



# Heart of Yorkshire Education Group

**Audit Committee Minutes of the**

**Heart of Yorkshire Education Group**

**On 6<sup>th</sup> March 2023 at 4pm via MS Teams**

	<p><b>In attendance:</b>  <b>Present:</b> Nigel Brook (NB - Chair), Martyn Shaw (MS) and Richard Stiff</p> <p><b>Apologies:</b> Ian Parsons (IP) and Jason Brook (JB)</p> <p><b>In attendance:</b> Jonathan Creed (JC – Internal Auditor ICCA), Richard Lewis (RL – RSM), Jason Pepper (JP – Executive Director, Finance and Resources), Chris Holt (CH), Antonia Praud (AP – Director of Governance)</p>																
<b>Item</b>																	
<b>1</b>	<p><b>Declarations of Interest, Apologies for Absence and Welcome</b>  The Chair welcomed all attendees to the Committee meeting and guest Chris Holt, and a round of introductions were made.</p> <p>Apologies were received from Jason Brook and Ian Parsons, which were accepted with consent.</p> <p>Declarations of interest were noted from the Auditors for item 9.</p> <p>There was one item of Any Other Business received.</p>																
<b>2</b>	<p><b>Minutes of the Meetings on 22<sup>nd</sup> and 29<sup>th</sup> November 2022</b>  <b>The Committee resolved to approve the minutes.</b></p> <p><b>Matters Arising:</b></p> <p>Minutes from 22 November:</p> <table border="0"> <tr> <td><b>1</b></td> <td>Amend the report and accounts, and self assessment reports</td> <td>JP, NB, NW and AP</td> <td>ASAP after the Audit report</td> <td><b>1</b></td> </tr> <tr> <td><b>2</b></td> <td>Add a narrative to explain the changes to the financial position</td> <td>JP</td> <td>ASAP after the Audit report</td> <td><b>2</b></td> </tr> <tr> <td><b>3</b></td> <td>Report back on the development of an assurance map and board assurance framework</td> <td>JP</td> <td>Carried forward</td> <td><b>3</b></td> </tr> </table>	<b>1</b>	Amend the report and accounts, and self assessment reports	JP, NB, NW and AP	ASAP after the Audit report	<b>1</b>	<b>2</b>	Add a narrative to explain the changes to the financial position	JP	ASAP after the Audit report	<b>2</b>	<b>3</b>	Report back on the development of an assurance map and board assurance framework	JP	Carried forward	<b>3</b>	
<b>1</b>	Amend the report and accounts, and self assessment reports	JP, NB, NW and AP	ASAP after the Audit report	<b>1</b>													
<b>2</b>	Add a narrative to explain the changes to the financial position	JP	ASAP after the Audit report	<b>2</b>													
<b>3</b>	Report back on the development of an assurance map and board assurance framework	JP	Carried forward	<b>3</b>													

