

THE TRAFFORD COLLEGE GROUP

**Minutes of the Audit Committee Meeting  
held at 6.00pm on Monday 27 June 2022 via Microsoft Teams**

<b>Present:</b>	Jed Hassid Ian Duncan Brian Bradley Heather Lang Lina Tsui-Cheung Emma Kelly	(Chairperson)
<b>In Attendance:</b>	Anthony Gibbon-Lisle Kal Kay Carmen Gonzalez-Eslava Sam Hutt Brian Welch	(Data Protection Officer/ELT Consultant) (Chief Finance Officer) (Deputy Principal) (Armstrong Watson) (BDO)

**Minute No**

Prior to the commencement of the meeting the Chairperson welcomed Emma Kelly to her first meeting of the Audit Committee. The Chairperson advised members and attendees that Emma was a recently appointed Co- opted member and that she was currently employed as a Senior Audit Manager with RSM.

Members and other attendees introduced themselves to the new co-opted member.

The Chairperson also welcomed Sam Hutt who represented the recently appointed Financial Statements and Regularity Auditors (Armstrong Watson) after his late arrival at the meeting due to technical difficulties.

**AUD/15/22 Apologies for Absence**

The Corporation Secretary (CS) reported that no apologies for absence had been received from members and advised that Karen Rae (Armstrong Watson) was unable to attend the meeting due to a prior longstanding commitment.

It was also noted that Natasha Bintley was unable to attend the meeting.

**AUD/16/22 Declarations of Direct or Indirect Interest in any of the Meeting's Business Items**

There were no declarations of either Direct or Indirect Interest in any of the meeting's business items.

**AUD/17/22 Minutes of the Meeting held on 04 April 2022**

The minutes of the meeting were approved and accepted as a correct account of the meetings proceedings.

**AUD/18/22 Matters Arising from the Minutes**

- i) AUD/11/22 – Board Assurance and Risk Management Framework 2020/2021 Update April 2022

**Minute No**

A co-opted member (BB) advised the Committee that he had a very positive meeting with the Assistant Principal Adult Skills and Employer Engagement (APASEE) in respect of the Group's Employer Engagement Strategy and Employment Skills advise and informed members of a successful initiative that was being developed with the Group in respect of the pioneering of Volleyball in the Stockport Area.

The member also advised of the work of the Stockport Economic Alliance which the APASEE was involved in and that the Head of Economy Work and Skills from SMBC (RM) was meeting with Governors on 6 July to discuss SMBC's Economic Development Plan and the Group's involvement with it. The Chairperson reminded the Committee of the Group's arrangements in respect of the Governor Link with Employer Engagement and thanked the member for his update.

The Chief Finance Officer (CFO) advised members that all the management actions relating to the Board Assurance and Risk Management Framework had been completed and that all other actions relating to Minute AUD/12/22 were on the agenda for the meeting.

**There were no further matters arising from the minutes that had not been actioned or were covered as part of the agenda for the meetings business items.**

**AUD/19/22 Data Protection Progress Report- June 2022**

The Data Protection Officer (DPO) presented a report which provided members with an overview of the latest position regarding Data Protection and its effectiveness across the Group.

The DPO advised that his next report would be the year-end report concluding with the Data Protection Annual Report which would be presented to the Board of the Corporation.

The DPO provided the Committee with an overview and update relating to the following issues:

- Merger Update
- Strategic Lead for Data Protection
- Compliance Reviews
- Impact assessments
- Subject Access Requests
- Data Breaches.

The DPO commented that the continued pattern of a few low-level data breaches suggested that the likelihood associated with this risk area continued to be low.

Questions from members were invited.

- A member asked for clarification concerning the process of managing Subject Access Requests (SAR) and the processing timeframe.

**Minute No**

The DPO provided a detailed explanation of the process that was undertaken at the Group and added that it was important that a swift response was made to all SARs to enable a thorough investigation of the issue. Regarding timeframes, it was advised that this depended on the complexity of the SAR but that a request would never be limited and that current arrangements allowed for a 30-day response period. The DPO also advised of the approach that is taken in respect of requests from third parties and the Police in terms of data sharing to the members satisfaction.

