

Audit Committee Minutes

Meeting held on Thursday 19th May 2022 at 5.30 pm, SRC301

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

Apologies: Mark Wilson

In attendance: Wayne Brown (Head of Education Services, AuditOne) and Lisa Barclay (Senior Workforce Solutions Manager, WorkforceOne); Claire Leece (Audit Partner, RSM)

Officials: Fiona Sharp (Group Executive Director Finance), Kay Taylor (Group Director of HR), Sarah Thompson (Clerk to the Corporation) and Sam Young (Governance Support Officer)

Stuart Blackett, Wayne Brown and Lisa Barclay joined the meeting remotely via Teams. Members noted that members of the Senior Management Team involved in Ofsted inspection preparations and the Managing Director AuditOne were unable to attend the meeting. Apologies for absence from Mark Wilson were noted and no declarations of interest in items on the agenda were declared. The Chair confirmed that the meeting was quorate.

A22/16 Agenda Item 1 – CONFIDENTIAL ITEM - Standing Invitation to auditors to speak with committee members

The Audit Partner RSM and the Head of Education Services AuditOne both confirmed that they had no concerns to raise with committee members. The Audit Partner RSM explained that initial conversations regarding the external audit plan had taken place, with RSM providing guidance on the implications of the transfer of NETA to Etc. and the change of Chief Executive for the year end financial statements. The Head of Education Services AuditOne confirmed that, in addition to the final audit reports circulated, three audits were at draft report stage and would be reported verbally under agenda item 7.

Fiona Sharp and Kay Taylor joined the meeting.

A22/17 Agenda Item 2 – Presentation – HR investigations

The Senior Workforce Solutions Manager, WorkforceOne, shared a presentation on the importance of Human Resources (HR) in education which covered the following:

- the education landscape and issues affecting staff and learners;
- the TES Wellbeing Report 2020 highlighting some chronic issues in the schools' sector;
- the benefits of effective HR;
- a range of initiatives and support offered by WorkforceOne.

A member pointed out that many HR departments had been renamed Organisational Development (OD) to reflect the range of functions now incorporated into their work. A member also commented on the much more positive staff engagement and satisfaction levels at Etc. in comparison to the findings of the TES survey and added that the committee had been

reassured that the Group Director of HR and her team were cognisant of all the issues covered in the presentation.

The Group Director of HR agreed that the presentation had reinforced that governors had a strong awareness of the HR team's functions and focus at Etc. Results from annual staff surveys showed exceptional 3 to 5-year trends, with response rates over 90%, in contrast to the low satisfaction rates in the TES Wellbeing Report 2020. The Great Place to Work Strategy had been firmly embedded and included themes such as voice and representation, with HR working proactively with the two recognised unions, and mental health and wellbeing; she added that levels of poor mental health and wellbeing for both staff and student were currently at levels higher than had been seen previously. Staff workload was also an area of focus of work with the two unions. Employee relations were extremely positive at Etc.; many concerns were dealt with on a local level through effective informal mechanisms meaning that conflict was unlikely to escalate to formal mechanisms such as tribunals. The Group Director of HR added that currently, and as in many other sectors, Etc. was experiencing some staff recruitment challenges, with competition from other local colleges and lower levels of pay in FE than in industry. The group's culture and tone of voice was reflected throughout recruitment and onboarding, with an emphasis on the wider benefits of working for Etc.

A member expressed their concern about the results published in the TES Wellbeing Report, demonstrating poor satisfaction levels among school staff, and also commented that there were currently more vacancies in the UK than the number of unemployed people. The Group Director of HR agreed that recruitment, retention and pay costs were key issues. A member added that, as a provider of education and training, Etc. itself was a pipeline providing employees of the future but that mitigating against current staff and skills shortages would take time. A governor asked about any external benchmarking and the Group Director of HR confirmed that the annual staff survey was benchmarked against 55 other colleges and that, for example, achievement of Better Health at Work accreditation could be benchmarked against northern colleges. She added that the Finance and Employment Committee considered results from the annual staff survey and benchmarking data in greater depth.

Members **noted** the presentation.

Lisa Barclay left the meeting.

A22/18 Agenda Item 3 – Minutes of previous meetings

The minutes of the Audit Committee meeting held on 3 March, were **agreed** as an accurate record. In response to a question from the Chair, the Governance Support Officer confirmed that there was no longer a requirement in the Instrument and Articles of Government for the approved minutes to be signed by the chair.

