

THE TRAFFORD COLLEGE GROUP

Minutes of the Audit Committee Meeting
held at 4.05pm on Monday 20 November 2023 in the Boardroom at the Altrincham Campus

Present:	Jed Hassid Ian Duncan Heather Lang Emma Kelly Matthew Swann	(Chairperson)
In Attendance:	Alison Duncalf Carmen Gonzalez-Eslava Richard Harris Lyndsay Sheridan Michelle Leslie Karen Rae Lucy Hughes Helen Knowles Helen Armstrong Sofia Carroll	(Deputy Corporation Secretary) (Deputy Principal) (Interim Chief Finance Officer) (Director of Finance) (Vice Principal Corporate Services) (Armstrong Watson) (Armstrong Watson) (Beever and Struthers) (Beever and Struthers) (Naomi Korn Associates – Data Protection Officer)

Minute No**AUD/31/23 Apologies for Absence**

The Deputy Corporation Secretary (DCS) reported that no apologies for absence had been received.

Members noted that the Director of Human Resources and Performance had been unable to join the meeting.

AUD/32/23 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/33/23 Minutes of the Meeting held on 26 June 2023

There is an agreement that the final sentence under item AUD23/23 Draft Annual Internal Audit Report 2022-2023 on page 8 read: -

“The Chairperson expressed his thanks to BDO for their work and support to the Group during their 8 years of service and **wished** them every success in the future.”

The minutes of the Audit Committee meeting held on 26 June 2023, incorporating the above amendment, were approved and accepted as a correct account of the meetings proceedings.

AUD/34/23 Matters Arising from the Minutes

The DCS went through the Actions Pro Forma from previous meetings and confirmed that most actions had been closed or would be updated during the meeting.

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Specific updates were provided as follows:

i) AUD/06/23 – Data Protection Progress Report – Data Breaches (26 April 2023)

The Vice Principal Corporate Services and Planning (VPCSP) indicated that a request would be taken to the next meeting of the Information Governance Group (IGG) in relation to the conclusion of all actions arising from the data breach, with a view to closing the action down.

Action: Vice Principal Corporate Services and Planning/Information Governance Group

ii) AUD/24/23 – Audit Needs Assessment – Cyber Security

There was confirmation that this item would be addressed in the following year's plan and that the item would remain open pending its consideration at the summer term meeting.

iii) AUD/24/23 – Audit Needs Assessment

The Internal Auditors (IA) confirmed that they had progressed and were progressing the outstanding actions of the previous internal auditors.

There were no further matters arising from the minutes.

There was agreement that agenda item 5 be deferred and considered following the Data Protection related items (agenda items 6,7 and 8).

AUD/35/23 Data Protection Annual Report 2022-2023

The Data Protection Officer (DPO), Naomi Korn Associates, referred members to the previously circulated report and an overview of the framework for Data Protection (DP) and its effectiveness across the operations of the Group.

It was noted that the Group was required to demonstrate its compliance with key indicators as part of the accountability requirements set out under the UK General Data Protection Regulations (GDPR).

The following areas of the report were highlighted:

- Staff Training
- Data Subject Rights
- Freedom of Information Requests
- Data Protection Impact Assessments
- Data Breaches.

It was noted that there was limited information available to support the population of the Data Subject Rights section and it was suggested that this aspect may have been recorded in a different place or not as well as it could have been.

The position in relation to Data Breaches was also highlighted and the view expressed that data breaches had overall been low and not notifiable.

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Moving forward the DPO drew attention to the following

- the new SharePoint sites facilitating a more centralised approach and a focus upon accountability
- the introduction of a new data breach form linked to the Data Protection site.

The DPO also reported that training had been delivered to Senior Managers with further training planned for delivery to the Human Resources Department the following month.

There was confirmation that approval of the report by the Board of the Corporation would support the Group's evidence of compliance with the GDPR "accountability principle."

Questions and comments were invited from members.

- A member expressed the view that the content of the report did not necessarily reflect it being an annual report for 2022-2023 with many of the events having taken place post the end of the previous academic year.

The DPO responded that the report had been based upon that which had previously been presented however access to supporting data had been limited consistent with Naomi Korn Associates having only commenced their work with the Group in a formal capacity in August of this year.

- A member further commented that the report read more as a baseline than a report relating to the previous academic year. It was added that while there was appreciation of the position of the DPO as new provider the Committee was unable to take assurance from the report as presented.

Members concurred that the report in its current form was not an annual report. The Interim Chief Finance Officer (ICFO) proposed that he, in conjunction with the Assistant Principal Planning, Funding and Performance (APFP), revisit the report with a view to producing one that was acceptable to the Committee.

The VPCSP clarified that subject access requests had all previously been administered via the outgoing DPO, adding that where information requests were made, the relevant department responded with notification via the DPO.

