



Heart of Yorkshire Education Group

Audit Committee Minutes of the

Heart of Yorkshire Education Group

On 21st June 2022 at 4pm via MS Teams

Present: Nigel Brook (NB), Ruth Sacks (RS), Martyn Shaw (MS) and Neil Warren (Chair - NW)

Apologies: Ian Parsons (IP) and Richard Stiff

In attendance: Jonathan Creed (JC – Internal Auditor ICCA), Richard Lewis (RL – RSM), Jason Pepper (JP – Executive Director, Finance and Resources), Joanne Taylor (JT), Antonia Praud (AP – Director of Governance)

Item		Action
1	<p>Declarations of Interest, Apologies for Absence and Welcome</p> <p>The Chair welcomed all attendees to the Committee meeting and new members Nigel Brook, and Richard Stiff in his absence, were welcomed to the committee.</p> <p>Richard Lewis was welcomed to his first Audit Committee meeting of the new group.</p> <p>Apologies were received from Ian Parsons and Richard Stiff, which were accepted with consent.</p> <p>There were no declarations of interest noted.</p> <p>There were no items of Any Other Business received.</p>	
2	<p>Minutes of the Meeting on 8th March 2022</p> <p>The Committee resolved to approve the minutes.</p> <p>Matters Arising:</p> <ol style="list-style-type: none">Cyber security: The Group continues to experience attempted cyber attacks but to date, none of these have been successful. The group continue to operate a robust firewall system and two factor authentication continues to be a main line of defence. All staff are offered regular training on cyber security. Where particular issues arise (such as a stream of dedicated attacks), staff are advised accordingly on the precautions they need to take. The Group will need to seek Cyber Essential re-accreditation in 2022/23. <p>Governor challenge: Is penetration testing included within the cyber essentials requirements? This has formed part of a previous test schedule for the IT Network, however it was noted threats develop quickly and therefore it was agreed it would be a worthwhile activity to complete again.</p>	1

	<p>IT Migration: Staff resignations have added additional challenges to the IT migration project due in the summer break, and the risk register has been updated to reflect this.</p> <ol style="list-style-type: none"> 2. Management Assurance report: The FD noted that in he would include more information regarding internal control in the next iteration of the Management Assurance Report in November and remove governance altogether, which was outside of its scope. 3. RSM advice: RL confirmed his recommendation in item 3, in respect of funding, had been included in the Audit Committee Annual Report. 4. Journal sampling: JP confirmed periodic sampling of journals is taking place and the team intend to introduce further financial control checks. 5. Apprenticeship Audit: The summary was shared with committee members. 6. The Chair of the Audit Committee met with Wayne Brown from Audit One to discuss the results of the apprenticeship audit and it was confirmed that Joanne Taylor and the team accept the recommendations made. (See item 4). 7. Joanne Taylor is making changes to the process in light of recommendations from the internal audit report (commitment statements and updating ESFA details) 8. Board Assurance framework carried forward to the new plan: (Wakefield) Of the 3 previous outstanding recommendations, 2 have been cleared off so only one recommendation will be carried forward. This was overdue. JP confirmed he would work on this over the summer, once the group strategic plan has been approved by the corporation. The group are about to commence the transfer of all 'legacy' Selby apprentices onto the Group version of Smart Assessor and re-enter all App details onto the Group DAS account. The Wakefield process has been audited externally and the outcome confirmed it is robust. 9. Work experience: The Chairs of the Audit and Curriculum and Quality Committees have received confirmation from Lisa Macdonald, that since the meeting Cache had updated their guidance. Work placements were arranged for 14 students and the remaining 12 will all achieve under adaptation. A written report was shared with governors in March. 10. Work experience can be considered as an Internal Audit activity in the next Internal Audit plan. JP confirmed he and LM (Lisa Macdonald) do not believe that the Group will gain any material value from undertaking such a review in the 2022/23 cycle. 11. Audits of apprenticeships will continue with ICCA. 12. Risk Register: The new risk register has been created and will be reviewed at this meeting. 13. The Risk register should look at management capacity and culture: The draft 2022/23 budget includes a number of new management and operational posts to boost capacity across the Group, so the decision was taken not to include this in the draft register. However, a risk has been included (R12) re: the effective delivery of a new Group structure. Karen Sykes is running a project to look at the new group values and culture. 14. The Risk Management Policy was approved as interim document and JP plans to review it once the new group have run through the 2022/23 cycle. 15. Looking at internal process when learners transfer internally (main error noted in ILR audit) This has already been addressed by the Admin team and the internal transfer processes have been tightened up. 	<p>2</p> <p>3</p>
--	--	-------------------

