

Audit Committee Minutes

Meeting held on Thursday 30 November 2023 at 5.30 pm, SRC301

Governors: Rachel Beeken, Gary Bowdler, Subhash Chaudhary (Chair) and David Watson

Apologies: Mark Wilson

In attendance: Claire Leece (Audit Partner) and Andrew McCulloch (Director of Audit TIAA)
For agenda item 3 only: Nick Coules, Group Director of Digital Transformation

Officials: Grant Glendinning (Chief Executive and Group Principal), Phil Hastie (Chief Operating Officer), Fiona Sharp (Chief Financial Officer), Kay Taylor (Group Director of HR & People Development), Sarah Thompson (Clerk to the Corporation) and Sam Young (Governance Support Officer)

Minutes of the previous meeting, an action progress log and reports for all agenda items had been circulated in advance of the meeting.

A23/64 Agenda Item 1 – CONFIDENTIAL ITEM - Standing invitation to auditors to speak with committee members

The Audit Partner RSM confirmed that there were no concerns to raise in relation to external audit provision and that RSM's audit findings would be reported under agenda item 7. The Director of Audit TIAA highlighted that, although TIAA's first audit had not yet commenced, Etc. staff had responded in a timely and helpful manner as arrangements were being made.

The Committee Chair confirmed that, following discussion with the Director of Audit TIAA in advance of this meeting, TIAA's assurance statements as used in their annual report would be provided for committee members; these would be qualified and limited to the areas audited over the year rather than a wider, general statement of assurance. The breadth of the assurance opinion from the group's internal auditors was discussed with a governor commenting that in other sectors in which he had been involved broader comfort on key systems and identification of key risks had often been provided. The Director of Audit TIAA confirmed that, due to audit standards and indemnity, TIAA would be limited to their standard wording based on four levels of opinion and purely based on the areas audited over the year; he added that audit opinion statements were very similar across the sector but agreed to raise the committee's comments with the TIAA executive. He also highlighted that internal consideration of how the Audit Committee provided broader assurance to the Corporation in their Annual Report was also relevant and that, for example, other means of assurance such as Ofsted had been evidenced in this year's report.

Nick Coules, Grant Glendinning, Phil Hastie, Fiona Sharp and Kay Taylor joined the meeting.

A23/65 Agenda Item 2 – Welcome, Apologies for Absence, Declarations of Interest, Notification of Items of Other Business

The Chair welcomed attendees to the meeting and apologies for absence from Mark Wilson were **noted** and accepted; the Clerk confirmed that the meeting was quorate. There were no declarations of interest in items on the agenda and no notification of items of other business.

A23/66 Agenda Item 3 – Strategic Risk 2 – Business Resilience (Presentation)

The Director of Digital Transformation gave a presentation on Business Resilience and Cyber Security which outlined the following (governors' comments and responses shown in italics):

- Connectivity and data centres: including firewalls, back up procedures, server movements between data centres, and data retention arrangements for different data sets.
- Client devices: BitLocker enabled and centrally managed; password policies in place.
- Internet connections: through JISC and the Janet network – high capacity, secure and well managed. Training, alerts and cyber incident support also provided by JISC.
- Internal audits:
 - in 2022-23: IT disaster recovery (Substantial assurance); cyber resilience focused on Office365 (Good assurance) and business continuity (Good assurance);
 - planned for 2023-24: Data protection and GDPR (General Data Protection Regulations) and Cyber Security Maturity Assessment
- Specific actions taken in 2022-23 detailed.
 - *Question on uninterrupted power supply (UPS) – confirmed that UPS was in place at all sites to enable safe shutdown of servers to minimise data loss and provide power to communications rooms and CCTV; improvements were planned where vulnerabilities had been identified. [REDACTED].*
 - Confirmation that communications from Russian IP addresses blocked.
- Testing in 2022-23 including:
 - Scenario testing of rolling power cuts and action plan put in place
 - Testing of virtual and back-up servers, including migrations, carried out as part of data centre upgrades
 - Penetration testing – no issues found
 - National Cyber Security Centre (NCSC) Early Warning monitoring – no issues raised
 - Key staff attending network events, sharing good practice on cyber security
- New IT team structure: Network and Infrastructure Manager appointed and more focused responsibilities within the IT team.
- Actions for 2023-24:
 - New IT Service Desk, enabling better request support internally and externally
 - Rollout of new remote desktop solution and new email security and training package [REDACTED]
 - *A governor offered to share details of the cyber security training used in their own organisation; governors agreed that people were often the weakest link and that, given the inevitability of cyber attacks, organisations needed to concentrate on detect and restore, as much as prevention.*
 - *Question about student access to systems – confirmed that students used a different part of the network to staff and were given college Office365 and email accounts; virus*

