

**Minutes of the Meeting of the Audit Committee  
held on Friday 8 December 2017 at 8.00am  
In the Boardroom  
at Matthew Boulton Campus**

<b>Present:</b>	<b>Apologies:</b>
Simon Thompson (ST) (Chair)	Jane Smith (JS)
Michele Larmour (ML)	
Amardeep Gill (AG)	
Deborah Edmonds (DE)	
<b>In Attendance</b>	
Andrew Cleaves (AC)	
Sarah Rodgers (SR) BDO	
Tony Felthouse (TF) KPMG	
Simon Cosson (SC)	
Liam Nevin (LN)	

**Apologies & Declarations of Interest**

Apologies were received from Tim Foster of BDO and Jane Smith

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 29 June 2017**

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

**Matters Arising and Action Log**

ST stated that this was his first meeting as Chair and he wished to put on record his thanks to Andrew Madden for his work as the former chair of the Committee.

The action log was noted and LN advised that income risk was a subject that had been reviewed by the Finance Committee and would be reported to the Corporation in the following week.

**Item 2 – Risk Management Update**

SC summarized the paper and advised that there were three new risks, being the post 16 skills strategy, changes to data protection legislation, and not achieving a “good” grade at the Ofsted inspection. The Committee was advised that directorate risk registers had now been completed and were centrally held and subject to regular review.

ML noted that there were now fourteen risks, which appeared quite substantial and she asked whether any risks had been removed. The concern was that management could begin to spread itself too thinly. Secondly she noted that in relation to the Ofsted risk there was quite limited information on mitigations and this was the most significant issue for the College.

SC advised that whilst no risks had been removed, a number of income risks had been consolidated. The Principal added that the post inspection action plan contained a full

analysis of progress and risk and would be reported to the Corporation through the Academic Standards Committee.

ST asked whether internal audit had any observations and SR advised that BDO had completed a review of the risk register earlier in the year which had included benchmarking with other colleges.

Accordingly it was

## **RESOLVED**

- **That the report be noted**

### **Item 3 – Health and Safety Update**

SC summarized the report and detailed the most significant issues that had arisen since the last meeting of the Committee, In particular a visitor to Kidderminster Academy had suffered a fractured femur from walking into a glass window, and a member of catering staff had suffered a chipped ankle in the kitchen at Matthew Boulton arising from slipping on water from a leaking dishwasher. The Committee discussed the mitigating actions taken by the College to manage these types of incidents and it was agreed that in the interests of compassion the College should check on the recovery of the people concerned.

ST stated that the profile of accidents appeared to show a spike in January and February and the Principal advised that the weather and other one-off events could affect this.

DE noted the data on workplace stress and asked the College to consider preventative measures. If the process was to wait until someone was unwell and then trigger an Occupational Health referral this was too late to proactively manage mental well-being in the workplace. It was important that the College consider educational and mental health literacy.

The Principal agreed that a trend analysis would be undertaken to inform further discussion on this issue.

DE stated that it would also be worth the College considering how it might address “presenteeism” whereby employees remained in work but were performing below the expected level of productivity.

ML stated that some evidence of this had emerged from the strategy day with governors where areas of underperformance in teaching and learning had been discussed.

The Principal stated that a further issue for consideration was that stress-related illness was a potential outcome of an increased focus on performance management. Taking such action was a clear mandate from the governors’ strategy day and needed to be considered when assessing this issue.

ML stated that she could arrange contact with a specialist advisor to the West Midlands Combined Authority on mental health and the Principal confirmed that the College would welcome such advice.

The Principal thereafter advised that the College did not currently report on the mental health of students but this was under review and there had been investment in supporting students through the appointment of mentors and counsellors, the latter of whom could report into external agencies for more specialized support. It was clear that issues around gender, sexuality and gender identification were becoming more prevalent amongst students.

SC advised that since the report there had been an accident which was subject to RIDDOR, and which had involved a student coming into contact with battery acid. A full review of the causes was currently being done.

Accordingly it was

**RESOLVED**

- **That the report be noted**

**Item 4 – Internal Audit Reports**

SR introduced the reports and confirmed that the audit plan was on track.

