts and therefore not yet due.

The Group Head of IT and LRC Services confirmed that periodic testing of the cyber incident response plan had now been scheduled with the most recent taking place during the February half term.

Members **noted** the status of actions from internal and external audits.

A22/7 Agenda Item 7 – Internal Audit Reports

The Managing Director AuditOne presented the final reports for the following internal audits:

Network Management: Wireless Network Infrastructure

The audit review had been requested to provide assurance in relation to security controls in place in the wireless network; [REDACTED] The management response included in the report confirmed that these recommendations had been completed. The Managing Director AuditOne confirmed that, given the large scope of the audit and the importance of cyber security, the audit represented a positive result and the Group Executive Director Infrastructure and Planning added that an external view on the effectiveness of controls was always useful. The Group Director of IT and LRC Services commented on the value of discussions with AuditOne during audits and enabled comparison against other organisations’ practice.

[REDACTED]

A member asked for an update on the use of USB (Universal Serial Bus) sticks and the Group Head of IT and LRC Services confirmed that software had been deployed to prevent their use and that staff now used cloud storage such as OneDrive and SharePoint. He added that USB ports were enabled for charging but not for data transfer.

Gary Pluck left the meeting.

Safeguarding: Single Central Record

The audit had been requested to provide assurance that the group pre-employment checks and maintenance of the Single Central Record (SCR) met the requirements specified by the Department for Education within Keeping Children Safe in Education (2021). The assurance opinion had been Substantial with two Low risk recommendations, both of which had been implemented. The Managing Director AuditOne highlighted the group’s and the Corporation’s

statutory duty for safeguarding and ensuring that all those who work in the organisation are safe, of particular importance for staff dealing with young and vulnerable people.

A member asked about safeguarding procedures for staff involved in construction work and the Group Director of HR confirmed that the SCR contained different categories of staff requiring slightly different checks but using the same robust process; this included hourly paid staff, associates, agency staff and volunteers, such as governors. In response to a follow up question about the need for supervision of contractors, the Group Executive Director Planning and Infrastructure highlighted that there were robust working methods for supervision of contractors particularly when students were on the premises. Visitors to college sites also wore different coloured lanyards depending on whether they needed to be accompanied whilst on site. The Group Executive Director Planning and Infrastructure **agreed** to circulate the site visitor procedure for contractors to members and to consider whether contractor safeguarding should be included in the internal audit plan with the Group Executive Director Finance.

A member asked about retention periods for pre-employment check records and the Managing Director AuditOne explained that this would be covered under the retention of documents policy. The Group Director of HR added that SCR records and personnel files were archived as staff left group employment with documents processed and retained according to retention guidance. A member asked if staff regularly started employment before receipt of Disclosure Barring Service (DBS) certificates and the Group Director of HR confirmed that this happened infrequently and by exception; use of the digital DBS service had also considerably shortened the time taken for certificates to be issued. She added that HR carried out a barred list check on appointment and new employees were also required to complete a pre-employment disclosure; a risk assessment would be completed for any staff starting employment without a DBS which would be reviewed by her, as Group Director of HR, and the staff member would be fully supervised until receipt of their DBS certificate.

In response to a member's question about the sample size for the SCR audit, the Managing Director AuditOne **agreed** to supply members with this information following the meeting.

Members **noted** the internal audit reports for Network Management: Wireless Network Infrastructure and Safeguarding: Single Central Record and their positive outcomes.

A22/8 Agenda Item 8 – Risk Management

The Group Executive Director Finance had provided an update on the 2021-22 Strategic Risk Register with key updates and the addition of two new risks [REDACTED] The Strategic Risk Register had been reviewed by the Risk Management Group in February 2022.

A member commented that, as levels of COVID infection remained high despite changes in government guidance, there could be a risk of staff and students becoming complacent and it was therefore sensible to retain this risk near the top of the register. The Group Executive Director Planning and Infrastructure confirmed that cases amongst staff and students had been falling and, in response to a member's suggestion that this could be due to less testing, added that the group was still maintaining the self-isolation advice prior to the guidance changes and

that students and staff were being encouraged to continue testing. The Group Executive Director Planning and Infrastructure also explained that although the need for weekly governor update emails was currently being assessed, the group would continue to collect daily staff absence data. In response to a member's question about stocks of lateral flow device test kits, he confirmed that the group still had a sizeable supply and continued to make these available to staff and students on request. The Managing Director AuditOne highlighted the increased fraud risks from the use of fake proof of COVID vaccine status.

A member suggested that, with the increase in capital expenditure [REDACTED] a specific Capital Risk Register could be considered which would feed into the Strategic Risk Register or alternatively a new risk added to the Strategic Risk Register. The Group Executive Director Planning and Infrastructure acknowledged that the current risk probably did not address this sufficiently and **agreed** to consider this with the Group Executive Director Finance.

A member asked if the group had any Ukrainian staff members or students and the Group Director of HR confirmed that [REDACTED] support had been put in place through Student Services.

