

**Minutes of the Meeting of the Audit Committee
held on Thursday 29 June 2017 at 8.00am
In the Boardroom
at Matthew Boulton Campus**

Present:	Apologies:
Andrew Madden (AM) (Chair)	Amardeep Gill (AG)
Michele Larmour (ML)	
Jane Smith (JS)	
Simon Thompson (ST)	
In Attendance	
Andrew Cleaves (AC)	
Tim Foster (TFO) BDO	
Jon Lanes (JL) BDO	
Sitha Khanam (SK) KPMG	
Simon Cosson (SC)	
Liam Nevin (LN)	

Apologies & Declarations of Interest

Apologies were received from Tony Felthouse and Sitha Khanam advised that she was attending in his place

There were no declarations in addition to those recorded on the register of interests.

Item 1 – Open and confidential Minutes of the meeting held on 2 March 2017

The minutes were agreed as a true and accurate record of the meeting.

Matters Arising and Action Log

The action log was noted.

Item 2 – Risk Management Update

SC summarized the paper and the developmental work that had preceded the new form of risk register developed with BDO. There were 14 principal areas of risk that were being reviewed on a monthly basis by the Executive. Five risks were currently above the Corporation's risk as identified by the register entries.

ML queried what mechanism existed for departmental risks to feed into the Executive's monthly review and how confident SC was that risks were appropriately raised if necessary.

SC stated that he was confident that each member of the Executive was reviewing risk within their own area and to raise departmental risks for consideration as corporate risks where changing circumstances justified it.

AM questioned what the process was for the Executive members checking and reviewing risk management within each department and SC stated that this was an area that required further development and the process to facilitate this would be reported back to the Committee.

ST stated that whilst much of the focus of the risk register was on downside risks it could also be used to develop positive challenges.

SC stated that the mitigations around risks relating to growth, diversification and improving quality of learning were all positive actions.

The Principal stated that the business plan to be presented to the July Corporation meeting would demonstrate these positive commitments and stated that a short document mapping the link from the risk register into the business plan would be developed.

AM stated that there had been a lot of change to the process of managing risk over the last year, and asked whether the process was now settled.

SC stated that he was satisfied that the process was now settled but each of the Executive team needed to consistently review and amend the content so that the benefit of the register as a management tool was maximized.

AM asked what the view of risk in relation to ransomware attacks was and SC advised that most of these attacks were exploiting outdated software. The College had swept its system to address software risks. JL reminded the Committee that BDO had conducted a review of network security earlier in the year.

Accordingly it was

RESOLVED

- **That the risk management update be noted**

Item 3 – Health and Safety Update

SC presented the report and advised that year on year comparative data was not available because health and safety reporting had only been introduced in the last year. However, there was nothing in the statistics that suggested any concerns over Riddor or accident reports generally.

ST asked for clarification on the safeguarding issue raised in relation to the Princes Trust audit. SC advised that there had been an incident on site where the police had not booked in a site visitor using the College's procedures but that this had been addressed.

The Committee thereafter discussed the College's response to the recent national concerns around cladding of high rise buildings. SC advised that a site review had commenced the previous week and best practice guidance had now been issued by Zurich insurers that was under consideration. A survey had been received from the Department of Education that required the College to respond by the 4th July, and fire checks were also planned over the summer term and which would be carried out by external specialists. In light of the importance of this issue and the extent of on-going activity the Chair asked for the Committee to be updated at its next meeting.

ML noted that 23% of College staff had not completed training on working safely and asked whether these staff were working in high-risk areas. SC advised that they represented a cross-section of College employees but that higher level health and safety training was provided for staff in higher risk areas. He also advised that since the report had been produced the percentage completion rate had increased to approximately 85%.

ST stated that the training was only a short on-line course and that all staff should have completed it. SC advised that taking into account long term sickness, and other absences it was more realistic for the College to expect a 95% completion rate.

AM stated that compliance with compulsory training requirements should be built into the performance review process

Accordingly it was

RESOLVED

- **That the report be noted**

Item 4 – Internal Audit Reports

JL presented these reports and advised that he would not address block 2 findings in any detail as these had been addressed at the previous meeting. Block 3 reports had been completed this term and a teaching and learning review had been replaced by a review of the safety framework in light of the Ofsted inspection. In summary there were no “amber” or “red” opinions for design or operational effectiveness and there were two high priority recommendations. The overall picture was consistent with the sector.

ML noted that the recommendation in relation to agency staff showed only marginal financial advantage to the College if implemented and asked what level of priority would be accorded to the recommendation. SC stated that the College’s procurement resources were focused on catering, cleaning and IT where there was a greater scope to secure savings and quality improvements.

The Principal stated that the rate of pay for hourly paid staff was less significant than the extent of usage and the College’s priority was to reduce usage of hourly staff further.

JL then presented the follow up report and reminded the Committee that the Executive maintained a tracker throughout the year which showed progress against the internal audit recommendations and that the purpose of this report was for BDO to review implementation of recommendations previously made by internal audit. In summary they had found that fourteen recommendations had been fully implemented, seven had been partly implemented and required further work and one had been superseded.

AM noted that a recommendation relating to payroll from 15/16 was outstanding, but had been identified previously by the Executive as complete. SC advised that the audit related to a wider review of the HR leaving process and whilst a process for tracking leavers had been introduced it was now apparent that this was not being systematically applied. The need for compliance with this process had been reiterated with the HR team and this would be monitored.

Accordingly it was

RESOLVED

- **That the internal audit reports be noted.**

Item 5 – Internal Audit Plan 17-18 (Incorporating Risk Assurance Map and Three Year Strategy)

TF introduced this report and advised that the work done on risk assurance mapping was an effective way of focusing on key priorities, identifying key risks and mitigations and assessing controls and assurances.