- A member asked what are the parameters that are used in determining whether a risk was low in respect of SAR's.

The DPO advised that a risk assessment was undertaken in relation to each SAR and the threshold for reporting to the information Commissioner was a factor used in the assessment. It was further advised the assessment included the risk to the data, the nature of the risk, it's impact and how many were affected by the risk together with the Group's ability to take action.

**There were no further questions or issues raised by members arising from the report and after due discussion and consideration it was resolved that the Data Protection Report June 2022 be received and noted.**

**AUD/20/22 Leaders in Safeguarding**

The Chief Finance Officer (CFO) presented a report which provided the Committee with a copy of the letter and report that the Group had received in respect of the audit undertaken by the Leaders in Safeguarding.

The CFO advised that the audit was in respect of the quality of delivery of Safeguarding and that the Group had been received the Leaders in Safeguarding Award as a result of reaching the required standards. The key headlines relating to the audit were advised as were the 16 standards that had been audited.

The CFO further advised that the award was valid for two years, that it did appear on the Strategic Risk Register and that it provided the Committee and the Board of the Corporation with assurance regarding the Group's Safeguarding arrangements.

Committee members welcomed the very positive report and a member sought clarification around the recommendations arising from the Audit. The Deputy Principal advised that there had only been a few minor recommendations arising from the audit and that they had all been actioned and implemented.

The CS commented that the commissioning of the audit had not followed the due Governance processes for the agreeing and undertaking of audits at the Group and explained in detail why this was the case. The DP explained the background and the reasons for the audit and undertook to ensure that any audits that are commissioned in the future follow due Governance processes.

**Action: Deputy Principal / Chief Finance Officer**

**Minute No**

**There were no further issues arising from the report and it was resolved that it be noted and that congratulations be passed onto all staff involved in the audit for such a positive outcome.**

**Action: Deputy Principal**

**AUD/21/22 Audit Tacker- Management Actions Arising from Audit Reports – June 2022**

The CFO referred members to the previously circulated report and an update on outstanding audit recommendations with a view to providing assurance that previously agreed audit recommendations were being implemented within appropriate timescales.

The CFO confirmed that from the previous meeting 49 recommendations had been brought forward from the last report and 10 new recommendations had been added (3 from the staff utilisation audit, 4 from the subcontracting audit and 3 from the Leaders in Safeguarding audit all of which were on the meeting's agenda).

It was reported that the recommendations had been reviewed and the following was highlighted:

- 9 actions had been completed, a completion rate of 18% (27% at last report).
- 41 of the remaining 50 items the other remaining recommendations fell within the remit of the Assistant Principal Planning, Funding and Performance (APFP).
- A pictorial presentation was also included in the report which provided members with the status of the previously reported and new recommendations. The presentation included a summary, completion rates, and open recommendations by dates due and significance.

The CFO commented that the outstanding actions relating to Management Information Systems was the subject of a report on the next agenda item.

Members made several comments concerning potential improvements to the pictorial graphs in terms of content including separation of actions by responsibility, presentation which the CFO undertook to include in the next report.

**Action: Chief Finance Officer**

A member commented that 41 of the outstanding actions were within the responsibility of the new APFP and asked about the staffing challenge in this respect.

The CFO commented that staffing was a challenge within this area not only for the Group but the sector as a whole and that additional resources had been allocated to the MIS team and the other actions that were being taken to address the issue.

**There were no further issues raised by members arising from the report and after due discussion and consideration it was resolved that it be noted.**

**Minute No****AUD/22/22 MIS Actions -Progress Update**

The Executive Leadership Team Consultant (ELTC) presented a report which provided additional details to the Audit Tracker Report (Agenda item7) in respect of the outstanding management actions relating to MIS.

The ELTC reminded members of the recent appointment of the APPFP and that it had been agreed that he would continue to support the MIS function during her period of induction in order to maximise impact on key areas. It was further advised that this arrangement would cease from September 2022 and that the ELTC focus would be on project activities with the APPFP reporting directly to the Committee from that date.