checks made it unlikely that a student could bring the network down though it was possible that they could click on a phishing email.

- Replacement of Firewalls with an updated solution
- Office365 upgrade [REDACTED]
- Digital Transformation Strategy incorporating IT, Digital and Data strategies, focusing on all technology aspects; drive to bring in new technology safely and securely whilst enhancing learning based on Etc.'s digital vision.

A governor asked about data silos and the frequency of data back ups; the Director of Digital Transformation outlined the group's data back up procedures and explained that the Management Information Systems (MIS), for example, were backed up more frequently as data was constantly changing. He added that the recent finance system tender included a service level agreement (SLA) on data response and back up.

A governor commented that, based on his experience in other organisations, Etc. seemed well positioned and asked whether there had been scenario testing on cyber attacks given that systems could potentially be down for several months. The Director of Digital Transformation explained that, as referenced in the business continuity audit report, work was underway [REDACTED] but that, if staff could access Office365, teaching, which was the group's core business function, would still be possible, even if, for example, attendance could not be recorded on the MIS. He also highlighted the positive impact made by the recently appointed Network and Infrastructure Manager and that the group would make use of the NCSC's Exercise in a Box once new systems were in place.

Governors thanked the Director of Digital Transformation for an excellent presentation which had provided assurance on all the key areas. The Clerk added that Finance and Employment Committee had suggested digital transformation as a possible presentation to the Board. The Chair also suggested that the committee should consider whether a committee member with more IT expertise was needed.

Nick Coules left the meeting.

A23/67 Agenda Item 4 – Minutes of previous meeting

The minutes of the Audit Committee meeting held on 12 October 2023 were **agreed** as an accurate record. The action progress log had been circulated and was **noted**; the Clerk highlighted progress on the following actions:

- Suggested topics for risk deep dives would be considered under agenda item 10: Strategic Risk Register
- Rachel Beeken and David Watson had been booked on the AoC Audit Committee Masterclass to be held on 11th January 2024

A23/68 Agenda Item 5 – Audit Plan Summary

The Chief Financial Officer confirmed that the final audit plan summary for 2022-23 had been included for completeness and noted that it had been disappointing that there had been less internal audits receiving Substantial Assurance than in previous years. Dates for the planned

internal audits for 2023-24 were currently being finalised and it was anticipated that the first audit reports would be available for the committee's next meeting.

A governor questioned the timing of audits, with considerable activity clustered in June 2024, and asked whether this was usual. The Chief Financial Officer explained that the Subcontracting and Follow Up of Previous Recommendations audits always took place at that time of year but there could be some flexibility in the timing of other audits. The Director of Audit TIAA added that the dates for the Cyber Security Maturity Assessment and Data Protection (GDPR) audit timings had been swapped and that TIAA would always endeavour not to overburden Etc. staff.

The Audit Manager RSM clarified that RSM had carried out the funding review work as part of the external audit rather than as a separate audit; the Chief Financial Officer agreed to reflect this in the Audit Plan Summary table.

Governors **noted** the completed audit plan summary for 2022-23 and progress on the 2023-34 audit plan.

A23/69 Agenda Item 6 – Outstanding audit recommendations status report

The Chief Financial Officer presented the report giving the status of all agreed audit recommendations; future updates would be downloaded from TIAA's portal, to which she would have access, and this was expected to improve oversight. She highlighted that all actions had been completed or were not yet due, with outstanding actions to be reviewed and monitored by TIAA, and that there were no concerns to raise.

