

## THE TRAFFORD COLLEGE GROUP

### Minutes of the Audit Committee Meeting held at 6.00pm on Thursday 2 July 2020 via Microsoft Teams

**Present:** Jed Hassid - Chairperson  
Ian Duncan  
Brian Bradley  
Dawn Cole

**In Attendance:** Barry Watson – Corporation Secretary  
Andrea Bennett – Director of Finance & Strategy  
Michael Frankish – Grant Thornton  
Jenny Elgar – Grant Thornton  
Natalie Hinchcliffe - BDO  
Anthony Gribben- Lisle – Data Protection Officer  
Michelle Leslie – Vice Principal Corporate Services & Planning

#### Minute No

#### **AUD/14/20 Apologies for Absence**

The Corporation Secretary (CS) reported that apologies for absence had been received from Tony Healy.

#### **AUD/15/20 Declarations of Direct or Indirect Interest in any of the Meeting's Business Items**

The auditors declared an interest in Agenda Item 12 (Policy of Additional Work Undertaken by Auditors ) and it was resolved that they should remain present for the agenda item but take no part in the discussion .

#### **AUD/16/20 Minutes of the Meeting held on 30 April 2020**

The minutes of the meeting were approved and accepted as a correct account of the meeting's proceedings subject to a number of minor typographical amendments.

**Action: Corporation Secretary**

#### **AUD/17/20 Matters Arising from the Minutes**

The Chairperson confirmed that, in his view, there were no matters arising from the minutes that were not covered by the meetings business items.

There were no other matters raised by members arising from the minutes.

#### **AUD/18/20 Data Protection Update**

The Data Protection Officer (DPO) presented a report which provided members with an overview of the latest position with regard to Data Protection and its effectiveness across the Group's operations.

## Minute No

The report covered the following issues:

- Data Protection Framework and Covid 19. The DPO advised the Committee in detail concerning the actions undertaken by the Information Governance Group in respect of Covid 19; this included issues relating to IT Security and staff working remotely. It was noted that due to the work required for this the Data Management Group had not as yet met but was due to reconvene in July 2020.
- Merger Update. The DPO also advised around the actions that had been taken in respect of the Data Protection Strand for the proposed merger with Cheadle and Marple Sixth Form College (CAMSF). The report provided members with a copy of the project plan for the strand and the DPO advised of the changes to the plan since the last meeting together with the intended actions over the Summer period.
- Training. The DPO was pleased to report that all staff had now completed both on line and face to face training in relation to Data Protection. It was further advised that tracking needs to take place in respect of new employees and that this and refresher training would now be monitored centrally through the HR Department. A member commented that it was good to see the training plans completed.
- Subject Assess Requests (SAR). The DPO advised that since his last report the Group had received one SAR from a member of staff which, though complex, was completed within the required timescales. A member asked if this was a significant issue the details of which the Committee needed to be made aware. The DPO advised of the nature of the SAR including the broad range of requests that had been received and how they needed to be separated from other actions. It was confirmed that the Group had been able to follow up and respond and that to date no further issues had been raised by the member of staff. The DPO further advised that there was likely to be an increase in the number of SARs in relation to the Summer 2020 examination process and advised of the arrangements that had been put in place for a central register for all SARs and how it had been communicated to staff. In discussion, it was agreed that the advisory note would be helpful if it was shared with Governors and it was agreed that a copy should be attached to the minutes of the Committee Meeting.

### Action: Data Protection Officer

- Data Breaches. The DPO advised that since his last report there had been no data breaches reported to the Data Protection Team.

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

## AUD/19/20 Internal Audit Progress Report 2019/2020

The Internal auditors (IA) presented a report which advised the Committee on the performance to date against the Internal Audit Plan for 2019/2020.

## Minute No

The IA advised that some audits had now been finalised and that there were a number of audits that were still ongoing and the IA explained to the Committee details of the audits yet to completed. In discussion around this, it was agreed that the Subcontracting Audit would be reported to the Committee along with the other remaining audit reports at the Committee's next meeting.

### Action: Internal Auditors (BDO)

Attached to the report the IA provided members with a copy of a report "Covid19 – Considerations for Audit Committees" which members commented was very useful and informative.

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/20/20 Internal Audit Reports 2019/2020 - Visit 2

The Committee received a number of Internal Audit reports as follows:

- The IA presented their report arising from their review that had been undertaken in order to provide assurance that appropriate arrangements were in place and operating effectively in relation to **Additional Learning Support**.