	<p>16. Completion of final statements etc for Selby College: This has been pushed back to the autumn term.</p>	
4	<p>Final Audit report from Audit One NW met with Wayne Brown (WB) on 17th June 2022. NW confirmed the scope had changed slightly at the request of Sam Wright and Joanne Taylor. The conversation was very useful to go through the context and WB was able to provide a lot of assurance on the Wakefield process being introduced.</p> <p>The audit focussed on the new process for new starts and it was acknowledged that a lot of work is ongoing to develop the admin processes and systems with support from Joanne Taylor and her team. Six recommendations were made (two medium and four low recommendations).</p> <p>Governors had received the report in the meeting pack and noted the assurance from both the report and from the verbal update from the Chair.</p> <p>See confidential minutes.</p> <p>JP confirmed the level of risk remaining had been substantially reduced now and congratulations were noted to Joanne Taylor and the team.</p>	4
5	<p>Confidential Item See confidential minutes.</p>	
6	<p>Status of Outstanding Audit Recommendations All but 1 of the 19 recommendations shown in Appendix 1 have been implemented. (A completion rate of 94%). Only 1 advisory recommendation has yet to be implemented and is overdue: that budget holders are asked to confirm in writing that they have read and agree to abide with the Group Financial Regulations. This recommendation will be implemented over the summer as budgets for 2022/23 are issued.</p> <p>JP confirmed he would also be developing the new group Board Assurance Framework over the summer.</p> <p>Governor challenge: Will this take into account any legacy items from Selby College and highlight which items have a higher risk? Yes – however the most significant risk was apprenticeships which is already being addressed.</p>	5 6
7	<p>Risk Management, Control and Governance Draft 2022/23 Group Risk Register: The Committee received the draft risk register (Appendix One), acknowledging it was a work in progress, but confirmed it could not be fully approved until the strategic plan was agreed by the corporation in July. Each proposed risk records an owner and risk score, and it was noted that some scores exceeded the stated risk appetite of the corporation.</p>	

	<p>The committee noted the number of risks had grown (to 15) but this in part corresponded to the size of the new group. It was also noted that some risks may reduce in the short term.</p> <p>Three risks are linked to IT and systems (Business systems, the group HR system in the autumn, and the migration to a group network) these were set against the context of staffing pressures. (some capacity has been lost – prior to the pandemic there would have been two Heads of IT, one senior member and seven systems analysts – the team has shrunk to one Head of IT and three systems analysts). This will have an impact on the support that can be directed towards the migration project. However, it should not stop the migration going ahead as the group are using Phoenix Computing to manage the external side of the migration.</p> <p>Governor challenge: Is there anything the committee or board can do to mitigate the risks? No – there may be pressures on attracting new staff though as the market is very buoyant.</p> <p>Governor challenge: Will there be a communication plan for staff who may find the migration frustrating and to protect the dwindling team from criticism? Yes – this is already planned.</p> <p>Governors then debated the level of risk appetite for the group, especially being at an early stage post merger. They asked if it was set by CIRO or by the board? JP agreed to prepare a paper on risk appetite to discuss again, but confirmed the current level of risk appetite had been presented and agreed by the board. As a new board was in place for the group, it was agreed this should be reviewed again.</p> <p>The committee also asked that a periodic review of the risk appetite be added to the committee terms of reference.</p> <p>Governors then reflected that they had asked for Business Leads to attend committee meetings to provide assurance and requested the Head of IT attend the next meeting.</p> <p>The committee reviewed the risk register and asked that the potential risk from KAPA be added to the register.</p> <p>It was also noted that JP proposed to increase the risk for IT and business continuity.</p>	<p>7</p> <p>8</p> <p>9</p> <p>10</p> <p>11</p>
<p>8</p>	<p>Internal Audit Update</p> <p>Follow up of previous recommendations: A substantial level of assurance was received, and all recommendations were implemented. Thanks were noted to JP and his team for their diligence.</p> <p>Subcontracting Assurance: Governors were reminded that once more than £100k of subcontracting is required, the group is required to complete this contractual review. There are a prescribed set of tests. The report notes that the Group is fully compliant with all aspects of the relevant funding guidance, and that the single recommendation from this review in 2020/21 has been implemented.</p>	