Governors **noted** the update and monitoring arrangements for outstanding audit recommendations.

Agenda Item 7 – Draft Annual Reports and Final Accounts 2022-23

A23/70 7.1 Draft Final accounts for Education Training Collective 2022-23 (consolidated accounts)

The Chief Financial Officer highlighted that this was the latest draft of the final accounts; comments to be received from RSM's final audit review and helpful contributions from David Watson would be incorporated, with the final version presented to the FE Corporation in December.

The Audit Partner RSM highlighted the presentation of the NETA transfer and of restricted cash, in the form of capital grants received and not yet spent, in the accounts; she added that RSM would provide support in preparing suitable narrative. The Chief Financial Officer also noted, under note 24, defined benefit obligations, the additional line inserted to reflect the restriction of the obligation which was showing as an asset of £950k after the application of an asset ceiling reduction to the actuarial valuation; RSM would assist with explanatory wording. She added that the draft financial statements had also been recommended for approval by the Finance and Employment Committee subject to minor changes.

In response to a governor's request, it was agreed that in-year appointment and resignation dates should be added to the list of governors on page two. The Clerk confirmed that the Audit

Committee section would reference David Watson's appointment and that the attendance table for Audit Committee meetings held in the year would include the Special meeting.

The Chief Financial Officer confirmed that key changes following this meeting would be highlighted in the report to the FE Corporation and that Audit Committee would be asked to recommend the accounts for approval on this basis.

A23/71 7.2 – Final accounts for Tees Valley Catering 2022-23

The Chief Financial Officer confirmed that these would be the last set of Tees Valley Catering (TVC) accounts as a trading company following its transfer to Etc. from 1 August 2023; TVC had made a gross profit, which had become an operating loss after adjusting for an internal support services recharge and depreciation of its assets. She added that the internal recharges had been on the same basis as the previous year and calculated in the same way as for college departments; the committee was requested to approve the TVC accounts for sign off for filing at Companies House and for consolidation into the Etc. accounts for the year.

In response to a governor's question, the Chief Financial Officer confirmed that TVC provided internal Etc. catering needs except for a contract for catering provision at the Durham University International Study Centre; the university paid a monthly management fee and staffing costs for this. She added that TVC operated on a break-even position with the main focus on a quality provision for staff and students; it had now become an internal department, Etc. Catering, and these changes had had a positive impact on staff.

A23/72 7.3 – Final accounts for Stockton and Billingham College Developments Ltd 2022-23

The Chief Financial Officer explained that the Stockton and Billingham College Developments Ltd. (SBCD) accounts showed that there had been no activity during the year and that this had been the case since completion of the sixth form and sports centre at Bede; legal advice had been sought with a view to writing off the historic debt relating to a final retention payment.

In response to a governor's question, the Chief Financial Officer clarified that SBCD was a wholly owned subsidiary established to carry out construction work; the Audit Partner RSM added that it had been a vehicle to maximise VAT (Value Added Tax) recovery. The final retention had never been paid to the contractor as the counter claim by the college had been greater than the retention payment.

A23/ 73 7.4 – Final accounts for Innersummit Ltd. 2022-23

The Chief Financial Officer presented the final accounts for Innersummit to 31 August 2023 for information only and confirmed that they had been approved by the Innersummit Board for sign off and submission to Companies House. The operating position in the final year was not reflective of a normal trading year as there had been some accounting adjustments, including write offs, at the time of acquisition by Etc. The Chief Financial Officer confirmed that adequate due diligence had taken place before acquisition, with a reasonable opening balance.

The Chief Executive and Group Principal, and Chair of the Innersummit Board, added that, though early in the year, Innersummit was currently showing a break-even position and the

Chief Financial Officer confirmed that Etc. was arranging repayment of the outstanding bounce back loan.

A23/74 7.5 – Draft audit findings report from auditor of the financial statements / management representation letters

The Audit Partner RSM presented the draft audit findings report and outlined that RSM were required to sign off on two opinions, financial statements and regularity. In response to a governor's question about fraud, the Audit Partner RSM explained that RSM assessed whether funds were used for the purposes intended, including sample testing of purchases, tenders and redundancy payments. Governors noted that as the audit findings gave the committee external assurance this formed part of the committee's wider assurance opinion.

