

HNC FURTHER EDUCATION CORPORATION

Audit Committee Meeting to be held on Tuesday 20th June 2023 from
5pm via Teams



Confirmed Minutes

Present: Mr N Uppal, Mr K Webb, Mr S Williams, (75% attendance)
In attendance: Mr A McCulloch (Tiaa), Mr A Hogg (W&B), Ms R Harris, Mr M Smith-Connor
and Mr J Flynn
Clerk: Mrs C Coupland

1. Apologies for Absence/ Declaration of Interest

Apologies for absence were submitted by Ms P Cooke. There were no declaration of interest from Committee Members.

2. Minutes from Meeting held on 14th March

Resolved:

- That these be accepted as a correct record.

3. Matters arising

Data protection security reports

It was noted that the reports make reference to the number of staff having successfully completed all mandatory data protection and security training.

The committee noted that the report, as requested from the last meeting, now covers all events from the previous term to the date of issuing the report.

The Committee confirmed that they had received from the Clerk details relating to the reported breaches during term 2 to date which were not covered within the last report.

Financial irregularity

The committee noted that the updated actions plans had been included with the supporting papers for tonight's meeting. The action plans gave a clear indication of target dates and commentary of progress being made.

The committee recalled that at its last meeting they had endorsed the changes made to the Annual Plan 2022/23 to enable a procurement audit to be undertaken in advance of the end of the academic year. The Clerk confirmed that the assurance audit on procurement had been undertaken by Tiaa and the findings report was listed for discussion on tonight's agenda.

AOB

Mr Upal advised the committee that Ms P Cooke has since been appointed as the Committees vice chair.

4. External Audit Strategy and Planning Memorandum

Mr Hogg presented the report to the Committee.

The purpose of the report explained the scope of the Audits of the financial statements and regularity, the proposed audit approaches and highlighted the key risks that Wylie & Bissett will be focussing the external audit work upon. The risks were late agreed by the committee.

Mr Hogg advised the committee that the audit will be performed so as to provide reasonable assurance that the financial statements are free of material misstatement and give a true and fair view and have been properly prepared in accordance with applicable law and United Kingdom General Accepted Accounting Practice.

The committee asked what audit modifications (if any) were to be adopted to inform testing this year given the reported financial irregularity. The auditors confirmed that there is to be closer scrutiny this year with changes to sample size as well as enhanced testing of the financial controls and frameworks. Members were satisfied with this response.

The Committee considered and agreed to the timetable and communication plan proposed to ensure timely audit findings report.

The Clerk confirmed that the dates for the relevant Audit committee and Board meeting to receive the auditor's report are yet to be confirmed by Governors – however proposed dates are as follows:

Presentation of accounts to the Audit Committee :
27th November 2023 (via Teams)
Board meeting to approve accounts : 14th December 2023

The clerk will confirm all dates and times of the meetings with the auditors after the corporation meeting on 6th July 2023.

Resolved:

- That the External Audit Strategy and Planning Memorandum be approved.
- For the Clerk to confirm dates of meetings for 2023/24.

Mr Hogg left the meeting at this point.

5. Data Protection and Security Report 2022/23 (term 2 and to date)

Ms Harris reminded the Committee that this report is produced termly, for presentation to the committee, to collate results of security testing, PEN testing, email testing, attempted attacks, security breaches and cyber security risk assessments. On request from the committee the report now also addresses matters that have also occurred in term (up to the date of the issue date of the report).

Post deliberations, it was concluded that there had been no critical or high risk issues affected the College adversely in term 2 (up to and including report date 02/06/2023) and the integrity of College security, networks and data was maintained due to the high level of protection systems in place. It was also noted that all general data breaches recorded were non-reportable given the assessed low level of harm to data subjects.

Ms Harris explained that following phishing test results, high risks users have been quickly identified and follow-up action taken as appropriate which has included additional certificated training to ensure understanding of how to identify cyber threats. Repeat failures from staff within a 12 month period has also been identified with alerts sent to the individual staff member, their line manager and HR. This ensures that training can be tracked and discussions can be facilitated within the performance development review process.. The committee remained of the view that the stringent action being taken by the college to address phishing failures was necessary and proportionate to enable staff to become more cyber aware and cyber vigilant in identifying suspicious/rogue emails for work and personal accounts.