The Group Executive Director Finance confirmed that a list of suggested topics for next year's meetings would be considered under agenda item 16. She added that the action to define the scope for a presentation on embedding a risk culture in an organisation had not progressed due to difficulties in creating an accurate brief for the auditors to consider; Stuart Blackett, who had

originally suggested the topic, explained that he considered that an organisation with a developed risk culture would encourage openness and transparency, with incidents tracked and dealt with in a timely manner, and would embrace a growth culture in which investigations were used to drive improvement. The Chair agreed to discuss the action with Stuart following the meeting. Members **agreed** to defer consideration of the Group Emergency Plan to early in 2022-23 to allow for input from the recently appointed Group Head of Estates.

All Audit Committee actions due had been completed and progress against actions was **noted**.

In relation to the outstanding action from the Joint Audit and Finance and Employment Committee meeting held on 25th November 2021, the Group Executive Director Finance confirmed that she would discuss the group's pension schemes with Stuart Blackett the following week.

A22/19 Agenda Item 4 – Notification of Items of Other Business

Members **agreed** to consider the implications of a change of accounting officer for the year end under agenda item 14: Any Other Business.

A22/20 Agenda Item 5 - Audit Plan Summary 2021-22

An updated audit plan summary had been circulated with the meeting papers; the Group Executive Director Finance explained that the audit plans would be discussed in more detail as the meeting progressed and that the proposed deferment of the Business Continuity audit would be considered under agenda item 7.

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

A22/21 Agenda Item 6 – Outstanding Actions Status Report

The Group Executive Director Finance presented the circulated report on the status of outstanding actions from internal and external audits; she confirmed that all outstanding actions from internal audits had been completed. The action relating to the fixed asset register for NETA Training Trust arising from the external audit of the 2020-21 accounts was planned as part of the year end process for closure of the 2021-22 accounts and also as part of the transfer of assets from NETA to Etc. In response to a member's question, the Audit Partner RSM explained that the [REDACTED] planned review would determine whether fully depreciated items were still in use or should be removed from the register.

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

A22/22 Agenda Item 7 – Internal Audit Plan Update and Reports

The Head of Education Services AuditOne presented the following updates on internal audits:

7.1 – Accounts Receivable

This audit review had been requested to provide assurance in relation to the control framework and key controls to ensure that all income due was properly identified, collected and accounted

for. The final report, circulated with the papers, confirmed the assurance opinion was Substantial, with two low risk recommendations, one of which had been implemented immediately and one due for completion by July 2022.

7.2 – T Levels

The draft report for this advisory review in relation to the planned delivery of T Levels from September 2022 had recently been issued and was awaiting management response before the final report could be issued; the Head of Education Services noted that much good practice had been identified. In response to a member's question, he confirmed that two pathways, one at Bede and one at Stockton Riverside College (SRC), had been reviewed with consistency between the two.

7.3 – Project Management

This had also been an advisory review, requested to provide assurance in relation to the group's use of funds provided by the Department for Education (DfE) from the Strategic Development Fund (SDF) to ensure compliance with the terms and conditions to mitigate any risk of clawback. Feedback from the initial review had been circulated with the meeting papers and confirmed that there were no significant issues; AuditOne would be undertaking the work for the two externally audited compliance certificates required in due course. The Group Executive Director Finance explained that, due to the complex terms and conditions of SDF round 1 funding and the fact that funding spent up to 31 March and then between 1 April and 31 July would need separate audited compliance certificates, the group had requested this external review to provide assurance. The advisory review had confirmed that a robust tracking system was in place and provided reassurance as the group prepared to bid for SDF round 2.

7.4 – IT Disaster Recovery

The fieldwork for this audit review of the design and controls in place to mitigate the impact of interruptions to business systems had been completed; it had included a review of disaster recovery policies, procedures and the governance framework, and testing of resilience, recovery plans and assumptions. No significant concerns had been raised during the audit, with the report now at draft stage.

The Group Executive Director Finance explained that IT disaster recovery and business continuity would normally be reviewed in parallel but, due to the recent appointment of a new Group Head of Estates, it was proposed to defer the Business Continuity review to early 2022-23; members **approved** the deferral.

7.5 – Follow up of Previous Recommendations

The Head of Education Services explained that this annual review established whether previously agreed recommendations had been implemented, with seven actions from previous audits in scope this year; the fieldwork had been completed with the draft report expected to be issued the following day.

7.6 – Subcontracting Arrangements

The fieldwork for this audit review had also been completed with the draft report expected to be issued the following day

7.7 – Funding Assurance

The fieldwork had been completed, with some further evidence awaited.

In response to a question, members received assurance from the Head of Education Services that AuditOne had received full support for their work, with staff responsive to requests and fully prepared for the internal audits.

Members **noted** the reports and updates and **approved** the deferral of the Business Continuity review to early 2022-23.