The Audit Partner RSM highlighted two outstanding matters; outstanding income from the Education and Skills Funding Agency (ESFA) was currently shown in debtors, awaiting confirmation of recoverability of the balance, and some regularity testing was not yet concluded.

The Audit Partner RSM gave an update on the six risks identified at the planning stage. Under income recognition, the Audit Partner RSM explained that auditors used to be able to place reliance on the ESFA funding reconciliation certificates but now had to carry out their own funding assurance work and used a specialist team within RSM. The additional Adult Education Budget (AEB) [REDACTED] that had been earned compared to allocation could not at this time be guaranteed but the financial statements had not been adjusted to include this additional income.

Testing of the internal controls to prevent management override had taken place, with data analytics software used to select sample transactions; testing had identified nothing outside the normal course of business.

The Audit Partner RSM reported that the Local Government Pension Scheme (LGPS) asset on the balance sheet was unusual and that, whilst the resulting asset in the pension report of just over £7m was a significant asset, Etc. would be unable to reduce employer contributions or receive refunds from the plan. Management had considered the actuary's asset ceiling report and capped the asset recognised within the financial statements at £950k; RSM had reviewed this correspondence and taken advice from their own technical team and confirmed that the management decision was appropriate. She added that other colleges' accounts would show similar amounts though some could decide to cap the LGPS asset at zero.

Governors recognised that this was an illusory amount and should interest rates go down then the asset would go to zero or even become a liability; the Audit Partner RSM confirmed that in a previous year the pension liability on the accounts had been around £20m with no impact on the group.

With reference to going concern, the Audit Partner RSM confirmed that there had been no actual breaches in the bank covenants nor any forecasted. RSM were aware of the ring-fenced

funding for future capital projects and its restricted use and were in the process of reviewing key assumptions, achievement of income and budgeted expenditure in financial forecasts. A governor asked if Etc. management provided evidence to governors of their opinion on going concern; the Chief Financial Officer explained that the College Financial Forecasting Return (CFFR) included forecasts for the next two years but agreed to consider whether information on management's opinion on going concern could be formalised into a document presented to Corporation. The Audit Partner RSM suggested a single-page overview outlining the forecasts prepared and an idea of headroom; the Chief Financial Officer added that a cashflow forecast looking ahead 15 years was now in place, with its development supported by independent input from Robert Griffiths, a turnaround specialist.

RSM had reviewed, and agreed, management's rationale for the treatment of the remaining Transactions Unit Restructuring grant; this had been included in creditors due in more than one year as it was possible that this unused funding could be repayable up to the end of the 2025 financial year. No income from the grant had been recognised in this financial year.

Group reconstruction had also been reviewed; NETA Training Trust had ceased to trade on 1 August 2022 and assets, liabilities and trade transferred to Etc. However, the NETA lease had not been novated to Etc. and was subject to an internal agreement between Etc. and NETA. The Audit Partner RSM confirmed that she had taken advice on this matter and had also flagged it to Beever and Struthers, the incoming external audit providers. Senior managers provided contextual information; no break clause had been arranged when the original, poorly negotiated, lease had been agreed in 2014 and Etc. was keen to negotiate a more favourable lease including break clauses. However, negotiations with the landlord were moving slowly. In response to a governor's question, the Audit Partner RSM confirmed that this had no impact on the consolidated accounts. Legal advice from Stone King was also being sought on the permanent endowment fund referenced in the transfer agreement.

The Audit Partner RSM added that as the formal transfer agreement with TVC had been signed on 1 August 2023 this was a post balance sheet event.

Capital projects were identified as a risk during the audit; no issues had been identified during review of expenditure linked to government capital grant funding and procurement processes and controls had been followed. The Audit Partner RSM added that figures in the financial statements looked unusual as receipt of some capital funding had been in advance of projects taking place.