The Committee was cognisant as to the level of staff time needed to plan, monitor and take action on all suspected and actual cyber-attacks and data breaches. Ms Harris confirmed that the restructure within

the IT department and bolstering of roles within the team now provides her with the time to fulfil her responsibilities in relation to managing cyber security. It was also noted that the increased reporting from staff, as reflected within the increased number of incidents reflected within the report, has been a direct consequence of efforts made by the Data Protection and Security Group to enhancing the college community's awareness of Data Protection and Cybersecurity.

The Committee agreed that the report continues to provide comprehensive assurance to senior leadership team and Governors that the college is doing as much as it can to mitigate against these risks. And in particular are continuing to follow all business processes and procedures designed to protect the college from fraud.

Time was taken to pass comments on the newly introduced procedure titled 'Data Breach Handling Policy & Procedure', as approved by the SLT, to make clear the College's statutory obligations and good practice in regards to data breach handling. The committee agreed that the document clearly explains how HNC will handle an event of data breach; how HNC will aim to mitigate the loss and damage caused to the data subject concerned, particularly when sensitive personal data is involved. It was agreed that it would be sensible for the procedure to include a short definition of what sensitive data refers to for clarification purposes only.

Resolved:

- That the report be received
- That the Data Breach Handling Policy & Procedure be received which is to be updated to include a short definition of what sensitive data refers to for clarification purposes only.

6. BAF – Assurance Reviews:

- i. Poor IT and data security and service
- ii. Poor business continuity planning and critical incident management

The Committee welcomed the opportunity to receive assurance updates on the risk for IT and data security service as well as business continuity planning and critical incident management.

The committee agreed with both of the risk owner's assessment that the residual risk scores had increased in light of the current increased cyber risks posed to the education sector. The committee was of the view that the IT security Framework, which had been shared with the committee for additional assurance, was clear and comprehensive.

Members collectively agreed that the breadth of information included within the assurance reports had provided the necessary assurance that the existing controls for both risks are in place and are adequate and effective and in proportion to the individual risk being managed. It was also noted that there was a wealth of independent assurance sources cited within the reports thus confirming the college's commitment to best practice and regulatory compliance within this area.

Resolved:

- To assign green assurance rating to the risk
- For the Clerk to update the Master BAF.

Ms Harris left the meeting at this point.

7. Internal Audit Report

Procurement (May 2023)

Mr McCulloch explained that the review tested for potential significant fraud exposures due to non-compliance with the organisation's procurement arrangements and/or inadequate or ineffective segregation of duties. The scope of the review did not include identification of all potential fraudulent transactions. The overall assessment awarded was reasonable assurance.

Mr McCulloch confirmed that the key findings were:

- The Financial Regulations provide robust guidance for procuring goods and services.
- The thresholds regarding the Public Procurement Regulations (PPR) limits were found to be inaccurate within the Financial Regulations, as these now include VAT.
- Quotations obtained by the Estates Department were not held in all cases to act as an audit trail of the procurement activities undertaken.
- Declarations of interest have been submitted within the previous 12 months by all Governors, the Senior Leadership Team, and other key staff.

Good practice was also identified:

- All invoices over £3k are reviewed and approved by the Senior Leadership Team.
- Management Accounts presented to the Senior Leadership Team include a list of suppliers that are the top 20 in terms of expenditure within the month.

The committee noted that all recommendations made (3 important and 1 routine) had been accepted by the senior leadership teams for implementation, which had been also included with the audit tracker (agenda item 8).

Learning Support Provision (May 2023):

Mr McCulloch advised the committee that the review considered the arrangements of learning support provision for those students identified through the enrolment process, including the development and delivery of support, and the records maintained to evidence that support is being delivered as planned.

