

Audit Committee Minutes

Meeting held on Thursday 8 February 2024 at 5.30 pm, SRC301

Governors: Rachel Beeken, Gary Bowdler (co-opted member), Subhash Chaudhary (Chair), David Watson and Mark Wilson

Apologies: None received from governors

In attendance: Andrew McCulloch (Director of Audit, TIAA), Jason Burgess (Audit Manager, Beever and Struthers) and Sue Hutchinson (Partner and Head of Charities, Beever and Struthers)

Officials: Grant Glendinning (Chief Executive and Group Principal), Phil Hastie (Chief Operating Officer), Fiona Sharp (Chief Financial Officer) and Sarah Thompson (Group Director of Governance)

A24/01 Agenda Item 1 – CONFIDENTIAL ITEM - Standing invitation to auditors to speak with committee members

The Director of Audit TIAA reported that TIAA's first internal audit had been completed. There had been good engagement and open communication from auditees.

The Audit Manager and Partner, Beever and Struthers, reported that handover from RSM was currently in progress. A query in relation to progress with novation of the lease for the NETA premises would be clarified with the Chief Financial Officer. The external audit plan would be developed for presentation to the committee at its summer term meeting.

Grant Glendinning, Phil Hastie and Fiona Sharp joined the meeting.

A24/02 Agenda Item 2 – Welcome, Apologies for Absence, Declarations of Interest, Notification of Items of Other Business

The Chair welcomed attendees to the meeting. There were no apologies for absence and all committee members were present. The Group Director of Governance confirmed that the meeting was quorate. There were no declarations of interest in items on the agenda and no additional items of business notified for consideration.

A24/03 Agenda Item 3 – Strategic Risk 1 – Financial (Presentation)

As part of a 'deep dive' into Strategic Risk 1 - Financial, the Chief Operating Officer presented information to the committee in respect of:

- Funding streams – particularly 16-18 funding, Teachers' Pension Scheme grant, Adult Education Budget funding, apprenticeships, full cost
- Business Planning and Performance Review processes – including departmental recruitment planning, conversion rates, moderation

- Internal and external regulation and benchmarks

In response to a query about the potential impact of upcoming regional and national elections, it was clarified that there would be no in-year impact but changes in government policy had a fundamental, long-term impact on the group and sector. In respect of capital commitments, funding already obtained was secure but it was unlikely that future capital funding would be available to colleges. An example of political impact was the transfer of Adult Education Budget (AEB) funding from the North of Tyne Combined Authority to the new North East Combined Authority (NECA). Etc. had re-tendered to NECA for AEB funding [REDACTED] to support Prince's Trust provision and was now awaiting the outcome of this bid.

Governors asked about areas of growth and decline. [REDACTED]

A member queried how funding from businesses moving into the region was reflected. It was clarified that work with businesses was across a number of funding streams, for example, full cost provision with bp, apprenticeships with GE, and Bespoke Employer Led Programmes (BELPs) utilising AEB with a large number of small businesses.

In response to further queries, it was clarified that 16-18 funding was awarded on a lagged basis reflecting the number of students recruited in the previous year. [REDACTED] Governors requested that the potential impact of a new free school sixth form in Middlesbrough (Eton Star) be reflected in the risk register.

Governors recognised that Business Planning and Performance Review were key processes for the group but acknowledged the significant demands they placed on senior management time, [REDACTED]

Governors thanked the Chief Operating Office for his comprehensive presentation and **noted** the information presented. It was suggested that apprenticeships be a focus for a future deep dive and that the Strategic Conference programme incorporate time for discussion around income and growth.

A24/04 Agenda Item 4 – Minutes of previous meeting

The minutes of the Audit Committee meeting held on 30 November 2023 had been circulated and were **agreed** as an accurate record. The action progress log had been circulated and was **noted**. The following actions were discussed in greater detail:

[REDACTED]

- Audit Committee membership

Members **agreed** to recommend to the People Committee and Corporation that an additional co-opted member with IT skills and expertise should be recruited to join the Audit Committee, in light of the strategic risks identified in relation to cybersecurity.

- Audit Assurance opinion

The Director of Audit TIAA confirmed that TIAA's audit assurance wording was standard and could not be changed. David Watson agreed to share audit assurance wording provided by PWC for reference.

- 4Risk

The Chief Financial Officer reported that a response was still awaited from RSM in relation to 4Risk reporting on updates to risk scores. Consideration was being given to developing a risk appetite statement; it was envisaged that this would sit within the Risk Management Strategy and target risk scores would then align with the risk appetite.

A24/05 Agenda Item 5 – Audit Plan Summary

Governors **noted** the circulated 2023-34 audit plan and the Chief Financial Officer confirmed that dates for internal audits had now been agreed.

A24/06 Agenda Item 6 – Outstanding audit recommendations status report

The Chief Financial Officer presented her circulated report providing an update on the status of all agreed audit recommendations. It was confirmed that TIAA would review all outstanding actions as part of the year end follow up audit.

The Director of Audit TIAA referred governors to the circulated Summary Internal Controls Assurance (SICA) report and members discussed, in particular, fraud risks. It was noted that successful frauds often related to requests to change bank mandates; Etc. had controls in place [REDACTED]

Governors **noted** the update and agreed to extend the target implementation date for the password expiration policy.