The Audit Partner RSM then outlined recommendations on internal controls. The process for approval of Accounting Officer expenses in the Financial Regulations had not been communicated during the handover from the previous Chief Executive and Group Principal and claims should have been reviewed and agreed by the Corporation Chair. Some posting of post year end invoices in period 12 of the previous year had taken place though the amounts involved had been immaterial and evidence of some payroll controls needed to be more formally documented. There had also been a recommendation to ensure HR records on starters and leavers were consistent with payroll system information; none of the control recommendations had been badged as significant.

Adjusted and unadjusted misstatements had been advised to management and detailed in the appendix to the final audit findings report; the first three related to reallocations on the balance sheet [REDACTED]

The Audit Partner RSM then outlined matters identified from specific funding testing; management responses had now been received, with recommendations accepted and in progress. RSM's calculations indicated the possible total level of funds at risk if the sample tested was reflective of all learners and then extrapolated; these had been provided to advise the potential, rather than actual, total funds risk.

In response to a governor's request, the management response was shared which confirmed that the errors were a result of delayed processing of a learner withdrawal. Extrapolation could possibly be used in a funding audit though a larger sample would normally be reviewed first; RSM's findings would have no actual funding implications. The Chief Operating Officer confirmed that this would be an area of focus for internal sampling, the results of which would be shared with the committee at a future meeting.

Governors thanked the Audit Partner RSM for a clear report in which the issues had been comprehensively explained; the Audit Partner RSM confirmed that the Final Audit Findings Report would be issued shortly and in time for the Corporation meeting papers.

The Audit Partner RSM then confirmed that their standard management representation letter would be presented to the FE Corporation for approval for signature by the Corporation Chair and the Accounting Officer.

Governors:

- i) **agreed** to recommend approval of the final accounts for the Education Training Collective 2022-23 (consolidated accounts) to the FE Corporation, subject to minor amendments; it was **agreed** that this would be accompanied by a summary of changes, a summary relating to management's opinion on going concern and updated information on the outstanding [REDACTED] credit note;
- ii) **approved** the final accounts for Tees Valley Catering Ltd 2022-23 for signature and filing with Companies House and for the consolidation of results into the Etc. accounts;
- iii) **noted** the final accounts for Stockton and Billingham College Developments Ltd. 2022-23;
- iv) **noted** the final accounts for Innersummit Ltd. to 31 August 2023;
- v) **agreed** to recommend the audit findings report from the auditor of the financial statements for Education Training Collective and subsidiaries to the FE Corporation for approval, subject to final amendments.

A23/75 Agenda Item 8 – Internal Audit Reports 2022-23

The final internal audit reports for Apprenticeship Follow Up and Follow Up of Previous Recommendations had been provided, along with the report on the original 2021-22 Funding Assurance (Apprenticeships) audit for context. The Chief Financial Officer confirmed that both

audits had received a Good level of assurance from AuditOne and went straight to governors' questions.

A governor asked about the status of the four partially implemented and one not implemented recommendations; the Chief Financial Officer confirmed that four had now been completed, with the remaining one due for completion on 30 November 2023, and that completion would be tested as part of TIAA's Follow Up audit at the end of the year. The Director of Digital Transformation and his team were responsible for the one reinstated action with a target completion date of 31 January 2024. In response to a governor's question, the Chief Operating Officer confirmed that ownership of actions was clear.

A governor asked TIAA for any sector comparisons for apprenticeship audits and the Director of Audit TIAA confirmed that this level of recommendations was common in the sector, due to constantly changing guidance making processing difficult, though General FE colleges tended to be more compliant than independent training providers. Governors acknowledged that it felt like a continuous improvement journey where the rules kept changing; the Chief Operating Officer added that it was also complicated by varying interpretation of the rules and the number of compliance points for apprenticeships. He added that compliance risks for 16 – 18 funding were much lower.

Governors **noted** the final reports for the Apprenticeship Follow Up and the Follow Up of Previous Recommendations audits, with both receiving a Good level of assurance.

A23/76 Agenda Item 9 – Internal Audit Annual Report and Annual Report of Audit Committee 2022-23

Internal Audit Annual Report

In the absence of a representative from AuditOne, the Chief Financial Officer presented this report; AuditOne had given an assurance opinion of Good and, given the assurance levels across the reports included in the 2022-23 internal audit plan, this was considered a fair outcome. It was hoped that the group would receive a Substantial assurance opinion for 2023-24. Governors noted that the report stated that there was a high level of compliance with the control framework and felt that the auditor's recommendations were helpful for group improvement.