Agenda Item 8 – Risk Management

A22/23

8.1 – Strategic Risk Register

The Group Executive Director Finance presented the circulated 2021-22 Strategic Risk Register with key updates highlighted in the covering report; she explained that three risks [REDACTED] had net risk scores above the agreed risk appetite level. There were no proposals to retire any risks at this time. In addition, a separate risk register relating to major capital projects was currently in development and would be presented to the committee in due course.

A member commented that, for the three risks with net scores above the agreed level of risk appetite, it was important that clear action plans were put in place to avoid the net risk remaining at this higher level indefinitely. Members agreed that the Senior Management Team (SMT) and SMT lead for each of the three risks should consider any further mitigating actions and report back to the committee to provide assurance.

A member asked if a risk relating to the change of Chief Executive should be added to the register and the Group Executive Director Finance agreed that this would be considered by SMT. The Group Director of HR added that the Selection Panel had considered a set of risks as part of its work but that, as the recruitment process had been successful, with a shorter lead in time for the Chief Executive handover than initially anticipated, a review of the risks identified would be timely and that some could potentially be included in the Strategic Risk Register. She clarified that, for example, the potential risks from a failure to recruit could have been the impact on knowledge transfer and insecurity in the workforce.

A member asked about the potential risks from other SMT vacancies and whether these should be included in the strategic risk register; the Group Director of HR explained that the staff changes and comprehensive interim arrangements had been communicated clearly to all staff. She added that the Selection Panel had also considered the impact, recognising that the incoming Chief Executive would be responsible for SMT changes, providing governors with assurance or flagging any risks. Members discussed the Board's role in Chief Executive succession planning and ensuring a smooth transition, which had potential strategic risks, and the operational role of the Chief Executive in creating their own senior management structure.

In response to a member's question, the Group Director of HR agreed to review risk ref 23 in light of increased pressure around staff pay; she also noted that, in terms of mitigating the risk of industrial unrest, Etc. had strong employee relations and dialogue with the two recognised

unions was open and productive, including on pay award negotiations. She added that the pressures on any pay award were a national issue due to the high inflation rate and not unique to Etc. In response to a member's question, she confirmed that the current year's pay award had been agreed in February 2022 and backdated to 1st August 2021 and discussions were now focused on the 2022-23 pay award; the next scheduled meeting with unions had been postponed due to the Ofsted inspection.

Members **noted** the progress of risk monitoring for 2021-22 for the Education Training Collective.

A22/24 8.2 – Risk Management Strategy 2022-23

The Group Executive Director Finance confirmed that there were no substantial changes to the circulated Risk Management Strategy for 2022-23; the Strategic Goals had been updated to reflect the amendment to Strategic Goal 6 agreed by the FE Corporation and references to NETA Training Trust had been removed following the transfer of activity to Etc. this academic year.

Members **agreed** to recommend approval of the Risk Management Strategy for 2022-23 to the FE Corporation.

A22/25 Agenda Item 9 – External Audit Strategy for 2021-22 Final Accounts

The Audit Partner RSM presented the circulated External Audit Plan for the 2021-22 Final Accounts and explained that the plan would be further refined during the three months to the financial year end. She confirmed that RSM's Audit Manager for this year's accounts would be Lynn Chambers who, though having worked with other colleges, had not previously been involved with Etc. and would therefore bring new insight. The plan outlined the agreed broad timetable, working towards a December deadline, and the audit scope, including the key risks identified by RSM [REDACTED]

Matters identified during the 2021 year end audit had also been listed and would be formally reported back in RSM's audit findings report; the Audit Partner RSM was pleased to note that the committee had already been notified of these and the actions taken in response.

She highlighted that the audit fees reflected the additional work required this year due to changes in the Post-16 Audit Code of Practice (ACOP) in respect of regularity and propriety and audit of the NETA group re-structure. The plan also confirmed her personal and auditor independence, noting that the work undertaken by RSM on the group's Teachers' Pension End of Year Certificate was not considered a threat to auditor independence.