The risks numbered 6-9 were outside of the risk tolerance and this suggested that more work needed to be done on controls. JL stated that when the corporate strategy was revised this would be a good time to review risk appetite.

AM noted that the averaging of a score for a risk area could be deceptive as, in some areas such as finance some risks might be more tolerable than others.

ML noted that the net risk scores on pages 14 and 15 were inconsistent and that this changed the impact of the positioning of risk within the categories of risk tolerance.

JL agreed that this was a mistake and advised that the document would be revised to address this.

ST asked how the College compared to other educational institutions in respect of the assurance map and TF advised that the College was not particularly different from other educational institutions.

TF advised that the assurance map demonstrated the control gap after mitigations and accounting for risk appetite, and the internal audit plan for 2017-18 and the three year strategy were the product of this review.

ST queried whether if a subject was reviewed in year one there would be any follow up over the three year period and JL advised that if the outcome of an audit was limited or no assurance there would be a further review in the strategy period. TF further advised that as a matter of course the annual plan would be reviewed each year.

ML noted that terrorism risk would not be reviewed until 2018/19 and the Principal stated that internal audits were only one form of assurance and that the Committee could seek further forms of assurance from the Executive.

The Principal left the meeting at 9.30 being the conclusion of this item of business.

Accordingly it was

RESOLVED

- **That the Committee recommends the Audit Plan for 2017-18 and the three year audit strategy to the Corporation.**

Item 6 – External Audit Planning Memorandum

SK introduced this item and advised the Committee on the key features of the plan as set out on page 4.

AM noted that the proposals were consistent with past practice and referred to the difficulties with timing in completion of the review last year, and whether there were any lessons to be taken from this. SC advised that the plan summarized the key issues and that the challenge to ensure that there was no delay in completion of the work this year was to ensure that there was clarity over any liabilities relating to historic sub-contractor claims. It was expected that work on this would be completed in October.

Accordingly it was

RESOLVED

- **That the Audit Planning memorandum for the audit of the 2016/17 financial statements be recommended to the Corporation.**

Item 7 – Terrorism Action Plan and Disaster Recovery Plan

SC advised that key staff had received training from the Counter Terrorism Unit and that the College were adopting the “run, hide tell” advice and this would be rolled out for students in September within the wider context of training as part of induction.

In the interim there would be scenario planning within Colleges once the term had been completed.

SC further advised that a full business disruption plan had now been developed and the draft of this was appended to the paper.

ML advised that the College should approach the issue in accordance with the government's Crowded Places guidance and that the College's preparations would need to be sufficiently flexible to respond to different scenarios and that the College would benefit from scenario planning with key partners who would be involved in responding to a major incident. SC agreed that the College would participate in any joint planning exercise and agreed to pass contact details to ML.

ST queried whether there were any further steps that the College needed to take and ML advised that the College needed assurance from testing the plan in the context of a multi-agency response exercise.

TF left the meeting at 9.45 being the conclusion of this item of business

Accordingly it was

RESOLVED

- **That the Committee notes the report.**

Item 8 – Annual Review of Fraud Controls

SC presented the report and advised that there were no incidents in the last year. ST asked whether the auditors were aware of any incidents that required the Committee's attention and representatives from both internal and external audit advised that there were none.

Accordingly it was

RESOLVED

- **That the report be noted**

Item 9 – Annual Review of Whistleblowing Complaints

LN advised that one complaint had been raised in the last year and this had been resolved without requiring a formal investigation.

ML suggested that it would be advisable for the College to assure itself that staff were comfortable in using the reporting mechanisms and it was agreed that this could be examined in the next staff survey.

LN stated that as the College was completing its redesign of the website it would also be easier in future for suppliers and partners to access and, if necessary, utilize the procedure.

Accordingly it was

RESOLVED

- **That the report be noted**

Item 10 – Committee Terms of Reference

LN presented the paper and explained the changes made to the post 16 Audit Code of Practice, drawing the committee's attention to appendix C. However, no changes were proposed to the terms of reference.

ST asked whether external or internal audit had any observations and as either neither had any concerns

Accordingly it was

RESOLVED

- **That no changes be made to the Committee's terms of reference**

Item 11 – Internal Audit Recommendations – Management Actions

LN presented the report and advised that the matter had been discussed under agenda item 4.

Accordingly it was

RESOLVED

- **That the report be noted.**

Item 12 – Income Risk Review

SC summarised the paper and advised on the various income risks that were set out in the risk register and thereafter he set out the actions being taken by management to mitigate these risks.

AM queried whether the proposed Central Funding Team would have income targets and SC confirmed this.

ST stated that, given that the proportion of diversified income was below benchmark, he would encourage the College to explore ideas with other Colleges that might improve performance in this area.

JS stated that it was important to have a strong curriculum link into the business unit to ensure that there was sufficient expertise to deliver on the activities that the College was bidding to deliver.

ML stated that she would like to see evidence of the thinking behind the timing of the delivery plan and it was agreed that this would be reported back to the next meeting.

AM stated that the College had good connections with business but was running below the benchmark with diversified income and therefore the challenge was to turn these relationships into income generation.

SC stated that the College needed to increase full cost recovery provision as well as improving income generation from its relationship with businesses.

Accordingly it was

RESOLVED

- **That the report be noted**

Item 13 – Confidential Discussion – Auditors and Independent Governors

This item is recorded in a confidential minute

Any Other Business

There was no other business

Date of next meeting: TBC

Signed..... SATing
Chair

Date..... 8/12/17