There was agreement that the revised annual report be circulated to members of the Committee for comments in advance of its presentation to the Board of the Corporation for approval.

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 Annual Report 2022-2023 be redrafted and circulated for comment to members of the Committee in advance of its presentation to the Board of the Corporation for approval at its meeting on 13 December 2023.

Action: Interim Chief Finance Officer/ Assistant Principal Planning, Funding and Performance/Members of the Committee

Minute No**AUD/36/23 Data Protection Annual Reporting Cycle 2023-2024**

The DPO presented a summary of the planned reporting arrangements for the 2023-2024 academic year.

The following was confirmed:

- Data Protection and Information Governance Update – Term 1 (end Jan/Feb)
- Data Protection and Information Governance Update – Term 2 (June/July)
- Data Protection and Information Governance Update – Term 3 (Annual Report) (Sept/Oct)

It was added that the findings/actions from the Healthcheck would also be integrated within these reports going forward.

There were no questions or comments from members and following due consideration it was resolved that the proposed annual reporting cycle be adopted and actioned accordingly.

Action: Data Protection Officer

AUD/37/23 Data Protection Health Check and Action Plan

The DPO referred members to the previously circulated report and an overview of the data protection framework for the Group with a view, where appropriate, to recommending relevant improvements to increase compliance.

Members were referred to the detailed Data Protection Health Check report and information in relation to:

- Key findings
- Areas for improvement
- Recommendations
- Data Protection Health Check.

There was confirmation that the Data Protection Health Check provided information in relation to the current compliance level which presented as 61% compliant; 29% partially compliant; and not compliant 10%. It was confirmed that the following areas had been reviewed:

- Leadership and oversight
- Policies and procedures
- Training and awareness
- Transparency
- Individuals' rights
- Transparency
- Records of processing and lawful basis
- Contracts and data sharing
- Risks and Data Protection Impact Assessments (DPIAs)
- Records Management and Information Security
- Data breach response and monitoring.

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There was conformation that overall, a positive audit was presented arising from which three areas of risk had been identified in relation to:

- There was inconsistent personal data mapping with uncertainty over what personal data existed internally and where it was, making it difficult to respond to personal data requests and having a negative impact upon general information and asset management.
- There was no defined due diligence in place with suppliers in relation to data protection and security practices.
- There were a number of policies in place that required updating and/or had not been reviewed for a period of time.

In terms of the next steps there was agreement that the DPO would work with the APPFP to address the areas identified and that future reporting and updates would be presented to the Committee as outlined under the previous item.

Questions and comments were invited from members.

- A member commented on the work that needed to take place and it was asked how the Group compared to other organisations.

The DPO responded that the position was good adding that there would never be 100% compliance.

- A member referenced page 25 of the report and the four red rag rated findings in relation to legal requirement process activities. The member expressed concern at the priority rating of medium as opposed to high.

The DPO stated that some aspects had been covered and that the issue related to areas being incomplete.

- In relation to Appendix 2 and the actions for completion, it was asked by a member whether they had been accepted by the Group and further as to whether any timescales had been agreed.

The DPO indicated that the actions were currently with the APPFP for comment, adding that the expectation was that all actions would be completed by the end of the academic year with in-year updates provided as part of the agreed reporting cycle.

The ICFO added that the report and actions had, to date, only been discussed informally and that the next step would be for its consideration by the Executive Leadership Team at which time responsibilities and timeframes would be finalised.

There were no further questions or comments from members and following due consideration it was resolved that the Data Protection Health Check and Action Plan be received and noted.

AUD/38/23 Internal Audit Reporting Term 1 2023-2024

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

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- **Business Critical Controls – Finance and Follow Up Report**

The Internal Auditor (IA) advised that the scope of the review was to test the operation of specific internal controls covering the period 2022-2023. There was confirmation that the review covered the following areas – Purchasing; Income; Journals; Control account reconciliations; and Management accounts.

It was further confirmed that as part of the review there had been follow up of recommendations from the previous Internal Auditor's (BDO) Procurement Report, dated June 2023.

Clarification was provided that the report presented factual findings from specific tests of control and that there was no provision of opinion on overall effectiveness of any systems of control. It was noted that there were no issues to bring to the attention of the Committee and that the controls were operating effectively.

It was reported that follow up took place in relation to 10 recommendations (7 Medium priority and 3 Low priority). It was noted 4 recommendations had been implemented; 2 required further action; and 4 were not yet due to have been implemented.

Attention was drawn to the updated due dates to two of the recommendations of 30 June 2024 and 31 July 2024 respectively.

Members raised several issues arising from the report as follows:

- A member commented on the extension of the dates to the two recommendations which had taken place relatively soon after the report had been issued.

There was recognition of the changes to personnel however the view was expressed that there was a need to be realistic when setting timeframes associated with recommendations and associated actions.