[REDACTED]

The Audit Partner RSM then outlined areas of note from the Emerging Issues document, circulated with the audit plan:

- Levelling Up White Paper and the role of FE in delivering its 12 missions, including increased devolution of Adult Education Budget (AEB) funding (with recognition that Etc. already receives devolved funding through the Tees Valley Combined Authority

(TVCA)), Local Skills Improvement Plans (LSIPs) and reforms of funding and accountability;

- Scope of work of the Audit Committee and the internal auditor:
 - noting that when alternative assurance providers were used that their work should also be considered by this committee
 - updated good practice guidance from the Education and Skills Funding Agency (ESFA) on how audit committee arrangements should be implemented to meet the requirements of the Post-16 ACOP
 - a broader role for the committee, including environmental, social and corporate governance, student focussed reviews and health and safety;
- 2022 College Accounts Direction
 - including two new reporting requirements on activities undertaken over the year to develop governors and clerks/governance professionals and disclosure of any internal or external reviews of governance undertaken (with an external review required every three years)
 - increased focus on related party transactions, including reimbursement of governors' expenses. The Clerk confirmed that this was already in place;
 - Accounting Officer responsibility for the Statement of regularity, propriety and compliance. The Audit Partner RSM confirmed that she had already discussed the Chief Executive handover with the current Chief Executive with reference to the change of Accounting Officer;
- 2022 Post-16 ACOP, with a requirement for RSM to undertake regularity testing of the Individual Learner Records (ILR) return;
- Subcontracting standard, with suggested questions for governors to ask about the group's subcontracting strategy and consideration of how Etc. performs against the criteria included in the Subcontracting Standard;
- Apprenticeships – the specific thresholds in the 2021-22 Apprenticeship Accountability Framework to be used as a starting point for informing areas of concern which will be applied by the ESFA from April 2022;
- Cyber and information security – guidance published by the National Audit Office (NAO) to support audit committees to work through the complexity of cyber security, including four suggested questions for audit committees to consider.

In response to a member's question, the Audit Partner RSM confirmed that she had been reassured that many of the issues included in RSM's Emerging Issues document had already been discussed by the committee; the document had been circulated to SMT and would also be shared with governors.

Members **agreed** to recommend adoption of the External Audit Strategy for the 2021-22 final accounts to the FE Corporation.

A22/26 Agenda Item 10 – Internal Audit Programme 2022-23

The Group Executive Director Finance presented the circulated report which outlined the process for determining the internal audit plan for 2022-23; she explained that, once their performance for 2021-22 had been reviewed by this committee and their reappointment

agreed by Corporation, AuditOne would take a similar risk-based approach to developing the plan as used successfully in previous years. Over the summer, a meeting would be arranged with AuditOne, the Group Executive Directors and the Chair of Audit Committee and an audit plan would be presented at the next Audit Committee meeting in September 2022, for recommendation to the FE Corporation.

Members **noted** the process for determining the internal audit plan for 2022-23.

A22/27 Agenda Item 11 – Audit Documentation Updates

The Clerk highlighted changes to the Post-16 ACOP and the College Accounts Direction for 2021 to 2022 as detailed in the circulated report and appendix. Clarification of what constituted reportable significant fraud had been included in the Post-16 ACOP and the College Accounts Direction now required reporting on activities undertaken over the year to develop governors and clerks/governance professionals and on whether the corporation had conducted or commissioned an internal or external review of governance. She confirmed that governor development activity was a standing item for discussion at FE Corporation meetings and that the Governance Team maintained a log during each year. She added that established processes were in place for an annual internal governance review and that it was currently anticipated that an external review of governance would be undertaken in 2023-24, due to the change of Chief Executive and Chair, but this would be kept under review through the Search and Governance Committee.

Members **noted** the updates to audit documentation, the increasing focus on robust assurance arrangements within colleges and the role of the Audit Committee to ensure requirements and expectations were being fulfilled.

Agenda Item 12 – Policies

A member commented that, as happened in their own organisation, it would be useful to include a summary of changes to the previous version on policy cover sheets; the Group Executive Director Finance agreed to feed back this useful suggestion to policy owners. A member also asked about staff awareness of and access to updated policies and the Group Executive Director Finance explained that there was a specific section for data policies accessible on the staff Gateway. The Group Director of HR added that policies relating to IT or HR, for example, were also stored in relevant sections on the Gateway, with external facing policies, such as Whistleblowing, accessible on the Etc. website. In response to a question about levels of staff awareness, the Group Director of HR explained that staff could follow policies and get updates and that there would be consultation with staff on any contractual or significant changes. She added that mandatory policies such as Safeguarding and Keeping Children Safe in Education (KCSiE) were included in staff induction and staff would also be signposted to policies relevant to their particular area of work. In response to a member's question, the Clerk confirmed that a policy schedule was in place and the Group Executive Director Finance added that this was RAG rated to flag approaching review dates. It was **agreed** that, for transparency, the policy schedule would be included as an agenda item at the next meeting. The Clerk added that the Governance Support Officer was working on a new cycle of business format which would incorporate the policy schedule.