The IA commented that this was the report that had been tabled at the last Audit Committee meeting that now included the management comments. The IA further commented that the review highlighted some areas that had improved since the Group identified the potential for funding being under claimed.

It was also advised that the Group had started to make progress in developing the framework for identifying, delivering and claiming for ALS funding. The IA further commented that the review had identified areas where improvements to controls could be made including two areas of significance.

It was noted that the auditor had determined that they had provided the Board of the Corporation with **Limited Assurance** for the design of controls and **Limited Assurance** in relation to the operational effectiveness in place.

It was noted that there were **2 high, 3 medium and 1 low recommendations** arising from the report which had been agreed and implemented by management. The IA advised that they had as yet not followed up on the implementation of the recommendations by management but had received assurance from management that progress had been made.

The Director of Finance and Strategy (DFS) commented that the management had specifically asked for this audit to be undertaken as they were aware of issues with regard to signing of accounts for ESFA relating to ELS and that the report had been really helpful in addressing the identified issues.

It was further commented that the claim for this year was now £700,000 compared to £300,000 last year. The DFS also advised that management had restructured the team in terms of administrative support to provide improved data capture and support to students.

## Minute No

Members raised a number of issues arising from the report as follows:

- A member commented it was positive to see that management had identified a problem and had used the IA service to improve the issue.
- A member asked if the management were now sure that the Group was claiming all it should be claiming. The DFS advised that this was now the case and the administrative process in place to capture funding was now really good.
- A member sought clarification around the completion of management responses. The DFS advised that they had all now been completed and that the auditors follow up report would confirm the actions have been implemented.
- A member asked if the under claim could occur again in relation to the proposed merger with Cheadle and Marple Sixth Form College (CAMSFC) and was it included in the current Due Diligence exercise. The DFS advised that both teams and systems from the colleges had been brought together and that the structure at merger would be stable allowing non repletion of under claiming.

There were no further issues raised by members arising from the report and it was resolved that it be recommended to the Board of the Corporation for approval.

### Action: Board of the Corporation

- The IA presented their report arising from their review that had been undertaken in order to provide advice as to the adequacy of the design and operational effectiveness of key elements of **IT Security**.

The IA advised that the audit had evidenced good practice and that there were areas where the controls could be improved and that as a result of the testing, they had provided the Board of the Corporation with **Moderate Assurance** for the design of controls and **Moderate Assurance** over control operation.

It was further advised that there had been **4 medium** recommendations arising from the review.

Members raised a number of issues arising from the report as follows:

- A member asked if the points made in the report were being addressed given that some dated back to March 2019. The Vice Principal Corporate Services and Panning (VPCSP) provided the Committee with the details relating to the background of the Group's approach to IT and that there was not a specialist employed within this activity. It was advised that some actions had been completed straight away and some which had not been completed because they had not been agreed. It was advised that the Information Governance Group would now monitor and oversee the position.

### Action: Information Governance Group

## Minute No

- A member asked if the Group had a level of certification with regard to Cyber Security. The VPCSP advised that the Group were working towards it and it was hoped to get to the required level by the end of the year. The member asked if colleges are required to achieve a minimum standard and the VPCSP advised that it was not a funding requirement but as indicated the Group were working towards achieving the required standard.

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

### Action: Board of the Corporation

- The IA presented their report arising from their review that had been undertaken in order to provide the Audit Committee that the Group's **procurement** framework is effective and supports the principle of achieving value for money and the procurement procedures are being applied in practice. It was noted that this was an advisory report. The IA advised the Committee that overall the review had identified a number of areas of good practice together with areas where the controls could be enhanced leading to **4 medium and 1 low advisory recommendations**. It was noted that all the recommendations had been accepted by management and that they would be completed by August 2020.

Members raised a number of issues arising from the report as follows:

- A member asked if staff tried to circumvent procedures and try to find reasons not to go through the procurement process? The DFS advised that due to the fact that most sections were small this very rarely happened and that the larger areas of activity such as Estates were confined well through processes.
- A member asked about resourcing for procurement as some tendering is done by a third party provider. The DFS confirmed that this was the case and explained the process undertaken by the Group in terms of tendering and purchasing. The DFS also explained the staffing arrangements that were in place at the Group.

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

- The IA presented their report arising from their review that had been undertaken in order to provide assurance that appropriate arrangements were in place and operating effectively in relation to **Follow Up**. It was advised that all of the 21 recommendations had been implemented apart from the Health and Safety review due to lockdown arrangements. The IA advised that she would bring back a further update report on this at the next meeting.