- Another member asked why the recommendation in respect of reviewing the preferred supplier list annually had been put back to 31 July 2024.

The ICFO confirmed that discussion had taken place around this aspect at a recent meeting of the Resources Committee, adding that the opportunity to strengthen and widen the approach to procurement was being taken with a view to the Group delivering a more commercial approach and that the brief had now been extended beyond the collation of a preferred supplier list.

Members requested that if the intention was to go beyond the initial recommendation the narrative be amended and recorded accordingly.

Action: Internal Auditors/Director of Finance

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 Business Critical Controls – Finance and Follow Up Report be recommended to the Board of the Corporation for approval.

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- **Human Resources Absence Management Internal Audit Report (Final) – Issued 13 November 2023**

The IA advised of the purpose and scope of the review and provided a detailed overview of the findings from the report including an explanation of the issues relating to the 4 recommendations (3 Medium and 1 Low) contained within the report.

It was advised that the level of assurance for **Design was Reasonable - Yellow** and that generally there was **Partial Operations of Controls - Amber**.

Attention was drawn to the absence management system and the issues around the procedure not being followed. It was suggested that the trigger points were not always complied with and of the need to makes noted on the file as appropriate.

It was further suggested that the Sickness Reporting and Absence Management Procedure should be reviewed to maximise its benefit.

Members raised several issues arising from the report as follows:

- A member, with reference to the award of “partial” for the operation of controls, asked what action was required to move forward from this award.

The IA indicated that the issue related to the use of the system and that there was a need for further training or consideration as to whether the system was fit for purpose.

It was suggested that once the recording issues were resolved the classification would be placed to move from “partial” to “reasonable.”

The VPCSP added that the application of the procedure and the system in place was not currently aligned and an exercise was required to ensure alignment was attained.

Action: Director of Human Resources and Planning

The VPCSP added that at recent meetings with the trade unions there had been interest in absence management. It was noted that the issues had been exacerbated by staffing challenges both within the Human Resources Department as well as more widely across the Group. There was confirmation that there was now more active management of this area.

- A member observed that in relation to the trigger points and questioned the logic around not following up when the trigger point was reached and focus having been directed to safeguarding and recruitment.

The VPCSP confirmed that there had been a capacity issue within the department which had required a focus to be directed to safeguarding and recruitment.

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Discussion took place in respect to the capabilities of the system currently in place. The view was expressed that the issues related to a mix of the system and individuals following through on a personal basis.

- A member expressed concern in relation to the availability of data and the potential inefficiencies in the way the system was currently operating. It was suggested that there was a need to form a view as to whether that which was being undertaken was efficient and effective.

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 Human Resources Absence Management Internal Audit Report be recommended to the Board of the Corporation for approval.

- **Internal Audit Progress Report – November 2023**

The Internal Auditor (IA) advised and updated the Committee concerning the current progress in respect of delivering the agreed Internal Audit Plan for 2023/2024.

The IA provided the Committee with an overview of the planned audits for the year together with the proposed scoping and timing arrangements and stated that it was anticipated that all the audits should be completed by the end of the Academic Year 2023/2024.

Reference was made to an additional piece of work in relation to the Office for Students (OfS). There was confirmation that the scope of the audit was under discussion and that the OfS had recently commented on the sample sizes.

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

AUD/39/23 Audit Tracker – Management Actions arising from Audit Reports – November 2023

The Interim Chief Finance Officer (ICFO) 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 report provided members with detailed progress that had been made in respect of MIS recommendations and all other audit recommendations. There was confirmation that a total of 13 MIS recommendations brought forward from the last report 7 had been completed and 6 were in progress. With respect to other audit recommendations, it was reported that 14 had been brought forward from the last report of which, to date, 4 had been completed.

In relation to the MIS recommendations the ICFO reported that progress had been positive notwithstanding that there continued to be recommendations outstanding. Members noted that staffing in the MIS department was now stable.

For the other audit recommendations, the ICFO confirmed that several continued to be outstanding, a number of which were in progress. It was stated that there were

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no barriers to their completion other than workload within the departments. The ICFO added that good progress was expected to be reported at the next meeting of the Committee.

Members raised the following issues:

- A member sought clarity around when it was said a recommendation was complete who was that confirmed completion of the task.

The ICFO responded that completion would be confirmed in consultation with relevant manager or head of team following which the original report and action would be re-visited accordingly.

- In respect of the actions associated with IT General Controls a member referred to the lengthy discussions that had previously taken place around the focus on attaining Cyber Essentials+ as opposed to the penetration testing as recorded response.

The VPCSP responded that the Group had been successful in retaining Cyber Essentials, part of which included the commissioning of an initial health check by JISC. It was stated that an issue that emerged from the health check which related to staff personal devices and without resolution around this aspect the Group could not progress towards Cyber Essentials+. There was confirmation that the Group was seeking to attain Cyber Essentials+ by July 2024.