Members **noted** the progress of risk monitoring for 2021-22 for the Education Training Collective [REDACTED]

A22/9 Agenda Item 9 – Group Emergency Plan

The Group Executive Director Planning and Infrastructure explained that the most recent version of the Group Emergency Plan had been circulated with the meeting papers and that members' comments and suggestions for improvement were welcomed as part of the plan's review and update. The reviewed plan would be brought back to the committee at the next meeting for approval. He added that the previous Group Head of Estates had taken it through a review with the Emergency College before she left the group in July 2021 but that, given the need to minimise and mitigate as far as possible the impact of any incident or 'disaster', it was important to undertake regular reviews.

A member suggested the inclusion of specific scenarios such as loss of utilities, fuel shortages, loss of council services due to strike action and political demonstrations or protests at the entrance to or within any group site. The Group Executive Director Planning and Infrastructure **agreed** to include any not yet covered and noted that the main consideration would be whether it would be safe for staff and students to access the site affected.

A member highlighted the valuable lessons learned from COVID, particularly that most of the group's operations could be delivered effectively remotely, and asked whether the plan should be reviewed in the light of this. The Group Executive Director Planning and Infrastructure explained that the plan provided a framework for dealing with extreme events and that individual managers were given delegated authority to take appropriate decisions within that framework in consultation with college principals.

A member commented on the length of the plan and, having been involved with emergency plans in four different organisations, suggested the inclusion of flowcharts to direct staff to the correct section and also flowcharts within sections. The Group Executive Director Planning and Infrastructure confirmed that flowcharts already existed for some areas but at present did not seem to have been included in the Group Emergency Plan document.

A member asked about security measures for hard copies and the Group Executive Director Planning and Infrastructure confirmed those hard copies held by staff members were signed for due to data protection and confidentiality considerations. Difficulties involved in accessing the plan electronically or in 'grab bags' in the event of an incident were also discussed. In response to a member's question about regular testing of the plan, the Group Executive Director Planning and Infrastructure confirmed that it would be tested as part of the Business Continuity internal audit due to take place in May 2022.

Members **noted** the update and **agreed** that the Group Emergency Plan would be considered at the next meeting.

A22/10 **Agenda Item 10 – The scope of work of audit committees and internal auditors in college corporations – updates**

The Clerk explained that the Education and Skills Funding Agency's publication, The Scope of Work of Audit Committees and Internal Auditors in College Corporations, had been further updated since last considered by the committee in September 2021; this publication was intended to provide Corporations with guidance as to how audit committee arrangements can meet the requirements of the post-16 audit code of practice. Changes, including new sections relating to committee papers and Value for Money, had been outlined in an appendix to the report along with suggestions for ways to enhance Audit Committee practice, based on this guidance. The Clerk proposed to discuss the new section on value for money with the Group Executive Director Finance and bring a report to a future meeting. The Managing Director AuditOne confirmed that the suggested minimum content for the annual internal audit report in Annex C had been reviewed and that all suggested content was included in AuditOne's annual internal audit report. The Clerk **agreed** to circulate the link to the guidance to committee members following the meeting.

The Chair highlighted the section on value for money and the need for audit committees to examine the three elements of economy, efficiency and outcomes or spending less, spending well and spending wisely; he recommended that committee members familiarise themselves with the publication.

Members **noted** the updates to The Scope of Work of Audit Committees and Internal Auditors in College Corporations.

A22/11 **Agenda Item 11 – Fraud and Regularity Update**

The Clerk confirmed that, as she had been unable to attend the meeting, the Group Executive Director Finance had confirmed in writing in advance of the meeting that there had been no fraud and regularity issues and members **noted** the update.

A22/12 Agenda Item 12 – Any other business

A member enquired whether consideration had been given to the lessons learned from the COVID pandemic and if a review had taken place on what had worked well. The Group Executive Director Planning and Infrastructure outlined the use of the COVID-19 specific risk register which had been regularly reviewed by the Audit Committee in 2019-20 and 2020-21 and confirmed that any risks remaining had been incorporated into the group's Strategic Risk Register. He added that considerations such as improved ventilation were being considered for current and future capital developments. In addition, governors had been provided with reflections on governors' response to the pandemic in the Ofsted background papers.

There were no items of additional business.

A22/13 Agenda Item 13 – Approval of Documents for Public Inspection

It was **agreed** that the agenda and approved minutes would be made available for public inspection. With the exception of the papers for agenda item 10, supporting documents were all deemed confidential for reasons of commerciality.

A22/14 Agenda Item 14 – Date and time of next meeting

Thursday 19 May 2022, 5.30 pm, SRC 301

A22/15 Agenda Item 14 – Key Themes

The following key themes were identified:

- Discussion of mitigating measures in relation to Cyber security during the meeting, with members noting that this risk remained prominent in the Strategic Risk Register
- Key Performance Indicator introduced in relation to audit actions with a target set to implement 100% of recommendations by their due date and reported as met in the outstanding actions status report
- Internal audit reports presented by AuditOne with positive outcomes noted:
 - Network Management: Wireless Network Infrastructure [REDACTED]
 - Safeguarding: Single Central Record [REDACTED]
- Etc. Strategic Risk Register 2021-22 reviewed with two new risks added [REDACTED] and one risk retired [REDACTED]
- Discussion of the Group Emergency Plan, with full review scheduled for the next meeting
- Confirmed no fraud or regularity concerns.

The meeting ended at 6.40 pm.

Approved at an Audit Committee held on 19 May 2022