### Action: Internal Auditor (BDO)

A member commented that the responses were excellent and represented improvement on past performances.

**Minute No**

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

**Action: Board of the Corporation****AUD/21/20 Draft Internal Audit Plan 2020/2021 and Audit Strategy 2017/2022**

The IA presented a report which made proposals for the Internal Audit Plan for 2020/2021.

The IA advised that following the Committee's comments it was the intention to bring a more detailed plan for consideration at the next Committee meeting. The IA provided the Committee with an overview of the proposals including the discussions and input of the Executive Leadership Team.

A number of comments were made relating to the proposed plan as follows:

- Whether there was a need for a further Audit into KPI's as this had been recently undertaken as part of the Governance Audit.
- The suggestion that the Audit days on key financial issues was on the light side and the need to include an audit on cash flow as a priority.
- Whether Data Privacy audit was a key priority for an audit review in terms of some of the other key challenges that the Group is facing.
- Whether the plan needed to be more flexible and built around a quarterly rather than yearly assessment given the changing environment in which the Group is operating.
- Clarification around why subcontracting audit is undertaken every year. The DFS advised that this was required to provide Assurance to the ESFA.
- Linking the plan to the high risks identified through the Board Assurance and Risk Management Framework.
- Whether the Staff utilisation audit would be better undertaken in 2020/2021 given the merger proposal with CAMSFC.
- Whether the Marketing and Communications audit should be brought forward a year given the priority in recruiting learners and increasing income.

Following the discussion, the IA undertook to discuss the points made further with relevant Group personnel and provide an update report and plan to the Committee at its next meeting.

**Action: Internal Auditors (BDO)****AUD/22/20 Board Assurance and Risk Management Framework 2019/2020 – Update**

The DFS presented a report which provided the Committee with an update regarding the Board Assurance and Risk Management Framework. The report also included a copy of the Heat Map which visually represented the RAG Rated detailed framework.

## Minute No

In addition to the normal reporting the DFS included a copy of the Covid 19 risk log and advised the Committee of the work undertaken by Group management in relation to this. The DFS advised that the Covid 19 overall risk was reducing due to effective mitigations and that most of the risks were now RAG Rated as green.

The DFS advised that the Risk Management Group had met recently and provided the Committee with details of the Risks that had had a change in score arising from the review. The DFS provided the Committee with an overview of the main changes and in particular the areas where the risks had increased or decreased.

Members raised a number of issues arising from the report as follows:

- What was the risk in terms of the Covid 19 impact on student recruitment? The DFS advised that a number of scenarios had been modelled in this respect and that the highest risk income streams were Higher Education and Apprenticeships. It was further advised that full time applications were currently looking very healthy and the DFS explained some of the opportunities that the impact of Covid 19 presented.
- A member asked how IT was holding up. The DFS advised that staff had managed very well with the challenges that had been presented and that the main issues had been associated with hardware.
- A member sought clarification about the reasons for changes to risks which the DFS explained. In discussion it was agreed that the changes should be made more explicit on the risk register.

### **Action: Director of Finance and Strategy**

- In relation to a question relating to the Deloitte Due Diligence report the DFS clarified and explained the position to the member.

There were no further issues raised by members arising from the report and after due discussion it was resolved that Risk 12 and 14 be escalated to the Board of the Corporation as detailed in the report.

### **Action: Director of Finance and Strategy**

## **AUD/23/20 Merger Risk Register (Transition Board) June 2020**

The CS presented the Committee with a copy of the Merger Risk Register which had recently been considered by the Transition Board.

It was advised that the Risk Register was for information and there being no matters raised by members arising from the register it was resolved that it be noted.

## **AUD/24/20 Annual Value for Money Report**

The DFS presented a report which provided the Committee with a copy of the Annual Value for Money report together with the updated Procurement Action Plan for 2019/2020.

## Minute No

The report provided the Committee with the outcomes of performance in the following categories:

- Economy
- Efficiency
- Effectiveness

The DFS advised that overall the Group had made in year significant savings on non-pay particularly with regard to Information Technology.

Members raised a number of issues arising from the report as follows:

- A member commented that the table detailing non-pay performance was really helpful and sought clarification in respect of the £91,000 insurance costs. The DFS confirmed it was in two parts, £39,000 up front and £51,000 with the broker. With regard to insurance a member asked how such savings were achieved without an increase in exposure. The DFS advised of the brokerage arrangements that the Group had in place and undertook to report back on the detail relating to insurance coverage.