The VPCSP clarified that there was a need for a fundamental discussion to be had with staff in relation to personal devices opposite the impact on teaching and learning, as well as the forming of a view around staff use of personal devices.

- A member further commented that in respect of progress there had been greater advancement in terms of the medium and low priorities as opposed to those classified as high priority.

The ICFO acknowledged the comment adding that this had not been a deliberate approach and suggested that those of a higher priority may require more time and/or a longer lead in time.

There were no further issues raised by members and after due discussion and consideration, it was unanimously agreed that the 7 MIS audit recommendations and 4 further recommendations as detailed in the report be removed from the tracker.

Action: Interim Chief Finance Officer

AUD/40/23 Draft Report and Financial Statements – The Trafford College Group including the Letter of Representation for the period ending 31 July 2023

The ICFO presented the Draft Report and Financial Statements (DRFS) and Letter of Representation (LR) for the period ending 31 July 2023. There was confirmation that the report also included information in relation to the assessment of Going Concern.

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The ICFO advised the Committee that the audit of the DRFS had largely been completed but that several key issues remained outstanding relating to the assessment of Going Concern which would remain open until the date of signature plus the post balance sheets events which had currently had no matters to disclose. It was also advised that discussions would be undertaken with the FSRA to conclude the outstanding matters and related disclosures.

The ICFO confirmed that the DRFS had been considered by the Resources Committee at their meeting on 15 November 2023.

In relation to the other aspects contained within the report the ICFO advised concerning the following issues:

- the commentary presented around administrative details, the Strategic Report and Report of the Board of the Corporation; Statement of Corporate Governance and Internal Control; and Statement of Regularity, Propriety and Compliance
- the Statement of the Chairperson and that around the Responsibilities of Members
- the Independent Auditor's Report and confirmation of an unqualified opinion
- the statements and financial results (page 43 onwards) within which a £536k deficit was presented which corresponds to the EBITDA measure of £1.244m in-year
- the reconciliation of items, depreciation (£4.1m), capital grant release (of £2.3m) and adjustments for investing or financing activities (£151k)
- the Statement of Financial Position (page 45) within which healthy cash balances were presented
- the Statement of Cash Flows and the reduction in cash balances in year of £2m consistent with the Group's capital programme.

The ICFO confirmed that subject to the approval of the accounts at the meeting of the Board of the Corporation on 13 December 2023, the annual return to the ESAFAS would be submitted (by 31 December 2023) and the accounts published on the website (by 31 January 2024).

There were no further issues raised by members arising from the report and after due discussion and consideration it was unanimously resolved that it be recommended to the Board of the Corporation that, the Draft Report and Financial Statements as prepared under the Going Concern assumption, and Letter of Representation for the period ending 31 July 2022 be approved.

Action: Board of the Corporation

AUD/41/23 Financial Management and Governance Report for the period ending 31 July 2023

The Financial Statements and Regularity Auditors (FSRA) presented a copy of their Final Management and Governance Report (FMGR) for the year ending 31 July 2023.

The FRSA commented that the audit had progressed well with only a few items that remained outstanding. The FSRA thanked the team for their support during the audit.

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Members were referred to the previously circulated FMGR from which the following was highlighted:

- the introduction and the setting out of the purpose, responsibilities, limitations and independence, and that which was set out within the FSRA engagement terms (page 4)
- the audit risk areas which included the response to and findings in relation to areas the FSRA had identified as being significant risks or key audit focus areas at the planning stage
- confirmation that there have been no identification of additional significant risk or key focus areas following the planning stage.

The FSRA went on to take members through the report and detailed the following:

Audit Risk AreasSignificant Audit Risks**(1) Income recognition including income entitlement**

- work had been undertaken in early July 2023 to gain assurances in relation to entitled income from learners
- arising from this work there were currently no issues arising from the testing undertaken
- following submission of the R14 to the ESFA, management had identified a difference amounting to circa £11k
- that should the figures not materially change there would be no further update to the accounts
- confirmation that from the work undertaken there was comfort in respect of income and its accuracy.

(2) Management override

- confirmation that the review sought to ensure that there was no potential for manipulation on the part of management for example in terms of delaying bad news
- testing had been undertaken to provide assurance that transactions had been genuine
- sensitive disclosures had also been reviewed and reconciled to supporting documentation to ensure disclosures were complete and accurate
- no issues had been noted.

(3) Defined benefit pension scheme

- confirmation that there had been huge gains across the sector
- a review had been undertaken of the assumptions used in the calculation of the defined benefit pension (unrecognised) asset
- a review had taken place of the management's assessment of the likelihood of the inflow of economic benefits as a result of the current asset position
- no issues had been noted, and in particular there was concurrence with the management's assessment that the "more likely than not" threshold had been

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met in respect of the likelihood of an inflow of future economic benefits was reasonable, and further that the asset not being recognised was appropriate.