The ELTC further advised that the purpose of the report was to provide members with a response to the issues discussed at the last meeting.

The report provided members with an update and a detailed progress report on the following key issues:

- Outstanding Audit Actions
- Operational Challenges
- Areas of Focus and Impact
- Next Steps.

Members raised several issues arising from the report as follows:

- What was the impact of the continued red risk relating to the GMCA Review?

The ELTC advised that there was no direct financial impact, but that GMCA continued to be interested in ensuring that the Group's claims were robust. It was advised that the relationship was improving and that GMCA understood the Group's current position regarding the matter and were supportive in securing a resolution.

- In respect of the 41 outstanding items the Chairperson asked where the Group would be by the time of the next report.

The ELTC advised that it was not possible to say at this stage due to the staffing issues. It was added that it was the focus of management, action planning was in place and the team were looking at how they could achieve closure by the end of the current Academic Year.

**There were no further issues raised by members arising from the report and after due discussion and consideration it was resolved that it be noted.**

**AUD/23/22 Internal Audit Progress Report- June 2022**

The Internal auditors (IA) presented a report which advised the Committee on the performance to date against the Internal Audit Plan for 2021/2022.

**Minute No**

The IA provided the Committee with a summary of the actions that had been completed to date which were as follows:

- The 4 recently completed audit reports which were on the agenda of the meeting.
- The audit into the new finance system would be published shortly.
- Learner Records- Apprenticeships and the Annual Audit Report 2021/2022 would be presented to the Committee at its next meeting in September 2022.

**Action: Internal Auditor**

**There were no issues raised by members arising from the report and it was resolved that it be noted.**

**AUD/24/22 Internal Audit Visit 2 2021/2022**

The Committee received the IA's Internal Audit reports as follows:

- **Subcontracting**

The IA reported that the audit was undertaken annually and that there was a requirement to secure external assurance over the provision and that the report was advisory rather than opinion related.

It was further advised that 3 control enhancements had been identified relating to contract signing, enrolment information and procurement regulation and that a low priority recommendation had been raised in respect of ESFA approval in respect of new sub-contractors.

It was noted that 6 areas of good practice had been identified regarding Board approvals, subcontractor declarations, register of training organisations, monitoring and quality assurance checks, due diligence procedures and preparations for the new funding rules.

It was advised that the review had highlighted areas where application of process had meant that the Group had not fully complied with the requirements outlined in the ESFA Funding rules. It was noted that once the recommendations were implemented the Group should be able to demonstrate stronger delivery of the sub – contracted learning provisions.

A member asked if there were any ramifications for the Group in respect of the non-compliance identified in the report.

The Committee was advised that the issue concerned the contract with Stockport County FC and that it had arose due to non-completion of a tendering process, which is a requirement by the ESFA. The CFO provided a detailed explanation of the process for the appointment of the contractual arrangements with Stockport County FC, and it was noted that there was a disagreement with the auditors on the approach taken in terms of the procurement of the contract and it was an agreed to disagree position with regard to the matter.

## Minute No

**There were no further issues raised by members arising from the report and it was resolved that it be recommended to the Board of the Corporation.**

### **Action: Board of the Corporation**

- **Staff Utilisation**

The IA advised of the purpose and scope of the review and commented that that the audit had a good and positive performance outcome and opinion with many identified areas of good practice.

It was advised that the level of assurance for **Design was Substantial– Green and for Operational Effectiveness it was Moderate- Blue.**

The IA further advised that there had been only **one recommendation of low significance** and **two recommendations of medium significance** all of which had been agreed with Group management.

Members raised several issues arising from the report as follows:

- A member asked if the recommendation relating to greater engagement with the staff utilization reports was across all sites or site specific.

The CFO confirmed that it was an issue across the whole of the organisation and outlined the actions that management were taking to ensure that the issue was addressed. The DP confirmed that the Group had reviewed and revised its practices across the Group to ensure consistency of approach.

- A member asked how often the reports were produced and their usage.