Mr McCulloch apologised to the committee and to the senior leaders for the delay in drafting and releasing the outcome report. It was however noted that the report had indeed been published by Tiaa today and immediately shared with governors. The committee was appraised that the overall assessment awarded was reasonable assurance.

Key findings from the report included:

- Arrangements are directed by the SEND Policy and the Local Offer but guidance and process are not as well documented.
- The College has several methods and catch points to identify where learner support may be required.
- Excel spreadsheets with formulae used to calculate hours and costs are not protected allowing the potential of inadvertent and/or deliberate errors.

Good practice was also identified as the auditor found that the data recorded against students is appropriately secure with access limited to authorised staff only.

The committee was informed that all recommendations made (3 important) had been accepted by the senior leadership teams for immediate implementation. The clerk confirmed that these recommendations will be included within the tracker going forward.

Performance Management (June 2023)

The review considered the arrangements in place for performance management of the teaching and support staff at the College. The review focused on the framework in place for performance management and how it is applied, how competencies and targets are determined and monitored, and the review cycle managed.

Mr McCulloch confirmed that the draft report is yet to be received by the college given that the audit had only just concluded.

Outstanding audits:

Mr McCulloch confirmed that the one outstanding audit for GDPR will be completed by the end of the academic year. The delay in undertaking the report has been to long term sickness of the data protection auditor. An alternative (and appropriate) staff member has now been sourced to undertake the audit.

Ms Coupland thanked Tiaa on behalf of all staff involved in the audits to date. Staff had reported that the audits had been engaging and reflective. The recommendations made had all been positively received and all staff openly recognised the helpful impact that the recommendations made will have on service delivery going forward.

Resolved:

- That the reports be received.

8. Recommendation tracking

Mrs Coupland confirmed that the tracker has now been cleared of all previous audit titles for 2021/22 given that a follow up review has not been necessary as no recommendations had been determined.

Mrs Coupland explained that all new recommendations from the recent auditors will now feature on the tracker to enable the committee to monitor progress made against the agreed recommendations.

Mrs Coupland also explained that the one recommendation relating to the external Audit Review from November 2022 is to remain on the tracker until officially signed off by the external auditors in November 2023. The points raised from last year's external audit have however also been removed given that the external auditors had signed them off as having been completed.

Resolved:

- That the report be received

9. Financial Control Action Plans : Update (confidential)

Resolved:

- That the reports be received
- For the action plans to be resubmitted at date of next meeting to allow for continued reviews.
- That the letter from the ESFA (dated March 2023) be received.

10. Risk Management Policy – formal review.

Ms Coupland advised the committee that the Risk Management Policy of the College is to adopt best practices in the identification, evaluation, management and cost effective control of risks (threats and opportunities) and to ensure that they are eliminated or reduced to an acceptable level.

This Risk Management Policy continues to form part of the College's internal control and Corporate Governance arrangements. The policy explains the College's key principles in Risk Management and methods of Risk Management.

Ms Coupland confirmed that substantive changes are proposed from the biennial review of the existing policy with a view to better communicating why risk management is important, why it must be carried out and to provide an explanation of the approach that is to be taken.

The committee was asked to note that the definition of Risk within the existing policy had always recognised that risks are threats or possibilities that an action or event may adversely or beneficially affect the college's ability to achieve its objectives'. However the notion of positive risk (opportunities and benefits) had not been integrated into the risk management framework with efforts concentrating only on mitigating negative risk (threats).

Changes to the policy therefore aims to make distinction between positive and negative risks and rebrands the risk register as the college's Threats and Opportunities Register. The register is also to now

include reference to the risk appetite area too to better embed the risk appetite statement to further support HNC's risk management philosophy, and to influence culture and wider operating style.

The committee was of the view that the policy embeds the college's key principles in risk management. The redrafted policy provides for effective risk management by requiring risks to be anticipated, identified and assessed regularly, and actions are taken to manage the risks, whether these are positive or negative. The committee asked for the policy to make clear that half termly reviews of the Threat and Opportunity Register would be undertaken by the SLT and to enable risk impact ratings to remain value neutral (applicable to both positive and negative risks) very high impact should be retitled transformational rather than catastrophic.