(4) Debtors overstatement

- further to the risks being raised due to issues around the new apprenticeship process testing had been undertaken including a review of the detailed workings behind the apprenticeship accrual workings in line with ILR report data throughout the year
- confirmation that no issues had been noted and that the reconciliation of the final funding claim (R14) versus income recorded in the financial statements from management was awaited, however it was not expected that there would be any material differences to the reconciliation.

(5) Going concern

- it was suggested that the Committee should have previously made an assessment of going concern at its June meeting earlier in the year
- that a review had been undertaken but that there was no formal representation of the position
- confirmation that, based on what had been seen, no issues had been noted
- management's assessment of going concern was awaited to enable the completion of work in this area, however it was not believed that any significant issues affecting going concern would be identified.

Key Audit Focus Areas**(6) Regularity**

- further to a review of the regularity self-assessment and the supporting documentation no issues had been noted.

(7) Potential for clawback

- a review had been undertaken of management's calculation of clawback which had been accrued with reference to R14
- consideration had further taken place around the implications of clawback, and any future potential under-delivery, on the sustainability of the Group and its status as going concern
- no issues had been noted notwithstanding reconciliation of the final funding claim (R14) versus income recorded in the financial statements by management was awaited although it was not expected that there would be any material differences with the reconciliation.

Summary of Adjustments

Reference was made to the bank interest accrual of circa £55k. There was confirmation that interest accruals should typically be reported as part of the specific liability to which it relates, which in this case could be the loan liability.

Reference was further made to a Human Resources Department calculation (of £158k) in relation the potential under-accrual of holiday pay. There was

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confirmation that adjustment had not yet been made and further that it was not material to the financial statements.

Audit FindingsMatters to bring to attention

The FSRA provided information in relation to matters to be brought to the attention of members and the following was detailed:

- Defined benefit pension recognition
- Regularity around Cheadle redevelopment tendering
- Provider Market Oversight Unit (merger) grant
- Classification of term deposits
- RAAC at the Marple campus
- On going litigation

Qualitative Aspects of the Financial Statements

- Risk register and use of AI within the Corporation
- New requirements following reclassification to the Department of Education (DfE)

Internal Controls

The FSRA reported that no significant deficiencies had been identified in the internal controls however an amber priority (not fundamental but scope for improvement) was identified in relation to contracts of employment and an error rate that was more than anticipated.

Reference was further made to green priorities (minor but nevertheless should be addressed) in relation to some incorrect or to be agreed dates in a small number of contracts of employment and the omission from the lease obligation for franking machines.

The Committee noted that the auditors anticipated issuing an unmodified audit opinion on the Financial Statements subject to the Board of the Corporation approving the accounts as presented to them. It was also noted that the Letter of Representation was standard, and that the Auditor was content to support the Regularity report.

Members were reminded by the FSRA that there was a requirement for declaration of anything that had occurred since the year end date that may impact upon the Financial Statements.

Reference was made to the Office for Students (OfS) and the letter sent to the Principal and CEO (PCEO) detailing their concerns. The potential for clawback was highlighted however the ICFO stated that he did not believe clawback to be an issue consistent with the concerns of the OfS being in relation to the under recording of learners.

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The question was asked by the FSRA in relation to going concern and whether there were any concerns on the part of the Committee in relation to the sustainability of the Group over the next 12 month period. No concerns were registered.

Equivalent questions were asked in relation to fraud and breaches of laws and regulations around aspects such as reputational damage and health and safety. No concerns were registered.

Members raised several issues arising from the report as follows:

- A question was asked by a member in relation to the defined benefit pension scheme and the assessment date of March 2019 within the (DRFS).

The FSRA responded that this section of the report had been highlighted and would be updated accordingly. There was confirmation that the ESFA had recently issued new data for 2022 and that the delay in updating report was due to a timing issue.

There was confirmation that the same issue prevailed for the teachers' pension fund.

- Reference was made to AI and the risk register and clarity was sought by a member as to the aspects of concern.

The FSRA stated that this could relate to the use of AI within the teaching provision and the risks therein. The comment was made that there could be issues around aspects such as security and how the Group's data was being used.

The Deputy Principal (DP) added that the risks were more than just those relating data and highlighted the teaching and learning risks in terms of assessments. There was confirmation that updates to the Assessment Policy were required which would also address the utilisation of software. It was further agreed that AI, moving forward, would be a significant issue for the Group.

Members requested that colleagues give further consideration to AI, with a view to determining where it sat on the risk register.

Action: Deputy Principal/Interim Chief Finance Officer

- A member raised re-classification and the element in relation to disclosures including severance and compensation payments. Assurance was sought in relation to the process followed.

The DOF confirmed that there was nothing that required inclusion. The FSRA concurred with the response made by the DOF.

The member commented that the position in relation to pensions was in keeping with that that she had seen elsewhere.