The CFO advised that they are undertaken monthly and were a tool to understand if staff are being used efficiently. The DP provided a detailed explanation as how the reports are used on a practical management basis, their usage in business review meetings and their contribution to effective management of teaching hours within curricular areas and across the Group.

**There were no further questions or issues raised by members arising from the report and after due discussion and consideration it was resolved that it be recommended to the Board of the Corporation for approval.**

### **Action: Board of the Corporation**

- **Health and Safety**

The IA advised that the audit had focused on the following distinct elements of the Group's Health and Safety Framework; Integration of Cheadle and Marple in respect of Health and Safety Frameworks, fire safety management, accidents, incidents and near misses and events and trips.

It was advised that six areas of good practice had been identified that the level of assurance for **Design was Substantial– Green and for Operational Effectiveness it was also Substantial - Green.**

**Minute No**

The IA further advised that there had been only two **recommendations of low significance** and one **recommendation of medium significance** all of which had been agreed with Group management.

Members asked a range of questions of clarification relating to the recommendation concerning fume cupboard testing and the relationship with Ridge Sports Association which were answered to the members satisfaction.

**There were no further questions or issues raised by members arising from the report and after due discussion and consideration it was resolved that it be recommended to the Board of the Corporation for approval.**

**Action: Board of the Corporation**

- **Follow Up**

The IA presented a report whose purpose was to provide the Audit Committee with assurance that the Group has effective mechanisms in place to ensure that recommendations made by assurance providers are monitored and implemented within appropriate time scales.

The IA was able to advise the Committee that following the review 15 out 18 recommendations (83.33%) had been fully completed with 3 recommendations (16.67%) either in progress or waiting evidence to confirm that they have been addressed.

It was advised that it had been concluded that good progress had been made in respect of the implementation of internal audit recommendations.

**There were no questions or issues raised by members arising from the report and after due discussion and consideration it was resolved that it be recommended to the Board of the Corporation for approval.**

**Action: Board of the Corporation****AUD/25/22 Draft Internal Audit Plan 2022/2023**

The IA presented their report which made proposals for the Internal Audit Plan (IAP) for 2022/2023.

The IA advised that the draft IAP had been produced in discussion with the CFO and had been considered by the Executive and the leadership team. It was further advised that the IAP was based on the Group's Strategic Risks and considered previous internal audit activity.

It was advised that the proposed number of audit days had remained unchanged, and the IA sought members views that the IAP provided met the Committee's requirements in terms of assurance.



**Minute No**

Members raised several issues arising from the report as follows:

- A member asked why the proposed audit into HR Recruitment was advisory and not an assurance report. The member outlined why in her review the report should provide the Board with an assurance opinion on such a key area of risk. A member also asked if the report should be considered earlier than in Block 3 so that any agreed actions could be impacted early in the year.

The Committee debated the issues raised in detail and after discussion it was agreed that the audit should be an assurance rather than an advisory review. The CFO outlined the reasons for the proposed timing of the HR Recruitment audit in terms of workloads in the HR Department and it was agreed that it should be in block three.

A member commented that the audit needed to be proactive and should focus on endeavours and what others are doing in terms of good practice rather than being generic and procedural.

**Action: Chief Finance Officer/ Internal Auditor**

- A member asked if the Chairperson of the Audit Committee (CAC) had been involved in the production of the draft proposals in the IAP and cited how, from his experience, it was beneficial for the involvement of the CAC in the production of the draft proposals. It was confirmed that the CAC had not been involved in drawing up the proposals and in discussion it was agreed that in future he should be included in the pre-proposal discussions and process.

**Action: Chief Finance Officer/ Internal Auditor**

- A member raised the issue of undertaking a GDPR audit and asked whether the Group had higher risk factors such as Sustainability and Environment, MIS and Estates and whether it would be better value from an assurance and risk perspective to include them in the IAP. There was a detailed debate around this suggestion and the CFO outlined the reasons why the current proposals had been put in the draft plan together with why some of the suggested items would not be appropriate for 2022/2023. Following the discussion, it was agreed that the GDPR audit remain in the plan and that its focus should be on document retention with a further look at the number of days and scope for the audit. In respect of the other risks identified it was also agreed that they would be considered as part of the plans for 2023/2024.