	<p><b>4</b> Amend the report and accounts, and self assessment reports NB and AP ASAP after the Audit report <b>4</b></p> <p><b>5</b> Arrange Audit retender through a purchasing framework JP On agenda today <b>5</b></p> <p><b>6</b> Review internal audit reports in the March meeting ALL On agenda today</p> <p>Confidential Minutes from 22 November:</p> <p><b>1</b> Review the Internal Audit Plan to provide assurance on new systems and processes for the ILR and Apprenticeships JP NB Carried forward <b>6</b></p> <p><b>2</b> Note the recommendations in the re-write of the report and accounts JP Carried forward <b>7</b></p> <p><b>3</b> Note the risk to student achievement in the Group Risk Register JP Completed</p> <p><b>4</b> Provide a report to explain how the deficit has appeared, after a surplus was recorded in reports immediately before merger. JP Carried forward <b>8</b></p> <p>Minutes from 29<sup>th</sup> November:</p> <p><b>1 Work together on the development of an assurance map</b> JP, RL, AP Carried forward <b>9</b></p> <p><b>2 Creation of a Reserves Policy</b> JP Carried forward <b>10</b></p> <p><b>3 Create a covering paper for the next set of accounts, noting key variances</b> JP Carried forward <b>11</b></p> <p><b>4 Confirm Chair's action, noting decision to transfer SFS staff to Selby College terms and conditions</b> AM Completed and reported to the board on 12<sup>th</sup> December 2022</p> <p><b>5 Send feedback through on the Health and Safety Policy</b> CC/ALL Completed</p> <p><b>6 Send feedback on the Grievance Procedure</b> CC Completed</p> <p>Other items were for the Finance, People and Resources Committee.</p>	
<b>4</b>	<p><b>Selby College ESFA Funding Audit Interim Update</b> See confidential minutes.</p>	
<b>5</b>	<p><b>Status of Outstanding Audit Recommendations</b> A summary of the progress made in implementing internal audit recommendations since the last report to Audit Committee in June 2022, was noted. Governors noted this was very limited as the Corporation has yet to receive the final audit findings report from our 2021/22 Group financial statements, so there were no recommendations as yet to log from this. The first internal audit reports from the current 2022/23 have also yet to be accepted by Audit Committee, so there are no recommendations logged from these yet either.</p>	

	<p>A typo was noted in the report (33% implementation) as it should read 100% of the recommendations shown in Appendix 1 have now been implemented.</p> <p>Governors questioned what activities had been removed? This was the development of risk management and the board assurance framework. Governors fed back this was indeed an activity the committee would wish to be completed. JP confirmed he would review this in the summer term.</p>	<b>12</b>
<b>6</b>	<p><b>Risk Management, Control and Governance</b></p> <p><b>Group Risk Register:</b> The profile of 4 risks on the register has increased.</p> <p><b>1. Apprenticeship funding</b> Forecast apprenticeship income for the current year has been reduced by £400,000 and so the risk of not generating income growth has increased. Reasons include:</p> <ul style="list-style-type: none"> <li>i) A significant number of ongoing apprenticeships at Selby College are unfunded because basic information was never collected to enable funding to be claimed from the Digital Apprenticeship Service. (DAS). However, good progress is being made in switching on funding for many learners now.</li> <li>ii) We are fielding a number of complaints from employers about the quality of provision. Several employers are withholding funding until matters are resolved. However, good progress is being made.</li> </ul> <p>On a positive note, apprenticeship recruitment is strong. This could address the risk above.</p> <p><b>2. Higher Education numbers.</b> HE enrolment numbers remain below plan. It is now certain that the Group will not achieve its' budgeted HE income for the current financial year.</p> <p>It is hoped that by developing a range of Level 4+ technical courses (Highly Technical Qualifications) the Group will be able to strengthen the offer for future years.</p> <p><b>3. 16-19 Further Education provision.</b> Recruitment was strong at the start of the academic year however retention has been challenging. 600+ 16-19 learners withdrew prior to the day 42 funding census date, and more have been lost subsequently. 172 of 16-19 learners that enrolled at the Group this year never actually attended.</p> <p>Further work is required to understand exactly what happened to these learners and how this issue can be minimised in future years. Governors asked for the Curriculum &amp; Quality subcommittee to review this in a deep dive.</p> <p><b>4. Failure to attract, retain and develop a suitable pool of talent to deliver the Group's strategic aims.</b></p>	<b>13</b>