A22/28 12.1 – Data Policies

In the absence of the Group Executive Director Planning and Infrastructure, the Group Executive Director Finance confirmed that the three circulated data policies had been updated by the Group Data Protection Officer, the responsible lead manager, and had been brought in line with current legislation and relevant guidance. In response to a member's suggestion that the three data policies could be combined into a single policy, the Group Executive Director Finance agreed to discuss this with the Group Executive Director Planning and Infrastructure, who would report back to the committee.

Members **approved** the updated policies in relation to:

- i) Data Breach;
- ii) Data Protection; and
- iii) Freedom of Information.

A22/29 12.2 – Whistleblowing Policy

The Group Director of HR confirmed that the Whistleblowing Policy was reviewed in line with changes to legislation to maintain best practice in employment matters, usually on an annual basis, and that the only change was to paragraph 3.1 of the procedure, on protected disclosures, to include reference to the Public Interest Disclosure Act 1988.

Members **approved** the Whistleblowing Policy and Procedure.

A22/30 Agenda Item 13 – Fraud and Regularity Update

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

A22/31 Agenda Item 14 – Any other business

The Clerk formally recorded that the current Chief Executive, Phil Cook, would provide an accounting officer statement for the 2021-22 accounts and the Audit Partner RSM added that he would sign the statement up to the date on which he left employment with Etc.

The Clerk asked if a NETA Board meeting would be needed to formally approve the NETA annual accounts and the Audit Partner RSM agreed that she would discuss requirements and options with the Group Executive Director Finance, also NETA Company Secretary.

There were no items of additional business.

A22/32 Agenda Item 15 – 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 report for agenda item 11 and the policies agreed under agenda item 12, supporting documents were all deemed confidential for reasons of commerciality.

A22/33 Agenda Item 16 – Dates and times and venue/format of future meetings

Proposed dates for 2022-23:

29 September 2022, 5.30 pm

24 November 2022, 5.30 pm

2 March 2023. 5.30 pm

8 June 2023, 5.30 pm

Members **agreed** that meetings would all be held in person but with the option for participants to join via Teams as required.

Members considered the presentation topics suggested for 2022-23 and agreed that cyber security, understanding the Individual Learner Record (ILR) as governors and RSM's Emerging Issues document would be of relevance. The Group Executive Director Finance noted that the group's insurers had offered a presentation to governors on cyber issues and members agreed this would be of interest. A member suggested that succession planning could link with the strategic risk register though consideration could be of more relevance at another committee. The Group Executive Director Finance agreed to liaise with the auditors to plan the programme for the year.

A22/34 Agenda Item 17 – Key Themes

The following key themes were identified:

- Presentation from Lisa Barclay (WorkforceOne) highlighting current HR themes and emerging topics with subsequent discussion concluding that Etc. policies and procedures were up to date with the themes mentioned and risk registers covered emerging areas such as mental health and wellbeing, staff retention and recruitment, and voice and representation
- Internal Audit update:
 - Accounts Receivable final report [REDACTED] and Project management advisory review (SDF) interim review issued (no significant issues)
 - Verbal updates on T-Levels advisory review, IT disaster recovery, Follow up of previous recommendations (all recommendations implemented), Subcontracting arrangements and Funding Assurance audits, with no concerns raised
- Recommended the following to Corporation:
 - Amendment to Internal Audit programme, to postpone Business Continuity audit due to recent Group Head of Estates appointment
 - Risk Management Strategy 2022-23
 - External Audit Strategy for 2021-22 final accounts
 - Continuation of AuditOne's contract for 2022-23
- Considered key areas from RSM's Emerging Issues
- Considered changes to the Accounts Direction, Post-16 Audit Code of Practice and 'The scope of work of audit committees and internal auditors in college corporations'
- Approved the Data Breach, Data Protection and Freedom of Information policies and the Whistleblowing Policy and Procedure
- Confirmed no fraud or regularity concerns

Wayne Brown and Claire Leece left the meeting.

A22/35 Agenda Item 18 – Internal Auditor Appointment 2022-23

The Group Executive Director Finance confirmed that she had undertaken an evaluation of the internal audit service provided by AuditOne for 2021-22; the scoring reflected the high quality of AuditOne's work, their responsiveness to the group's needs and their understanding of the organisation. [REDACTED] The Group Executive Director Finance therefore proposed continuation of AuditOne's contract for a further year; she also confirmed that both the internal and external audit service would be going out to tender in 2022-23.

Members **noted** the performance of the internal auditor in 2021-22 against the agreed indicators and **agreed** to recommend AuditOne's continuation of contract for 2022-23 to the FE Corporation. The Group Executive Director Finance **agreed** to inform AuditOne of the committee's decision.

The meeting ended at 7.10 pm.

Approved at a meeting held on 29 September 2022