The FSRA concluded that further refinement of the DRFS would take place in advance of their presentation to the Board of the Corporation, as per the reporting that had taken to the Committee.

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- The issue in relation to Going Concern was raised by a member who added that they were unaware of discussions in relation to this matter having taken place at anything other than the autumn term meeting of the Committee.

The FSRA stated that ideally assessment of the Going Concern should be considered by the Committee in terms of how assurances were gained and that this should take place in advance of the commencement of the External Audit.

There was agreement that the Schedule of Business be amended to include consideration of a Going Concern assessment at the June 2024 meeting of the Audit Committee.

Action: Deputy Corporation Secretary/Audit Committee

There were no further issues raised by members arising from the report and after due discussion and consideration it was resolved that the Final Management and Governance Report for year ending 31 July 2023 be recommended to the Board of the Corporation for approval.

Action: Board of the Corporation

AUD/42/23 Self-Assessment of Compliance with Regularity and Propriety Requirements 2022-2023 - Update

The Director of Finance (DOF) presented a report in relation to the Self-Assessment of Compliance with Regularity and Propriety requirements (SACRP) for the period 2022/2023. There was confirmation that the report included a copy of the completed Regularity Self-Assessment questionnaire.

The DOF confirmed that the SACRP for was broadly similar to the previous year's submission and that input had been secured from the relevant managers. The new sections were highlighted which largely related to the reclassification of the sector on 29 November 2022 and new HM Treasury "Managing Public Money" (MPM) related and other transactional requirements.

It was confirmed that the auditors, following testing, had not raised any issues arising from the SACRP and that a clear regularity statement had been declared which was included in the Group's DRAFTS.

The following issues was raised by members:

- A member highlighted the section on "Write offs and entering into commitments, giving rise to contractual liabilities" (page 10) and asked if the response should also include reference to the External Auditors.

The DOF undertook to amend the SACRP accordingly.

Action: Director of Finance

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- A further query was raised in relation to the “Novel, contentious and repercussive transactions” section (page 12) and the omission of reference to the approved risk register and framework.

The DOF undertook to amend the SACRP accordingly.

Action: Director of Finance

- Clarity was sought by a member in relation to the section on “Whistleblowing and complaints” (page 19).

There was confirmation that further information had been provided in relation to the process associated with the submission of complaints via the Quality Administrator.

There were no further questions or issues raised by members and after due discussion and consideration it was resolved that the Self-Assessment of Compliance with Regularity and Propriety Requirements 2022/2023 be recommended to the Board of the Corporation for approval.

Action: Board of the Corporation**AUD/43/23 Board Assurance and Risk Management Framework 2022/2023 – Update**

The ICFO 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 23 total risks of which 16 had a gross score over 15 and were therefore monitored by the Audit Committee and of the 16 risks 7 had been mitigated through to the risk appetite level set by Governors.
- Of the 9 remaining risks 2 had been mitigated as they had a net score lower than 15. The 7 remaining risks were outlined in detail in the CFO’s report, and it was recommended no risks be removed from the Risk Register at this time.
- There was confirmation that at the last meeting 3 risks had been removed.
- Reference was made to the following appended documents: Strategic Risk and Assurance Framework; Summary Framework; and Strategic Risk Heatmap.
- Attention was drawn to the horizon scanning and emerging risks as summarized in the supporting paper.

A more detailed overview of the 9 risks with a net risk score above 15 was presented by the ICFO. The following was highlighted:

- Strategic Priority 1: Providing high quality, responsive education and training for all our students enabling their success and supporting their progression.

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In term of students and quality of education attention was drawn to the increase in the number of students undertaking maths and English exam re-sits, in common with the wider sector.

- Other Corporate Risks and the requirement to maximise the return on capital investment and recognition of the need to demonstrate this return.

In terms of the direction of travel the following position in relation to risks were highlighted:

- Strategic Priority 2: Establish the Group as a sector leading employer so that colleagues thrive and deliver the highest quality of education and experience to all our students.

There was confirmation that prior to the summer break there had been key vacancies however these had since been recruited to and the risk associated with maintaining a stable leadership team had reduced.

- Strategic Enabler 3: Ensuring good financial health, managed growth and value for money.

The ICFO stated that the risk to income from declining student numbers had been abated following positive recruitment in September 2023 against the Group's ESFA allocation. It was suggested that this risk had been mitigated to some extent and was also supported by positive recruitment in other areas. There was confirmation that the Group was short of the threshold in relation to additional in-year funding from the ESFA adding however that it was well placed going into the next academic year.

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

Questions and comments were invited from members.

- A member queried the appended document and the accuracy of the information presented in relation to Strategic Enablers 3 and 4.

The ICFO undertook to revisit the document and provide clarity in relation to the information presented.