	<p>The Group continues to find it difficult to recruit a wide range of teaching and specialist business support roles.</p> <p>Although our latest forecast outturn has included provision for a material pay increase for all staff, the Group’s ongoing commitment to the Real Living Wage means that most of this would need to be used to give the most junior staff a 14% pay increase. Little would be left for other roles, including teaching staff. This is at a time when schools are able to offer a starting salary of £30,000 for newly qualified teachers. There is also a need to harmonise salaries across the group with job evaluation, and salaries at Selby College are below that of the group in many cases. Affordability for pay awards this year will be challenging, but the Finance, People and Resources Committee will be reviewing a recommendation to offer an award above the planned amount in the budget for this year.</p> <p>There are also two risks where the assessment has improved:</p> <p><b>1. Inability to develop and deliver an effective and affordable infrastructure strategy for the Group, without adversely impacting on the quality of teaching and learning.</b></p> <p>The Group has been fortunate to receive almost £3m of unbudgeted capital funding from a range of sources, including the DfE (for Estates works), the OfS (for HE provision) and the ESFA (£1/2 million for solar panels) in recent months. These capital grants will be used to fund a range of projects that will improve Group infrastructure without the need to use Group reserves.</p> <p>It should also be noted that although IT infrastructure at Selby College needs wholesale replacement, the likely cost will be significantly less than originally anticipated. The group have been running software at Selby that monitors the utilisation of IT equipment, and of the c. 1,000 client devices (mainly PCs) connected to the Selby network, less than 400 have been switched on since the start of this academic year.</p> <p><b>2. The Group fails to effectively mitigate the operational, safeguarding and wellbeing impact of pandemic Coronavirus.</b></p> <p>Although Covid remains a real issue and the group continue to see cases amongst both staff and students, the impact of these on day to day operations has been extremely limited.</p> <p>Governors presented challenge and asked:</p> <ul style="list-style-type: none"> <li>• To understand the risk for IT being taken until the summer (licenses, infrastructure etc) Governors understood the IT Manager did not have the capacity to attend a meeting, but asked for a report from JP to the board or committee.</li> <li>• To understand the order of magnitude of the complaints from employers and how much funding was being withheld or was at risk of being lost.</li> <li>• To ensure reports gave numbers or percentages rather than words such as “significant” so it was easier for the committee to assess risk.</li> </ul>	<p><b>14</b></p> <p><b>15</b></p> <p><b>16</b></p>
--	---	--

	<ul style="list-style-type: none"> <li>To break down data – eg are numbers down overall in HE or is there specific risk to areas of curriculum?</li> </ul> <p>Governors received a verbal report that confirmed the risk to the IT network at Selby had dropped as works have been completed to replace switches. The group are surveying what is needed at each building but a price can not be confirmed as it depends on the availability of kit, as well as capacity to do the works on site.</p>	17
8	<p><b>Internal Audit Update</b></p> <p>Two internal audit reports have been completed by ICCA. The committee reviewed both reports and noted:</p> <p><b>1. Review of the Group’s E-Procurement systems and controls.</b></p> <p>To inform the roll out of the procurement process, look at how the system is set up and comment at the initial stages of the roll out. Two specific recommendations were noted.</p> <p>3.1 recognises a difference between the way the system is set up and how the group intend to use the system. The group are not intending to use purchase orders for:</p> <ul style="list-style-type: none"> <li>i) perishable items</li> <li>ii) agency staff</li> </ul> <p>The management responses provided confirm they will review the set up so the process matches the system set up, and financial regulations.</p> <p>3.2 The system has been configured so that three stages happen, and can only happen, in an exact sequence. This means that the system will not be very flexible, although it would provide a high degree of assurance. JP has agreed to review this and have oversight to ensure it does not create an operational backlog.</p> <p>Governors questioned if it would be better to add in some flexibility now. JP confirmed he was happy with the process as recorded.</p> <p>Governors noted their understood the flexibility with perishable food but raised some concern over the flexibility with agency staff. They noted the management responses but noted concern if the use of agency staff continued to rise, as it brings additional risk.</p> <p>They agreed to review this when an interim check is completed, and they can see how it is working in practice.</p> <p><b>2. Review of the ILR Submission</b></p> <p>ICCA gave the college a reasonable degree of assurance. Two recommendations were noted.</p> <p>(One high and one medium).</p> <p>High risk: From January 2023, the Director of Management Information and Student Data Systems is leading a group, tasked with reviewing the legacy Selby College’s processes, to</p>	18