Annual Report of the Audit Committee

The Governance Support Officer presented the committee's annual report; in response to committee members' comments on the first draft, information had been added in relation to David Watson's previous experience and on auditor independence with reference to RSM's provision of the annual report on the Teachers' Pension Scheme (TPS) End of Year certificate. The first sentence of the final paragraph had been amended to read that the committee had a 'substantial level' rather than a 'high level' of confidence in the overall effectiveness of internal control. The Governance Support Officer acknowledged that the report had become overlong and slightly repetitive and that the governance team would be taking up David Watson's offer of support to produce a more concise report on 2023-24, with more information presented in tabular form.

Governors then discussed the appropriate level of assurance they could give to the FE Corporation and whether this could be greater than the assurance opinion provided by AuditOne; the committee felt that other sources of assurance received, including RSM's audit findings and the wording in AuditOne's annual report, would warrant reverting the committee's confidence in the overall effectiveness of internal controls to a 'high level'. At the Clerk's suggestion, the committee agreed that a reference to the committee's discussions on going concern and the Surgo credit note should be included in the annual report; the Audit Partner RSM commented that this was an excellent example of governor challenge.

Governors:

- i) **agreed** the Annual Internal Audit Report and that it would form an appendix to the Annual Report of the Audit Committee;
- ii) **approved** the Annual Report of the Audit Committee 2022-23, with the amendments agreed, **authorised** the Committee Chair to sign and date the report, and **agreed** that the report should be presented to the FE Corporation at its meeting on 14 December 2023.

A23/77 Agenda Item 10 – Risk Management

The Chief Financial Officer presented the first iteration of the Strategic Risk Register downloaded from 4Risk and welcomed governors' comments and suggestions; she reported that the Senior Management Team (SMT) was fully engaged with the software and that the 4Risk system had now been rolled out to heads of department, in line with the plan. Progress would be reviewed at Performance Review (PR) 3, with fully completed departmental risk registers expected to be in place by PR6. Feedback from heads of department had also been positive and it was expected that 4Risk would improve links between strategic and departmental risks, strengthening risk management processes; incorporation of opportunities remained under development. The use of risk appetite also remained under consideration; the Chief Financial Officer proposed that target risk levels for each strategic risk would be considered and challenged by the Risk Management Group (RMG). In response to a governor's request, the Governance Support Officer agreed to investigate whether a summary report on changes to target risk could be produced.

A governor queried whether the Audit Committee should also have a role in reviewing risk appetite or whether this would be at Board level, with management making a recommendation and then challenged by the Board. The Chair suggested that this could be a topic to be considered at the Governors' Strategic Conference.

The Chief Financial Officer confirmed that the discussion at the previous meeting around differentiating risk response according to treat, tolerate, transfer or terminate would remain under consideration as the use of 4Risk developed. She was also exploring expanding the Strategic Risk Register to include positive or negative assurance levels and confirmed that she would welcome any further suggestions from the committee. Governors commented that the new risk register was easier to use, allowing the committee to debate appropriate risk scoring,

including target risk. In addition to deep dives, a governor suggested that the committee could do ten-minute shallow dives on one risk at each meeting to provide feedback to management.

The Chief Financial Officer then outlined the deep dive suggestions; STR0001 Financial, particularly income streams, and STR0005 Partnerships and collaboration, especially failure to address skills needs identified in the Tees Valley Local Skills Improvement Plan (LSIP), for the March and June meetings respectively. A governor agreed that funding streams were a key risk especially given changing and unclear government strategy and suggested that this could also be a topic for the Strategic Conference, including the degree of certainty for funding streams other than the ESFA.

The Chief Executive and Group Principal highlighted that the new software and condensed Strategic Risk Register had been a helpful process for the executive and other teams and welcomed the better definition of 12 key strategic risks. Access to the 4Risk software would be rolled out to governors and consideration would be given to the respective roles of the committee and the Corporation in approval of the Strategic Risk Register.

