

## **Heart of Yorkshire Education Group Corporation ('Corporation')**

### **Board of Governors ('Group Board')**

### **Audit Committee ('Committee')**

## **Minutes of the Meeting held on 7 December 2023 ('Meeting')**

**Present:** Nigel Brook ('Chair'), Jason Brook and Faye Banks (via Teams).

Head of Governance and Legal Services ('Clerk')

**In attendance:** Group Executive Director of Finance and Resources ('JP'), Group Executive Director of External Relations and Development ('LC') (for minute 6 only), Director of Apprenticeships and Jonathan Creed from ICCA ETS ('ICCA ETS').

**Apologies:** Martyn Shaw

### **1. Appointment of Chair 2023/24**

IT WAS RESOLVED THAT Nigel Brook and Jason Brook be appointed as Chair and Vice Chair of the Audit Committee, respectively, for the year 2023/24 and up until the first meeting of the Committee the following year.

### **2. Welcome and Apologies for Absence**

The Chair reported that due notice of the Meeting had been given, that Martyn Shaw had given his apologies and that a quorum was present. Accordingly, the Chair declared the Meeting open.

### **3. Declarations of Interest**

The Chair asked for declarations of interest. ICCA ETS noted an interest in agenda item 11 regarding the procurement of audit services. Otherwise, none were made.

#### **4. Minutes of the Meeting held on 13 June 2023**

IT WAS RESOLVED THAT the minutes of the meeting of the Committee of 13 June 2023 were approved.

#### **5. Matters Arising**

5.1. The Clerk addressed the outstanding matters arising from the above meeting which were due to have been actioned by this Meeting as follows:

- 5.1.1. On matter one, JP was unable to provide management responses to the ESFA's findings as planned. Delays were attributed to reports not being ready.
- 5.1.2. On matter two, concerns about including a specific risk related to strike action were discussed. Recent developments indicated a reduced likelihood of such action. Members sought confirmation regarding the agreement process for the proposed pay award. It was confirmed that all necessary steps had been taken.
- 5.1.3. On matter four, JP noted plans to achieve Cyber Essentials Plus accreditation which, he felt, might satisfy this requirement. He outlined cybersecurity challenges and projects. Members emphasised the importance of monitoring progress on cybersecurity initiatives and adjusting audit plans accordingly. Flexibility in scheduling internal audits based on the progress of cybersecurity efforts was deemed necessary.
- 5.1.4. On matters seven and eight, the Clerk noted he would reach out to members with dates for training. Delays in the availability of PDSTAT reports were noted, causing frustration among the members.

#### **6. ESFA Apprenticeships Audit update**

6.1. It was decided to prioritise agenda item 10 before proceeding with item six. This adjustment aimed to accommodate LC's early departure. JP:

- 6.1.1. Gave an update on the status of the ESFA funding audit of the Selby College ILR including the key outcomes of the subsequent report and the quantum of funding at risk of claw back as well as the potential for follow up audits.
- 6.1.2. Referred to issues identified in an advisory report prepared by the organisation's internal auditors relating to Wakefield and Castleford Colleges. Efforts would be made to address existing issues while preparing for future audits. A significant undertaking involved reviewing the files of a great number of apprentices to ensure compliance. Plans were underway to establish an internal audit compliance team to ensure accuracy and completeness of evidence. However, due to resource constraints and the magnitude of the task, full implementation was expected to take some time. In anticipation of an imminent funding audit,

efforts would be focused on rectifying existing issues and ensuring robust processes moving forward. Leadership turnover and gaps in management were identified as contributing factors to the existing challenges which resulted in failure to adapt to certain changes, particularly relating to the funding rules, which had resulted in inconsistencies in evidence documentation.

#### 6.2. Members:

- 6.2.1. Asked whether the sum at risk had been based on full or sample testing. It was clarified that the figure in question was based on expanded testing.
- 6.2.2. Expressed frustration that they had understood the issues identified to be specific to Selby College only. JP explained that while gaps existed, they were smaller than those at Selby College and that those identified could likely be mitigated to a much greater extent.
- 6.2.3. Stressed the importance of understanding the extent of the risk and progress in addressing the issues identified. It was conceded that understanding the extent of the risk would require several weeks of analysis and that, while addressing current issues was feasible within a reasonable timeframe, rectifying past errors would prove more challenging.
- 6.2.4. Noted the need for ongoing communication with the ESFA regarding future audits. Clear dialogue was essential to establish the audit process, identify the scope of learners under review, and determine the audit's focus on specific years.
- 6.2.5. Noted that plans to establish a compliance team and enhance quality assurance processes were deemed essential. However, concerns were expressed about organisational capacity and skill sets to implement these measures effectively. JP noted that agency staff were unlikely to have the necessary skills and advertisements had gone out to fill the relevant vacancies. A pragmatic approach to salaries was stressed given the nature of the issue.
- 6.2.6. Stressed the importance of being kept up to date with progress with Apprenticeship funding issues.

### **7. Risk Management, Internal Control and Governance**

7.1. JP referred to the Risk Management Policy. He suggested members consider lowering certain risk tolerance levels.

#### 7.2. Members:

- 7.2.1. Considered the proposal to move fraud and regulatory breaches to a lower risk category. However, there were considerations about the implications of such changes and the need for further discussion and potential Group Board approval. It was agreed that while certain risks, such as health and safety and safeguarding, required a very low tolerance level, others could be managed with a lower level of scrutiny to promote efficiency and productivity. JP agreed to amend the Policy, reducing fraud and regularity breaches to a lower risk category.
- 7.2.2. Asked how the financial limits had been established and whether they were appropriate? JP noted that they were connected to the organisation's

financial health grade.