**Action: Chief Finance Officer/ Internal Auditor**

- A member commented that there had not been a Governance audit for some time and asked whether it should be included in the IAP. The CFO advised that the Department for Education now required all College's to undertake an External Review of Governance and the Board of the Corporation was considering proposals regarding this at its next meeting. It was also advised that Office for Students undertake an audit in respect of Higher Education provision.

**Minute No**

- A member commented that in respect of the Bursary Review there should be a focus on Equality, Diversity, and Inclusion considerations. This view was endorsed and supported by the Committee.

**Action: Chief Finance Officer/ Internal Auditor**

**There were no further issues raise by members and after due consideration and discussion it was agreed that subject to the comments from members being included in the plan, the Internal Audit Plan 2022/2023 be recommended to the Board of the Corporation for approval subject to the agreed amendments.**

**It was also agreed that the revised Internal Audit Plan 2022/2023 should be submitted to members before it is presented to the Board of the Corporation.**

**Action: Chief Finance Officer / Internal Auditor/ Corporation Secretary**

**The Committee also confirmed acceptance and approval of the Internal Audit Charter as detailed in the Internal Auditor's report.**

**AUD/26/22 Audit Strategy Memorandum Year Ending 31 July 2022**

The Financial Statements and Regularity Auditor (FSRA) presented a report which included a copy of their proposed Audit Strategy Memorandum (ASM) for the period ending 31 July 2022.

The FSRA provided the Committee with details of the key highlights of the ASM as follows:

- Audit Independence and Objectivity.
- The identified high risks which included, Income Recognition, Management Override of Controls, Going Concern, and the Defined Benefit Scheme.
- Areas of focus including Regularity and Value for Money and the potential of Claw back.
- Administrative details including timetable cand impact on the audit in terms of a new appointment.

Members raised several issues arising from the report as follows:

- A member asked if the FRSA had given any consideration to the timings around the valuation of the pension scheme as it had been an issue for the Group with the previous External Auditors. The FRSA envisaged that this would not be an issue as the assumption would be that value would be rolled forward in terms of timing and he did not anticipate a delay in getting the information from the actuaries.
- A member asked if there would be any additional testing undertaken in year 1 because they were newly appointed Auditors.

The FRSA advised that this would be the case particularly in the areas of opening balances and more time being spent on walk throughs.

**Minute No**

- A member asked if the change in accounting system at the Group would present any issues.

The FRSA commented that he did not think that it would be too much of an issue so long as they had access to the appropriate reports.

He advised that they would look at the migration of data and they would also need to look at the matching of the opening and closing positions.

The CFO advised that the internal auditors had undertaken an audit of the opening and closing balances as part of the financial system audit and that would be reported to the Committee at its next meeting.

- A member asked what the auditor's approach to the review of the assumptions for the Pension Scheme would be.

The FRSA advised that the approach would be around benchmarking against other similar schemes within a range and that there would be sub -contracted activity to look at the assumptions.

**There were no further issues raise by members and after due consideration and discussion it was agreed that the Audit Memorandum for the period ending 31 July 2022, be recommended to the Board of the Corporation for approval.**

**Action: Board of the Corporation**

**AUD/27/22 Board Assurance and Risk Management Framework 2020/2021- Update June 2022**

The Chief Finance Officer (CFO) presented a report, which updated the Committee in respect of the Board Assurance and Risk Management Framework (BARMF) and confirmed that the report provided members with a summary of the risks as detailed in the Strategic Risk Register as follows:

- There were 29 total risks of which 22 had a gross score over 15 and were therefore monitored by the Audit Committee and that of the 22 risks 10 had been mitigated through to the Risk appetite level set by Governors.
- Of the 12 remaining risks 8 had been mitigated as they had a net score lower than 15.
- The 4 remaining risks were outlined in detail in the CFO's report.