Governors:

- i) **agreed** the Etc. Strategic Risk Register 2023-24;
- ii) **noted** progress of risk management;
- iii) **noted** the update on the rollout of 4Risk;
- iv) **agreed** that Strategic Risk 1: Financial and Strategic Risk 4: Partnerships and Collaboration as areas for deep dives at future Audit Committee meetings and to consider some shallow dives on other risks

A23/78 Agenda Item 11 – Fraud and regularity update

The Chief Financial Officer confirmed that there had been no fraud and regularity issues and governors **noted** the verbal update.

A23/79 Agenda Item 12 – Any other business

Governors noted that this had been Claire Leece's last attendance at an Etc. Audit Committee meeting; the Chair thanked Claire for her work with the group over the last ten years. Claire replied that it had been a pleasure to work with Etc. and that she had been challenged and supported by both staff and governors. She confirmed that Lynn Chambers, Audit Manager RSM, would be attending the December Corporation meeting and added that she had previously worked with the incoming Audit Partner, Beever and Struthers.

A23/80 Agenda Item 13 – Approval of Documents for Public Inspection

It was **agreed** that the agenda and approved minutes would be made available for public inspection. With the exception of agenda item 11, supporting documents were all deemed confidential for reasons of commerciality.

A23/81 Agenda Item 14 – Date, time and venue of next meeting

Thursday 8 February 2024, 5.30 pm, SRC301, Stockton Riverside College

A23/82 Agenda Item 15 – Meeting Effectiveness and Key Themes

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

- The presentation on business resilience and cyber security had been a good start to the programme of deep dives and a great addition to the committee's business; governors were looking forward to further deep dives
- There had been effective governor challenge on the Surgo debt and the assurance needed for presentation to the Corporation
- It was felt that the newly appointed committee member brought discipline, expertise, attention to detail and a valuable fresh perspective

The following key themes were identified:

- Comprehensive and engaging presentation from Nick Coules, Group Director of Digital Transformation, on business resilience and cyber security, linked to strategic risk 2, specifically Failure to protect against cyber crime and unwanted access to Group IT systems
- Final internal audit reports from AuditOne for 2022-23 received and the internal audit plan with TIAA for 2023-24 finalised, though would remain responsive to emerging issues. Initial discussion started with TIAA re quality of annual assurance statement for 2023-24 onwards
- AuditOne and Audit Committee Annual Reports considered, with recognition of additional sources of assurance to evidence the committee's opinion on the overall effectiveness of internal control
- Detailed feedback from Claire Leece, Audit Partner RSM, on the financial statements audit findings; discussion of Going Concern review and presentation of appropriate evidence to the FE Corporation, NETA lease considerations and Surgo debit balance in relation to unpaid credit note
- First iteration of Strategic Risk Register from 4Risk software, update on 4Risk implementation and future Audit Committee and Corporation reporting requirements
- Programme of deep dives for remaining meetings agreed (financial income streams and partnerships and collaboration) plus shallow dives on selected risks over the year
- Recognition of the strength of the working relationship with RSM over the past ten years and thanks expressed to Claire Leece for her work as Audit Partner

Claire Leece and Andrew McCulloch left the meeting in advance of this confidential item.

A23/83 Agenda Item 16 – Performance Indicators for the Financial Statements Auditor

The Chief Financial Officer presented the circulated report assessing the performance of the external audit service for the year ended 31 July 2023. She highlighted that RSM had provided excellent service during 2022-23 and also over the length of their audit contract with the group. RSM had opted not to tender for the provision of external audit services from 2024 onwards, due to a lack of local resource, and it was acknowledged that the audit partner, Claire Leece, had provided invaluable support, advice and guidance to the group.

It was **agreed** that performance of the external auditor had been highly satisfactory. There was no recommendation for reappointment as Beever and Struthers had been appointed as audit partner from 2024, following a tender process.

Governors agreed that a letter of thanks should be sent to Claire Leece, RSM Audit Partner, on behalf of the Corporation Chair, Audit Committee Chair and Chief Executive. The Clerk agreed to arrange this.

The meeting ended at 8.10 pm