The committee was advised that the Senior leadership Team met on 15th June 2023 to start to review the positive and negative risks that are to be recorded with the Threats and Opportunities Register 2023/24 in light of the new strategic plan for 2023/26. Efforts are to ensure that all key risks are considered which may impact on the deliverability of the strategic goals and priorities and align to the EIF (Ofsted inspection framework). The revised Threats and Opportunities Register will be presented to the committee for approval at the next meeting.

Resolved:

- **As per the scheme of delegation – The committee recommends approval of the college's Risk Management Policy, subject to the small amendments agreed.**

11. Whistleblowing Policy – annual review

The Clerk informed the committee that the existing policy reflects good practice initiatives and is currently procedurally compliant with relevant legislation for how the college is to manage and respond to any raised concerns. No amendments were therefore considered necessary.

The clerk advised members that there have been no cases of whistleblowing. The Clerk confirmed that the policy however remains available to all via the website and also via Moodle (the college's virtual learning environment).

The committee were therefore of the view that any concerns raised by staff and students are obviously being handled effectively through more appropriate college procedures; given that this policy is designed to give staff, students and Corporation members the opportunity, along with the appropriate safeguards, to raise concerns of a serious nature within the College through a separately designated route.

Resolved:

- **For the corporation to note that the annual review of the Whistleblowing Policy had been undertaken and no amendments are required.**

12. Post 16 Audit Code of Practice 2022/23

The Clerk presented her report to the committee, which served to alert committee members to the ESFA's revised assurance and accountability requirements for all periods commencing on or after 1 August 2022 and its implications, if any, for current practice at HNC.

Regularity self-assessment questionnaire (RSAQ)

The Clerk confirmed that as usual, to support corporations in drafting the statement of regularity, propriety and compliance, the ESFA has published a self-assessment questionnaire which again is a required element of the Regularity Audit. This shall be presented to the Committee for consideration and approval at its next meeting. The committee was asked to note that the RSAQ has been expanded so

that the corporation is able to properly consider the measures that have been put in place to ensure compliance with the new MPM related and other transactional requirements arising from reclassification of the sector to central government with effect from 29 November 2022. The Anti-Fraud checklist has again been issued – this is intended to help sixth form colleges (and other providers) to review their arrangements for preventing, detecting and dealing with fraud should it occur. The colleges response to this checklist will also be shared with the audit committee at its next meeting.

The committee is asked to note that the ESFA does not intend to issue further supplementary COVID 19 specific questionnaires for the year 2022 to 2023.

College Managing Public Money (MPM) Return (31 March 2023):

Furthermore, the committee was advised that the timing of the ONS announcement on the 29 November 2022 created the need for additional regularity assurance in relation to ESFA's financial statements for the period 29 November 2022 to 31 March 2023. This is due to ESFA's financial year ending on 31 March and colleges' financial year ending on 31 July. Therefore, colleges/college groups have been asked to submit an extra College MPM Return (31 March 2023), covering this four-month period, providing the additional regularity data and information, ESFA needs.

HNC submitted the College MPM Return (31 March 2023) to ESFA in advance of the deadline. On 9th May 2023 HNC was notified that the college had been selected as part of a sample of colleges' MPM returns to perform some validation assessments – this random sampling assurance review was notified to all colleges by the ESFA on 29th March.

The committee was advised that the assurance review has been carried out remotely. The focus of the review is to ensure that colleges are complying with the terms and conditions relating to MPM requirements or are seeking retrospective approval, where necessary. To enable the ESFA to carry out the review, the college had to the 6th May to submit evidence included within the initial MPM return – again this submission was made timely by the college. The committee will be notified of the outcome of this assurance review once received by the college. The review was expected to be concluded by 31st May.

Accountability Agreement (Part 1)

The committee was reminded that providers receive funding under grant funding agreements and other types of contracts with ESFA. These agreements and contracts require providers to comply with ESFA's funding rules, maintain individualised learner records (ILRs) and submit ILR data returns to ESFA in support of their funding claims. They also provide for ESFA to conduct funding assurance and other ad hoc reviews.