ML queried management's views on the IT audit and SC confirmed that the IT strategy was currently being rewritten. The IT stock was mixed and contained a significant proportion of new machines which were being deployed to areas with maximum student usage. In addition, the College had invested in IT through network improvements, access to intranet and wi-fi and improvements to servers. However, this was an area generally that would benefit from greater capital expenditure.

ML stated that the challenges with finances were apparent but she would be keen for the Corporation to see a long term vision and resource plan because it was critical to improving the learning experience of students.

It was noted that the governance and risk management audit was satisfactory and provided governors assurance and therefore did not require further discussion.

Accordingly it was

**RESOLVED**

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

**Item 5 – Internal Audit Annual Report 2016/17**

SR introduced the report and advised that there had been seven audits during the previous financial year, with two high risk recommendations, fourteen medium risks and eight low risks. The opinion set out on page 7 of the report was that the College had suitably designed controls that provided reasonable assurance. The opinion as set out in the report was the standard wording used by BDO where there were no limited assurance opinions on any of the reviews.

Accordingly it was

**RESOLVED**

- **That the Internal Audit Report for 2016/17 be recommended to the Corporation**

**Item 6 – Audit Committee Annual Report 2016/17**

LN introduced this report and advised that it was part of the framework that included items 6,7, and 8 by which the Committee assessed the College's internal controls, risk management arrangements and corporate governance standards. It set out the Committee's activities over the last financial year and the forms of assurance that it had considered.

ST noted the narrative and timelines concerning the delays in approving the financial statements for 2016-17 and asked that the relevant minutes of the Committee and Corporation were added to aid comprehension of this point.

Accordingly it was

**RESOLVED**

- **That the Audit Committee Annual Report be approved and recommended to the Corporation with the amendment set out in the preamble to this minute.**

**Item 7 – Regularity Audit Questionnaire**

SC advised that the questionnaire was another form of assurance that required the College to evidence its compliance with the various requirements or standards of good practice referred to in the questionnaire. The response documented the source of the evidence to support the assertions and KPMG had reviewed it and had not raised any concerns with the content or evidence base.

Accordingly it was

**RESOLVED**

- **That the Regularity Audit Questionnaire be recommended to the Corporation**

**Item 8 – Draft Management Letter and Letter of Representation**

TF introduced this item and confirmed that the audit was substantially complete and that the reconciliation against the ESFA income statement had also now been completed and this had not identified any concerns. KPMG would need to do a final casting of the accounts prior to the Corporation meeting but they did not anticipate any substantive changes to the management letter and there was no issue of concern in relation to the regularity of expenditure.

Thereafter TF drew the Committee's attention to appendix 3, being the summary of financial performance which demonstrated an improvement of £1 million in the trading position of the College.

ST stated that he found the pension adjustments troubling as these were not one-off costs but were significant liabilities that the College would have to continue managing.

TF stated that the sums were similar amounts from the previous year so did not make a significant difference to the adjusted deficit.

SC added that this was a non-cash item and that all cash liabilities were reflected in the operating costs. This adjustment was driven by accounting standards.

ST stated that the key issue was whether the College would recognize the figures as being the underlying results of the business.

Thereafter TF set out the judgment on going concern referring to page 7 of the document and the Principal updated the Committee on planned property sales that were material to that judgment.

TF advised the Committee that there were no control points that required recommendations to be made in this year's letter and this was a positive reflection of the control environment within the College.

ST requested that TF summarise the prior year recommendations and the Committee were assured that these had been implemented.

Having reviewed the management letter the Committee considered the letter of representation and being satisfied of the terms of the representations set out,

Accordingly it was

**RESOLVED**

- **That the Management Letter and Letter of Representation be recommended to the Corporation**

**Item 9 – Insurance Annual Report**

SC summarized the report and advised the Committee that claims followed a similar profile to previous years and that the College would be re-tendering its insurance provision in 2018.

ML asked for confirmation of her understanding that destruction of a building arising from terrorism would not be insured other than in respect of Matthew Boulton College and SC confirmed that this was the case.

Accordingly it was

**RESOLVED**

- **That the report be noted**

**Item 10 – Counter Terrorism Implementation Plan**

SC summarized the work done to date on the plan and advised that the final piece of work outstanding was a response plan in the event of an incident. The College was following the Home Office “run, tell, hide” advice and did not consider it feasible to have an evacuation plan as there were too many potential scenarios that could arise and which could increase risk. Therefore a lock down procedure was being developed and this would be in place by the end of January.