	<p>Merger Governance: This was an advisory report again and the purpose is not to make comment on the decision to merge, but to see if the board followed due process and discharged its responsibilities appropriately.</p> <p>It was clear that the process was extremely robust and an admirable approach was taken. However, it was also noted that the time and commitment from governors and key staff was significant. The decision to appoint a project manager at the start of talks was the right one as the Executive team would not have had the capacity for this and their other commitments.</p> <p>It was recommended that the board quote the summary in the governor statement this year.</p>	12
9	<p>Group Financial Statements Audit Plan and Internal Audit Plan</p> <p>The committee reviewed the plans and noted the increase in fees. It was confirmed that this was common post merger, and there would be an expectation that the audit needs may drop in the years ahead. JC confirmed for a group of this size, 35 days a year would be typical.</p> <p>It was noted that the governance structure and review of governance would be reviewed and tendered separately.</p> <p>The committee reviewed the plan and noted that as the apprenticeship provision had had so much scrutiny, the recommendation was to review it again in 18 months time.</p> <p>Risk management and board assurance – this would focus on the new board assurance framework</p> <p>Financial management – as the group is currently using two systems and is moving to a new system from 1st August, it does increase risks.</p> <p>It was also advised to review procurement and value for money, and HR and Payroll, following merger.</p> <p>ILR submissions – both colleges will run their own systems next year, even though the group will submit a combined report.</p> <p>Distance Learning – the delivery model is successful at Selby and is being rolled out across the group. Obtaining consistency across the group will be a focus.</p> <p>A Follow up audit, will also be required.</p> <p>It was agreed that AM and NW would discuss a timetable to potentially go to market to tender for audit services, as recommended as good practice.</p> <p>Update on the 2021/22 Plan</p> <p>The committee had previously considered whether there was a need to review the financial controls at Selby College and what the appetite was to complete this. JP confirmed a</p>	14

	<p>concern was whether there was enough capacity to support this audit and it was agreed to remove this request.</p> <p>It was agreed to share the recommendations with the board.</p>	14
10	<p>External Audit Update</p> <p>The Selby College closing statements have been carried forward to the Autumn term. The audit work has been largely completed. There is nothing adverse to report to date. They have not had the closing meeting.</p> <p>RL confirmed it would be a very heavy and long meeting to review both sets of accounts in one meeting in November, and made a recommendation to have two shorter meetings in the autumn term instead. The committee confirmed they supported this suggestion and would recommend this to the finance and resources committee as they planned to have a joint session.</p> <p>As a larger merged group, there is a significant increase to the work (larger group and has a subsidiary) and the audit opinion would be based on that for the full year. The audit fees had increased, but governors noted it was less than the separate fees the two colleges paid in the previous year.</p> <p>The audit plan set the scene but it was noted that some of the work by the RSM team on Selby College could be used by the RSM team reviewing the group as a merged entity.</p> <p>It was agreed to recommend this to the board.</p>	15
11	<p>Emerging Issues</p> <p>Themes noted include:</p> <ul style="list-style-type: none"> • The Levelling up agenda and impact on governance • The changes in the 2022 Code of Practice – including the need for a governance review • The skills bill • The new Subcontracting standard from August 2022 • Changes to apprenticeships • Risk from cyber crime <p>Governors noted it was a useful document for the board.</p> <p>Governor challenge: What is your assessment of the proposed reclassification of the FE sector? This is still being assessed but it could mean there are more controls (cf Multi Academy Trusts) but this would offer opportunities too. (eg the guarantee for pensions deficit) Further updates will be shared in due course.</p>	
12	<p>Committee Self Assessment</p> <p>The committee reviewed the report and confirmed which ratings had been met and partially met.</p>	

	Overall, the committee had had effective debate and high quality discussions and had received informative executive summaries. It was agreed to recommend the report to the board.	15
13	<p>Review of Effectiveness</p> <p>The committee reflected on the quality of discussion and challenge whilst accepting that the meeting had run over the time scheduled for the meeting.</p> <p>Governors noted the sheer volume of papers to read before the meeting was challenging and confirmed they would rather have two shorter meetings with less papers, which is more manageable and effective.</p> <p>They noted that the two November meetings would still be paper heavy, but confirmed their support to separate the meeting out into two separate sessions.</p> <p>Thanks were noted to the team and committee.</p>	

Meeting closed at 6.25pm

Action Log from the Meeting:

1	Arrange for penetration testing as part of the cyber security process	Ongoing	JP
2	Include more information regarding internal control in the next iteration of the Management Assurance Report and remove governance altogether which was outside of its scope	November 2022	JP
3	Develop the new Group Board Assurance Framework	November 2022	JP
4	Share feedback from the committee with the Executive Team on communication within management responses to internal audit reports	ASAP	JP
5	Complete the outstanding recommendation with budget holders in the summer break	September 2022	JP
6	Develop Board Assurance Framework	November 2022	JP
7	Review the level of risk appetite of the new group board	Autumn 2022	NW and AM
8	Amend the terms of reference to include a periodic review of the risk appetite of the group	November 2022	AP
9	Ask the Head of IT to attend the next meeting	November 2022	JP and Mike Penty
10	Add the risk from KAPA to the risk register	Autumn 2022	JP
11	Amend the risk score for IT migration	Autumn 2022	JP
12	Include the summary on the governor statement	Autumn 2022	JP and AP
13	Risk Register should consider management capacity and culture	21 June 2022	JP
14	Share the revised recommendations with the board and consider a tender for audit services in line with best practice	5th July 2022	NW
15	Recommend holding two shorter meetings to review the financial reports and accounts for the two colleges	ASAP	NW
16	Recommend the self assessment report to the board	5 July 2022	ALL