### **Action: Director of Finance and Strategy**

- A member asked why the report only related to non-pay and did not include pay (which is the larger of the two in terms of overall cost base). The Committee debated this point in detail and after discussion it was agreed that reporting on high level pay performance and comparators would be included in future reports. The DFS also provided clarification to the by exception reporting relating to timely management information.

### **Action: Director of Finance and Strategy**

- A member commented that in his view savings still could be made and that it was false economy not to employ a procurement specialist. It was agreed that this could be looked at as part of the merger process.

### **Action: Vice Principal Corporate Services and Planning**

There were no issues raised by members arising from the report and after due consideration it was resolved that it be noted.

## **AUD/25/20 Policy for Additional Work Undertaken by Group Auditors**

The CS presented a report which made proposals for the Policy for additional work undertaken by the Group's Auditors.

There were no issues raised by members arising from the report and after due consideration it was resolved that it be recommended to the Board of the Corporation for approval.

### **Action : Board of the Corporation**

**Minute No****AUD/26/20 Draft Audit Plan Year Ending 31 July 2020**

The Financial Statements and Regularity Auditors (FSRA) presented their Draft Audit Plan for year Ending 31 July 2020.

The FRSA commented that he had met only very recently with the DFS and Acting Principal and CEO Designate and that the plan as presented would need to be updated.

He further commented that the Plan was very similar to the one presented last year and drew the Committee's attention to the Significant Risks which were the same as last year and the Going Concern Significant Risk which now would include impact of Covid 19.

The FSRA advised that any work they undertook would have to be fluid to take into account the merger proposal with CAMSFC. He added that the rest of the Plan remained unchanged but that Covid 19 would need to be taken into account in a number of areas of the audit and accounts including:

- Impairment of assets.
- Funding and covenants.
- Internal Controls.
- Pension figures.

Members raised a number of issues arising from the report as follows:

- The Pension position could have serious ramifications on the balance sheet. The FRSA agreed with the comment and explained the valuation calculations and that the calculation would not impact on cash.
- A member commented around the fees and reservations relating to ongoing fees and if Covid 19 had impacted on fees with other clients. The FRSA advised that it had and that they had to do a lot more to sign off the accounts but at this stage it was an unknown factor for the FE sector.

There were no further issues raised by members and, subject to any changes agreed with management, it was resolved that the Draft Audit Plan for period ending 31 July 2020 be recommended to the Board of the Corporation for approval.

**Action: Board of the Corporation**

**AUD/27/20 Going Concern Report 2019/2020 Process**

The DFS presented a report which made proposals for the process and evidence that would be presented to the Board of the Corporation for a conclusion to be reached concerning the going concern basis for 2019/2020.

The report covered the following areas of activity and the DFS explained the rationale for each of them in detail:

**Minute No**

- The Assessment Process and Assessment Period.
- Specific areas for consideration including, budgeting and forecasting, timing of cash flows, bank covenants and financial health (KPI' s).
- Post assessment management actions.

Members raised a number of issues arising from the report as follows:

- A member commented that the proposed process and report was very helpful and should ensure effective liaison around a range of scenarios that are to be tested. He further commented the quicker that it is undertaken the better and he was content to support the proposal.
- A member asked the FSRA for his comments on the proposals and he advised that he was very comfortable with them and that the merger needed to be added to the headings in the report.

There were no other issues raised by members arising from the report and after due discussion and consideration it was resolved that the process and evidence as detailed in the report, including merger, be presented as a conclusion to be reached for the going concern basis for 2019/2020.

**Action: Director of Finance and Strategy/ FSRA**

**AUD/28/20 Any Other Business**

The DFS informed the Committee of an incident that had recently occurred that needed to be reported to the Audit Committee under the Anti-Fraud and Corruption Policy.

The DFS advised that the incident related to a suspected theft at the Stretford Campus and outlined to the Committee the nature of the incident and the actions that had been taken. It was noted that the amount involved in the incident was less than £50 and that once the investigation was completed a full report would be produced.

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

**AUD/29/20 Date of Next Meeting**

It was agreed that the next meeting would be held at 6.00 pm on Monday 21 September 2020

**Action: Corporation Secretary**

The meeting closed at 8.00 pm.

The Data Protection Officer left the meeting after the consideration of Agenda Item 7.