Action: Interim Chief Finance Officer

- A further question was asked by a member in relation to Strategic Priority 1 and why the examination re-sits presented a financial issue for the Group.

The ICFO responded that there were costs attached to the examination re-sits alongside invigilation and the hire of room space to accommodate the increased numbers. It was stated that in the longer term there would be benefit in terms of lagged funding but that a risk prevailed in the current academic year.

There were no further questions or issues raised by members arising from the report and it was resolved that the Summary Framework and Heat Map as detailed

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in the report be approved, subject to the provision of clarity in relation to the supporting documentation, with appropriate reporting to the Board of the Corporation at its meeting in December 2023.

Action: Interim Chief Finance Officer/Board of the Corporation

AUD/44/23 External Audit Strategy for the year ending 31 July 2023

Members noted that approval of the External Audit Strategy for the year ending 31 July 2023 had taken place at the meeting of the Board of the Corporation held on 19 July 2023.

There was confirmation that the Strategy had, at the request of the Armstrong Watson, been duly signed by the Chair of the Corporation.

There were no questions or comments from members and the approval of the External Strategy for the year ending 31 July 2023 by the Board of the Corporation was noted.

AUD/45/23 Value for Money Annual Report 2023

The Director of Finance (DF) referred members to the previously circulated report and an update on value for money (VFM) areas and benchmarking commentary.

The following key issues were outlined:

- the procurement savings targeted for the financial year had been exceeded
- the Group's non-pay was higher compared to the sector on income-scaled delivery and was further forecast in FY 2023 due to increased subcontracting activity which began in the new academic year
- non-pay expenditure needed to continue to be analysed against benchmark comparators to assess where operational issues and subsequently with work undertaken to remedy any areas of concern
- pay benchmarking indicated that staff to income ratios across the sector have risen last year to 70.9% albeit the Group continues to be below average to the comparator of 69.6%
- the Group continued to be above average in terms of pay per FTE and teachers' pay.

The DOF provided the additional commentary:

- the analysis included utilization of the College Financial Benchmarking tool for colleges and as result the data used related to 2021-2022 for benchmark comparisons
- that non-pay was largely consistent and work was taking place to compare with other colleges with view to identifying areas of difference
- a key difference emerging related to administration costs which appeared to be considerably higher however this may be attributable to the mergers
- examination costs were also higher but this may be reflective of the high number of adults learners than comparator colleges
- confirmation that the pay data did not include the 2023-2024 pay award and therefore was not a true reflection of where the Group currently was

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- that total FTEs were lower than comparator colleges
- the inclusion in the report of information in relation to social value and the need to identify the social value offered by suppliers to the Group.

Members thanked the DOF for the informative report and questions and comments were invited from members.

- A member commented that in relation to social value following its inclusion in contracts, the next step was to make sure that it happened. It was asked as to whether active follow up took place.

The DOF responded that this would need to be referred back to the Contracts Manager.

Action: Director of Finance

- A further comment was made by a member in relation to the ratio of teaching to non-teaching staff and the relative increase of non-teaching to teaching staff.

The VPCSP suggested that this may be reflective of how roles were classified from a teaching perspective. In addition it was noted that over the previous academic year there had been a significant increase in the number of Learning Facilitators who were classed as business support.

The DOF undertook to take into account this aspect in future reporting and provide data that excluded teaching support.

Action: Director of Finance

There were no further questions or comments from members and following due consideration it was resolved that the Value for Money Report 2023 be received and noted.

AUD/46/23 Draft Annual Report of the Audit Committee 2022-2023

The DCS presented a report which included a copy of the Draft Annual Report of the Audit Committee (DARAC) for the period up to 31 July 2023.

There was confirmation that Report had been prepared by the incoming Corporation Secretary (CS) and largely followed the format of previous years.

The DCS advised that the report presented a summary of the activities of the Committee during the 2022-2023 academic year met the requirements of the 16-19 Audit Code of Practice. An overview of the DARAC was presented and the following was highlighted:

- A summary in relation to the composition, support, attendance, skills and training of the membership of the Committee.
- An overview of the Internal Audit work conducted during the course of the year including a summary of auditable areas, opinion where appropriate in terms of design and operational effectiveness and the significance of the recommendations arising.

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- The Report and Financial Statements and those areas as detailed and considered earlier in the meeting and it was agreed that this element of the report be updated based on the Committee's discussions and considerations before authorisation by the Chairperson of the Committee. There were no significant issues to report.
- Regularity Audit and confirmation that there were no recommendations or areas of concern made arising from the audit and that the auditors anticipated issuing an unqualified regularity audit opinion within the Financial Statements.
- Risk Management and Board Assurance and a statement in respect of the re adequacy and effectiveness of the Group's risk management arrangements.
- Other work considered by the Committee during the year including a summary of issues considered by the committee throughout the year that came within in terms of reference.