ML advised that this was a challenging issue because of the variety of potential types of attacks and that evacuation could prove to be more dangerous. She also suggested that there was benefit in briefing students across all Colleges on appropriate actions to take. Incidents may not always be terrorism related, but briefing students on what to do in the event of a knife attack for example could help to save lives. It was equally important that all staff were aware of the guidance.

ST confirmed that all students were briefed through induction. All curriculum staff and duty managers were also briefed but he could not be sure that all support staff had been briefed and he agreed to take this up as an action.

Accordingly it was

**RESOLVED**

- **That the report be noted.**

## **Item 11 – Update on Fire Safety**

SC summarized the paper and advised that the key issues were that the College had taken advice from a specialist Fire Engineer and the local fire service who concurred that Matthew Boulton College was safe providing that it continued to take appropriate mitigating safety measures, namely regular maintenance of the fire alarm system, regular fire drills and tests, and keeping the perimeter of the building free from combustible material. SC confirmed that all of these recommendations had been implemented. In addition SC confirmed that car parking adjacent to the building had been removed and metal bins had been introduced.

The College had approached the building inspector that was responsible for issuing the original building regulations certificate and they had asserted that the building complied with relevant guidance at the time.

DE stated that she was comfortable that the College had done all that could reasonably be expected of it.

AG stated that he was satisfied that the College had taken appropriate measures to address the circumstances that had presented themselves.

The Principal stated that the issue for the governors and for him as Principal was to be satisfied that the building was safe. The College had taken independent advice and had acted upon that advice to ensure that the building was safe. It was clear from the advice that the building was no more dangerous than any other compliant building.

ML stated that it would be appropriate for the College to keep the situation under review to be entirely satisfied that no new evidence emerged from the pending public enquiry that would require further consideration.

ST summarized that the Committee were satisfied that although the cladding system presented a known risk, every possible mitigation had been implemented, safe evacuation could be undertaken during the day and the building was not used for sleeping at night.

The Principal proposed and it was agreed that further consideration be given to whether the College commissioned an independent review into the steps taken to ensure that all risks had been properly mitigated and this would be reported back to the Committee .

Accordingly it was

### **RESOLVED**

- **That the report be noted.**

## **Item 12 – Final Report on Records Management**

SC updated the Committee on the implementation of the records management project and the steps being taken generally to ensure that archiving was organised and managed on a more systematic basis. It was expected that this work would complete by the end of December.

DE asked what the back- up was for manual records in the event of destruction by fire and SC advised that critical records were being scanned so there was an electronic database and attendance records were also stored electronically.

DE also asked what processes would be employed to ensure that records were not kept longer than was necessary in order to comply with the Data Protection Act and SC advised that the retention periods varied depending on the type of record and this was often dictated by the relevant funding agency. The process for reviewing and destroying documents was being finalized but there were now clear review periods for different types of documents.

MI requested that the Committee be advised of this process once it was operational because it was key to ensuring that the activity was part of normal business and did not require further project work in future.

Accordingly it was

### **RESOLVED**

- That the report be noted

### **Item 13 – Internal Audit Recommendations – Log of Actions**

LN summarized the document and advised that the actions were RAG rated to reflect the rating given in the initial audit and then an adjusted rating was given by management where subsequent actions had been taken towards implementation of the recommendation

ML asked SR whether Internal Audit had any comments on the adjustment of RAG ratings and SR stated that this was a management process but Internal Audit would review both through the annual report and also through a follow up review of the implementation of their recommendations. Any differences in their judgment compared to that of management would be identified in this way.

ST stated that he was concerned by the risk relating to cyber security not only for the security of College systems but also because of the risk that by hacking its systems it may be possible to penetrate those of other stakeholders including government agencies.

The Principal advised that a paper would be brought back to the Committee to assess further the extent of the College's preparedness.

Accordingly it was

### **RESOLVED**

- That the Log of Actions be noted

### **Item 14 – Annual Work Programme**

LN presented the report and advised that the planned business for the year would be supplemented by specific requests from the Committee and which would be added to the action log and the work programme on a rolling basis

Accordingly it was

### **RESOLVED**

- That the annual work programme be approved

### **Item 15 – 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: Thursday 1 March 2018**

**Signed.....**  
**Chair**

**Date.....**