	<p>determine which processes are currently acceptable and those which are not, and would be requiring urgent attention to mitigate potential risks so that they won't be allowed to continue during 2022/23. A number of changes have already been identified and the auditors will review this again in the summer. CH is looking at each process to determine which will change and which can continue. For a number of actions, it is really 2023-24 before substantial changes will be made.</p> <p>Medium risk: Pre-merger, the legacy Wakefield College team routinely undertook regular audit sampling of learner files and PDSATs, but since merger these checks have lapsed, as their focus has been on systems integration and more recently, the ongoing ESFA Funding Audit at Selby College.</p> <p>The Auditors strongly recommend the 'Data Quality and ILR checklist' should be reintroduced and enforced across the Group, incorporating a programme of Group-wide audit sampling of learner files and that PDSATs should be reintroduced and enforced across the Group.</p> <p>Governors noted concern that these checks had dropped, whilst noting they understood that capacity in the team played it's part, and that a focus understandably had to be on the audit. Governors noted concern that the group's processes were impacted and confirmed the group needed to look at longer term actions and ensure there was a robust system across the group in the future.</p> <p>Governors also noted that they had been given assurance that Selby College were adopting stronger processes from Wakefield College, but had not been informed, until now, that processes at Wakefield were also being impacted detrimentally. This reinforced the importance of having further internal audit checks on the ILR across the group, before the group is chosen again for another audit.</p> <p>The group also noted that the team had been under pressure with the audit, and asked for assurance that recruitment and checking on wellbeing in the team were a focus for the HR team.</p>	19
9	<p><b>External Audit Update</b></p> <p>Governors noted the audit is on hold until the completion of the ESFA Audit. It is anticipated the meeting to review the report and accounts will need to be approx. 4 weeks after the ESFA report is received.</p> <p>Governors questioned if a joint meeting should provisionally be put in diaries. After discussion it was agreed to set a date, as soon as the report is received.</p> <p>Governors received the ONS reclassification report.</p> <p>Governors asked if there was any information from the AoC Finance Directors meeting of note. It was confirmed that they had discussed what happened in Scotland, the possibility of setting up trusts and the valuation of college sites every 5 years.</p>	20

	<p>The main change discussed was the impact of changing the financial year. It will cost the sector millions, and income recognition will be more difficult in March, due to the way the sector is funded.</p> <p>JC and RL left the meeting.</p>	
<b>10</b>	<p><b>Audit retender</b> Governors <b>approved</b> the group should retender for services and agreed to the recommendation to use the purchasing consortium.</p> <p>It was noted the group had used ICCA for some time. However, the group would prefer to use experienced auditors in FE, than change providers. There is a lack of capacity in the sector at present.</p> <p>Whilst it is not a requirement to have an internal auditor, the committee confirmed it was minded to request increasing the budget and having more support, than saving money in this area.</p>	
<b>11</b>	<p><b>Emerging Issues</b> Themes noted include:</p> <ul style="list-style-type: none"> <li>• The retender for transport services at Selby College.</li> <li>• The likelihood of another ILR audit next year.</li> <li>• Changes to FE funding.</li> <li>• Hitting the predicted numbers which have increased for T Level courses next year.</li> </ul>	
<b>12</b>	<p><b>Any Other Business</b></p> <p><b>Business continuity arrangements</b> – this needs revisiting as it was last reviewed in 2018 and since then there has been a global pandemic. The group are planning lockdown testing. It is also planning to purchase back up generators in case of power outages.</p> <p>External Penetration Testing: Following a spate of security challenges at schools and colleges, governors questioned if the group had any external penetration testing planned? It was confirmed this could be added to the risk plan.</p>	<b>21</b>
<b>13</b>	<p><b>Review of Effectiveness</b> The committee reflected on</p> <ul style="list-style-type: none"> <li>• All had had an opportunity to contribute.</li> <li>• Governors had presented challenge to the Executive Director, CH and to the Auditors.</li> </ul>	