7.2.3. Considered the criteria used for assessing risks, with a suggestion to move to a 5x5 rating system to provide more granularity and avoid clustering of risk levels. JP agreed to incorporate this.

7.2.4. Asked that the amended Risk Management Policy be brought back to the next Committee meeting.

7.3. JP referred to the Risk Register noting:

7.3.1. Recruitment challenges remained an issue. Concerns about the shortage of staff, particularly in Engineering were raised, which he attributed to the difficulty in recruiting qualified professionals willing to accept lower salaries compared to the private sector.

7.3.2. The increased risk profile around apprenticeships due to delivery challenges, contrasted with positive trends in Higher Education and 16 to 19 age groups.

7.4. Members:

7.4.1. In relation to recruitment, noted the importance of offering competitive salaries to attract skilled professionals.

7.4.2. Suggested the use of deadlines to bring risks to tolerable levels. JP noted the difficulties associated with this, which members accepted.

7.5. JP reported two instances of fraud and the actions that had been taken in respect of these.

7.6. Members asked whether the necessary reporting had taken place which JP confirmed. It was noted that controls had worked effectively to identify and deal with these matters.

## **8. Status of Previous Audit Recommendations**

8.1. JP noted that all previous audit recommendations had been delivered.

8.2. Members were satisfied with the report.

## **9. Internal Audit Reports**

9.1. ICCA ETS:

9.1.1. Noted the risk management report in respect of which substantial assurance had been given with two advisory recommendations, which he outlined, one of which, the move to a 5x5 matrix, having already been identified as an

improvement by members earlier in the meeting.

- 9.1.2. Noted financial controls had been given substantial assurance, with only a couple of low-priority recommendations. These recommendations focused on improving procedures related to cash transfers, corporate credit card usage, and procurement systems.
- 9.1.3. Noted HR and payroll had been given substantial assurance, with minor differences in authorisation methodologies between different Colleges within the organisation. Efforts were noted to standardise procedures.

9.2. Members recommended the practice of linking risk management with key performance indicators. Concerns were raised about the potential optimism in assessing risk management effectiveness solely based on risk scores without correlating them with actual KPIs. JP agreed to consider these suggestions and to report back to the next Committee meeting with his thoughts.

## **10. Annual Internal Audit Report**

### 10.1. ICCA ETS:

10.1.1. Outlined the key aspects of the Annual Internal Audit Report, highlighting opinions on internal control and risk management arrangements. While reasonable assurance was offered regarding internal control effectiveness, the report was silent on governance due to an ongoing external governance review.

### 10.2. Members:

10.2.1. Asked whether ICCA ETS was satisfied it had delivered enough audit days to deliver its opinion. ICCA ETS confirmed and noted the exceptional circumstances post-merger hoping that the following year would see a return to the usual audit schedule. It was suggested that there might be a reintroduction of mandatory internal audit practices, which could lead to increased workload demands on audit teams.

10.2.2. Asked whether ICCA ETS had IT specialists. It was confirmed that the internal audit team had a specialist in IT and data security. This specialist played a crucial role in conducting reviews, particularly in assessing compliance with cybersecurity standards such as Cyber Essentials.

10.2.3. Whether the number of audit days procured by the College was in

keeping with other colleges. This was confirmed.

10.3. IT WAS RECOMMENDED THAT the Annual Internal Audit Report be recommended to the Board for approval.

10.4. ICCA ETS left the meeting.

## **11. Audit Services Procurement Update**

11.1. JP:

11.1.1. Noted the requirement to tender for internal and financial statement auditors every five years.

11.1.2. Outlined procurement complications relating to the Selby College ILR audit.

11.1.3. Acknowledge a delay in the process but committed to proceed with preparations as soon as possible.

11.1.4. Members were satisfied with the reported approach to procurement of auditors.

## **12. Review of Terms of Reference**

12.1. The Clerk noted that the Committee had substantively complied with its terms of Reference during 2022/23 but noted some minor issues for improvement which, he noted, he would address.

12.2. The Clerk reminded members to complete their committee self-assessment questionnaires as part of the Group Board's self-assessment of governance.

12.3. Members asked that the improvements be made as soon as possible.

## **13. Review of the effectiveness of the meeting**

It was agreed that the Meeting had been effective and it was closed.

The Chair noted that the next meeting of the Committee was to take place on 5 March 2024.

NGK

Signed..... Date 05.03.2024

## Actions

No.	Minute	Details	Deadline	Responsibility
1	5.1.4	The Clerk noted he would reach out to members with dates for training.	The next Committee meeting.	Clerk
2	6.2.6	Members stressed the importance of being kept up to date with progress with Apprenticeship funding issues.	The next Committee meeting.	JP
3	7.2.4	Members asked that the amended Risk Management Policy be brought back to the next Committee meeting.	The next Committee meeting.	JP
4	9.2	Members recommended the practice of linking risk management with key performance indicators. JP agreed to	The next Committee meeting.	JP

		consider these suggestions and to report back to the next Committee meeting with his thoughts.		
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