It was confirmed to the committee that the college received their accountability agreement last week. SLT have since reviewed the agreement and report to remain satisfied that all but one aspect was already being addressed within the college's current policies, procedures and processes. The one aspect that required attention was in relation to safer recruitment – the college is required to seek annual declarations from all personnel to report any changes to personal circumstances relating to background DBS checks, following previous checks completed by HNC. The initial checks would have been undertaken either when staff was initially employed, or during selection for our 3 yearly 10% random DBS staff and Governors sample (where staff and governors are asked to complete a further DBS application form). Staff are to be notified of this requirement and advised that any declarations of interest received will trigger an internal risk assessment by Lee Goddard, Assistant Principal and DSL lead in confidence, following ESFA guidance within the agreement. This change to practice is to be implemented immediately. The committee was satisfied with the reported action taken by the college.

Governors reported to be assured that the External Auditors, the College Senior Leadership Team and the Clerk shall continue to support the Corporation and the Audit Committee in satisfying all of its responsibilities when preparing college accounts and financial statements:

- comply with the requirements of the funding agreement with ESFA
- produce annual accounts to 31 July (including a statement of regularity, propriety and compliance) in accordance with the requirements of the college accounts direction

- have these accounts audited by a registered auditor
- submit the audited accounts to the Department by 31 December
- ensure the accounting officer's report has been made without bias
- maintain proper records complying with the terms of any legislation or regulatory requirements and the terms and conditions of funding

It was noted by the committee that there were no amendments to the Audit Code of Practice that prompted changes to the Committee's current terms of reference for 2023/24.

Resolved;

- That the report be received
- To note that there are no changes to the committee's terms of reference

13. Self-Assessment of Committee Work / Business and Annual Review of Terms of Reference

The Committee reflected upon its work throughout the academic year and agreed that during 2022/23 it had fully covered its delegated responsibilities.

Members also considered how the Committee's work has impacted/ contributed to the overall work of Governing Body during this academic year. Members contributed their opinions for the Clerk to insert into the committee's self-assessment report which will be distributed to all Governors.

Resolved:

- That the Committee has complied with its current terms of reference

14. Any other Business.

There was no additional business to address.

15. Learner Impact Reflection

The impact of discussions and scrutiny of the Committee work in improving the outcomes and experience for all learners was considered and the following agreed:

- Assurance received that the college has an adequate and effective framework for governance, risk management and control and that the Audit Committee has fulfilled its statutory and delegated responsibilities for 'the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets'.
- The Committee recognises that the Corporation has a responsibility to manage internal and external risks as a key component of good corporate governance and is committed to embedding risk management to help achieve the College's strategic objectives.
- The Committee continues to focus, scrutinise, challenge and support the college leadership team in sustaining and improving (where necessary) cyber developments.
- Effective risk management increases the probability of successful outcomes, whilst protecting the reputation and sustainability of the College.
- Effective auditing services help governors understand student experience and learning outcomes.
- An informed Board of Governors is effective in its scrutiny, challenge and support of the senior leadership team, thus ensuring positive outcomes and progress for all students
- Bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes for the benefit of all.
- Establishing compliance with statutory regulations and laws as well as internal frameworks, policies, procedures and processes.

- To ensure that HNC continues to succeed and is able to continue to deliver a high quality of student outcome and experience.
- The Corporation recognises its responsibility to manage internal and external risks as a key component of good corporate governance and is committed to embedding risk management to help achieve the college's strategic objectives.
- Cyber Security training for staff and student promotes vigilance with heightened awareness around suspicious/rogue email for work and personal accounts.

16. Auditors Performance & Appointment (reserved item)

Mr A McCulloch left the meeting at this point.

Resolved:

- For the clerk to feedback to the auditors on the outcome of the performance reviews.

17. Determination of confidentiality

It was agreed that the supporting papers for 6 and 9 are to be marked as confidential.

It was also agreed that the minutes relating to agenda item 9 and 16 are also marked as confidential.

16.. Date of next meeting: To be confirmed.