A24/07 Agenda Item 7 – Internal Audit Reports

The Chief Financial Officer presented her circulated report outlining the rationale, scope and outcome of a recent audit of Safeguarding. The Director of Audit TIAA advised that the draft report would be issued to the group on 12 February; [REDACTED]

Governors **noted** the verbal update.

A24/08 Agenda Item 8 – Risk Management

The Chief Financial Officer presented her circulated report outlining the role of the Audit Committee in risk management and providing an update on implementation of the 4Risk system. The most recent iteration of the Strategic Risk Register was also provided for members.

The Chief Financial Officer reported that implementation of 4Risk was progressing well and was helping to strengthen the link between the operational and strategic risk registers. The Risk Management Group (Senior Management Team) had recently met and considered comments submitted by Audit Committee members. The Chief Financial Officer would circulate a written response and the following were noted in particular:

- [REDACTED]

Members debated the value of including government policy as a stand-alone risk but recognised that the group had no control over this and so potential mitigations were limited. [REDACTED] Governors confirmed their support for a maximum of 12 strategic risks, to ensure a manageable document.

Governors then undertook a 'shallow dive' in respect of Strategic Risk 4 – Leadership and Oversight. [REDACTED]

The Chief Financial Officer provided a brief introduction to using 4Risk and directed members to a range of resources to support this. [REDACTED]

In respect of timelines, it was hoped to commence discussions with governors around risk appetite during the summer term, including at the Governors' Strategic Conference in April, and to develop a risk appetite statement for approval by the FE Corporation at its July meeting, as part of review of the Risk Management Strategy.

Governors:

- i) **noted** the update;
- ii) **confirmed** that the Etc. Strategic Risk Register 2023-24 should continue to be developed and work should continue on a Risk Appetite statement;
- iii) **agreed** that the deep dive and shallow dive into the Risk Register had been helpful and this should be continued at future meetings;
- iv) **agreed** that further discussion around horizon-scanning and identification of risks not included on the risk register should take place at the next meeting.

A24/09 Agenda Item 9 – Fraud and regularity update

The Chief Financial Officer confirmed that there had been no fraud and regularity issues.

[REDACTED]

Governors suggested that all governors should be asked to undertake appropriate data protection training, particularly prior to issue of a college laptop. The Group Director of Governance agreed to take this forward.

Governors **noted** the verbal update.

A24/10 Agenda Item 10 – Policies

The following updated policies had been circulated:

- Data Breach
- Data Protection
- Freedom of Information

The Chief Operating Officer clarified that more substantial changes would be required to the policies once an implementation date was known for the Data Protection and Digital Information Bill.

Governors noted that updates to the policies could not be identified as there were no tracked changes and no version control information. It was suggested that a version control sheet clarifying the changes made and the rationale for this could be helpful and the Chief Operating Officer agreed to consider this.

The Data Breach, Data Protection and Freedom of Information policies were **approved**.

A24/11 Agenda Item 11 – Any other business

There were no items of additional business.

A24/12 Agenda Item 12 – 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 agenda item 10, supporting documents were all deemed confidential for reasons of commerciality.

A24/13 Agenda Item 13 – Date, time and venue of next meeting

Thursday 6 June 2024, 5.30 pm, SRC301, Stockton Riverside College

A24/14 Agenda Item 14 – Meeting Effectiveness and Key Themes

The following comments were made about the meeting's effectiveness:

- Helpful to undertake deep dives and shallow dives into areas of the risk register – this provided a good level of information
- Good and healthy debate took place

The following key themes were identified:

- An in-depth presentation from the Chief Operating Officer on Strategic Risk 1 – Financial and a broad-ranging discussion on financials, leading to recognition and understanding of the multifaceted funding streams and assurance that robust business planning and performance review processes were in place and functioning well
- Verbal update on internal audit of Safeguarding – no issues identified
- Scrutiny and detailed discussion around the 2023-24 Strategic Risk Register, including shallow dive into Strategic Risk 4 – Leadership and Oversight; recognition of the importance of succession planning at a senior level
- Consideration of potential for improvements to change management and authorisation
- Approval of Data Breach, Data Protection and Freedom of Information policies
- First audit meeting attended by Beever & Struthers, handover from RSM to Beever & Struthers had been completed

Andrew McCulloch, Jason Burgess, Sue Hutchinson, Grant Glendinning, Phil Hastie and Fiona Sharp left the meeting.

A24/15 Agenda Item 15 – Closing discussion

In line with a suggestion made at the previous meeting, governors were invited to raise any comments in a confidential session. The following comments were made:

- It could be helpful to increase the number of shallow dives in future meetings to cover more of the strategic risk register and identify whether any additional risks required prioritising for deep dives.
- The Chair had facilitated a good discussion.
- There was interest in understanding progress with the development of succession planning at a senior level within Etc., including around retention of corporate knowledge. The Chair agreed to follow this up with the Chief Executive and the Group Director of HR and People Development. It was suggested that a shallow dive into succession planning could be helpful.
- The deep dive into the financial risk had been very helpful. The committee felt it would be helpful to receive more data on this topic

The meeting ended at 7.55 pm

Minutes approved at a meeting held on 6 June 2024