There was agreement that based upon matters reported to and considered by the Committee, to the best of its ability, it was concluded that the adequacy and effectiveness of the Board of the Corporation's audit arrangements, assurance over subcontracting, framework of governance, risk management and control processes and its process for the efficient and effective use of resources, solvency and the safeguarding of assets, could be relied upon by the Board of the Corporation.

The Committee was also of the view that Governing Body responsibilities, as detailed in the annual Financial Statements, had been satisfactorily discharged.

It was also agreed that it was the Committee's view that the Audit Committee is effective in both its operation and fulfilling of its terms of reference and that the annual self-assessment review of the Committee by members and the considerations of both sets of auditors has enabled the Committee to form this view.

There were no further issues raised by members and after due discussion and consideration it was resolved that the Chairperson be authorised to sign the draft report and that it be recommended to the Board of the Corporation for approval.

Action: Chairperson of the Audit Committee/Board of the Corporation

AUD/47/23 Annual Audit Committee Self-Assessment 2022-2023

The DCS presented a report, which summarised the responses from members regarding the Audit Committee Self-Assessment 2022-2023.

The DCS advised that the assessments had largely been completed affirmatively and there were no issues to bring to the attention of members.

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/48/23 Office for Students – Additional Internal Audit

The ICFO referred members to the previously circulated report and an update on discussions with the Office for Student (OfS) in relation to data errors in 2021-2022 returns. It was confirmed that approval was sought for additional internal audit

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activity to provide assurance that controls were now in place to prevent such errors happening again.

An outline of the key issues was presented by the ICFO and proposed draft terms of reference for the internal audit were also shared. There was confirmation that the terms of reference would be refined further and shared with the OfS, subject to approval by the Committee, with a view to the work commencing for completion by January 2024.

The following was highlighted:

- the content of the letter from the OfS in respect of the accuracy of data returns to the ESFA relating to Higher Education students and the concerns detailed
- confirmation that an earlier OfS audit found errors in the 2019-2020 LIR data
- the identification by the OfS of a significant number of errors in the Group's 2021-2022 ILR return for which the OfS had processed a data amendment to correct the errors
- the requirement for the Group to take steps to ensure the data submission for 2022-2023 was fit for purpose and met the specified deadlines of the ESFA
- that the commissioned IA work provide additional assurance around the controls and measures in place moving forward
- that there were more robust processes in place within the MIS which now comprised a more settled team and full-time substantive employees
- that the proposed scope required further refinement and sign off from the OfS including the sample size.

Members raised the following issues:

- A member asked as to whether there was potential for clawback and/or recovery of monies.

It was confirmed that that the full-time equivalents (FTEs) error related to understated rather than overstated numbers.

The ICFO further confirmed that there was confidence that the 2022-2023 submission was accurate.

- A member sought clarity from the IA as to the approach to the audit.

The IA confirmed that it would include an electronic system would be run through the ILR supported by sample testing.

- The comment was made by a member as to whether the question had been asked as to why the errors had occurred.

The ICFO responded that there had been issues within the MIS Department for a number of years and recognition that there had been an impact due to the nature of the MIS team at that time. It was stated that the ILR return was very different from the mainstream submission and it was commented that there had been a lack of understanding and expertise within the team.

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- The question was asked by a member as to whether the Group were content with the timeframes to meet the deadline of the end of January 2024.

The IA confirmed that work was scheduled to commence in early January and further that a dialogue was ongoing with the OfS in terms of finalising the audit approach.

There were no further questions or comments from members and following due consideration and deliberation it was resolved that the proposed terms of reference be approved and commencement of the internal audit work be authorised accordingly.

Action: Interim Chief Finance Officer/Internal Auditors

AUD/49/23 National Updates

There were no were no updates presented for consideration.

AUD/50/23 Any Other Business

The ICFO reported that it had been proposed that a further piece of internal audit work be commissioned in respect of Subcontracting and Partnership activity.

It was noted that the Group engaged with a range of contractors plus a small number of partnerships for very specific activity.

There was confirmation that it was proposed that assurance be sought to ensure that from a governance perspective, arrangements were sufficiently defined within the overall spirit of the requirements. It was confirmed that internally assurance had been determined but that it was considered a further level of assurance should be attained for members.

The Deputy Principal expanded upon the guidance and the lack of clarity over the definitions within the documentation.

The ICFO stated that the intention was to share the report arising at the next meeting of the Committee.

Action: Interim Chief Finance Officer/Agenda item at the next meeting of the Committee

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

AUD/51/23 Date of Next Meeting

It was agreed that the next meeting would be held at 4.00pm on 17 April 2024.

Action: Corporation Secretary

The Internal Auditor representatives (Beever and Struthers) joined the meeting at 4.15pm during consideration of agenda item 7.

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The Data Protection Officer left the meeting at 4.30pm following consideration of agenda item 8.

The meeting closed at 6.20pm.