The CFO further advised that other broader risks had emerged since the last report as follows:

- Inflation was at a 40-year high leading to increased expectations on both pay and non-pay. Linked to this was the emerging national risks around pay, and potential strike actions ahead of discussions on next year's pay recommendation.
- The continued focus on recruiting to vacant roles.
- The operating review may cause increased staff turnover and unrest.

**Minute No**

- Conflict in Ukraine potentially resulting in higher costs and an increase in cyber-attacks.
- Defunding of level two provision which impacts around 600 of the Group's current students
- ONS review of the classification of colleges.

Members were further referred to the appended full framework, the summary framework and the visual heat map.

There were no questions or issues raised by members arising from the report and it was resolved that:

**The amendments to the Summary Framework as detailed in the report be approved with appropriate reporting to the Board of the Corporation at its meeting in July 2022.**

**Action: Chief Finance Officer**

**AUD/28/22 Additional Work Undertaken by Auditors Policy 2022-2024**

The CS presented a report which made proposals for an updated Policy for Additional Work Undertaken by Group Auditors for the period 2022-2024.

The CS outlined the proposed changes to the current Policy which were largely procedural and an uplift to the amount allowed before the Policy becomes active.

In answer to a question from a member the CFO advised the Committee of the reasons for the proposed uplift in fee value to £25k to the Committee's satisfaction

**There were no further questions or issues raised by members and following due consideration and discussion it was resolved that the Policy for Additional Work Undertaken by Auditors for the period 2022-2024 be recommended to the Board of the Corporation for approval.**

**Action: Board of the Corporation**

**AUD/29/22 Annual Value for Money Report 2021/2022**

The CFO presented a report which provided members with the Annual Value for Money Report (AVFMR) which was in line with the requirements of the Value for Money Strategy.

The AVFMR provided details of efficiencies generated internally, together with benchmarks against other further education colleges to demonstrate comparability.

The CFO provided members with an overview of the key issues arising from the AVFMR which were as follows:

- The AVFMR now covered pay and non-pay elements as previously requested by the Committee.

**Minute No**

- The procurement savings targeted for current financial year had been exceeded and that non-pay was higher compared to the sector on an income-scaled average and was forecasted to increase in both FY2022 and FY 2023 due to increased subcontracting activity in FY 2022 and due to several outsourced tenders, which would begin in the new academic year.
- The pay benchmarking showed that staff to income ratios across the sector had risen since last year to 69.8% and that the Group was now below the average in that comparator at 66.6%. The pay to income ratio against the FEC benchmark of 65% for FE and 70% for 6<sup>th</sup> Form Colleges (which excludes subcontracting) was 68.2%. It was further advised that the Group was still above the average in terms of total pay per full time equivalent and was broadly in line with the sector in terms of teachers pay.

Members raised a number of issues arising from the report as follows:

- A member asked if the savings that had been identified were compared to the previous year.

The CFO confirmed that they were and that they were either ways to reduce targets or to spend less than last year. The CFO confirmed that regarding procurement £300k of savings had been achieved and that the same target would be in place for the next financial year.

- A member asked if staff utilization data was something that could be included in the AVFMR.

The CFO confirmed that it could and would be set at 95% in the next reporting cycle.

**Action: Chief Finance Officer**

- A member commented that it would be helpful if any significant savings were identified in the report which the CFO agreed to undertake.

**Action: Chief Finance Officer**

Regarding to the issue raised by the CFO concerning the timing of the presentation of the AVFMR it was agreed that future reports should be presented in the Autumn term of the following the year for which the data was applicable.

**Action: Chief Finance Officer**

**There were no further issues raised by members arising from the report and it was resolved that it be noted.**

**AUD/30/22 Any Other Business**

There were no matters raised by members under any other business.

**Minute No**

**AUD/31/22 Date of Next Meeting**

It was agreed that the next meeting would be held at 6.00pm on Wednesday 14 September 2022.

Ian Duncan joined the meeting at 6.19 during the consideration of Agenda item 5 (Data Protection Progress Report - June 2022).

Anthony Gribben - Lyle left the meeting at 6.39 after the consideration of Agenda item 8 (MIS Actions Progress Update).

The meeting closed at 8.20 pm.