

**Minutes of the Meeting of the Audit Committee
held on Monday 12 March 2018 at 9.30am
In the Boardroom
at Matthew Boulton Campus**

Present:	Apologies:
Simon Thompson (ST) (Chair)	Amardeep Gill (AG)
Michele Larmour (ML)	
Jane Smith (JS)	
Deborah Edmonds (DE)	
In Attendance	
Andrew Cleaves (AC)	
Tim Foster (TF) BDO	
Alison Rowe (AR) BDO	
Tony Felthouse (TF) KPMG	
Simon Cosson (SC)	
Liam Nevin (LN)	

Apologies & Declarations of Interest

Apologies were received from Amardeep Gill

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 8 December 2017

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

It was agreed that the confidential minutes would be taken under Any Other Business.

Matters Arising and Action Log

In respect of the Action Log, LN advised that an external speaker on workplace practices to foster good mental health would be addressing the Executive in April.

Item 2 – Risk Management Update and Policy

SC advised the Committee that the register had been reviewed and that there was no change in the risk profile from the previous month.

ML asked whether there was any change in the risk relating to the property sales and SC and LN provided an update on the latest developments with the three major projects.

ST stated that it would be helpful to use the Committee meetings to focus on new risks or risks where there had been a change to the profile, of which GDPR compliance was one. ML agreed and added that the Committee should also review the highest risk areas and their mitigations even where there was no change to the scoring.

It was noted that there was a significant reduction in the risk associated with achievement rates and queried why this was and SC advised that the Self- Assessment Review was reflecting a strong trend in progress with evidence including the latest re-sit results and an improved retention rate.

The Principal added that the Ofsted support meeting had also resulted in positive feedback with the areas to address being consistent with the College's own assessment.

ST concluded that the risk register was a very important document but its presentation made it difficult to review and he requested that consideration be given to making more user friendly.

Thereafter, SC advised that the Risk Policy was also presented for the Committee's consideration, and the document reflected the steps taken by the Executive and the Corporation over the past 18 months including consolidating the risk framework around the agreed tolerances of risk appetite.

ML stated that the policy reflected the Board's involvement but that she had some concerns about the limited assurance contained in papers elsewhere on the agenda and the extent to which these were being managed through departmental risk registers. To be effective the risk management had to be integral to the business planning cycle so that the business plan identified priorities and risks and monthly meetings were held at which performance and risk was assessed.

The Principal advised that the Executive reviewed the risk register on a monthly basis and agreed that risk management activity should be embedded.

There being no further discussion

Accordingly it was

RESOLVED

- **That the current status of the risk register be noted**
- **That the Risk Policy be recommended to the Corporation**

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. He advised the Committee that the report contained details of the RIDDOR incident previously verbally reported to the Committee, as well as the follow up actions taken with victims of accidents on College premises.

DE asked for clarification of how the target of 777 days for workplace stress had been set and she estimated that it amounted to an annual cost of approximately£100k for stress related absence.

The Principal stated that characterization of the figure as a target needed to be reconsidered as it was intended as a health warning for the organization if stress absence exceeded this level. He stated that he was happy to be challenged on what the level should be and the further preventative steps that should be taken but the Corporation would expect the Executive to manage such absences within agreed parameters.

DE stated that sickness absence was not just a performance issue as with mental health, the longer a person was out of the workplace the less likely they were to return. It was important to look to addressing the root cause.

ML noted that between November and January there were five additional cases and queried whether there was a trigger for these and the Principal advised that these were a reflection of the more active performance management now being undertaken.

ML stated that she was less concerned about a target and more interested in what the figures disclosed. Once the narrative behind the figures was understood the College could build its occupational health and well-being arrangements around this.

The Principal stated that it would assist the debate if the report provided comparative statistics to assist the Committee in seeing how the College compared with others in the further education sector.

Accordingly it was

RESOLVED

- **That the report be noted**

Item 4 – Internal Audit Reports

TF presented the report and advised that the learner records and business recovery reviews had been completed and an advisory review on GDPR. In addition, they had completed their review of sub-contractor controls. The Treasury Management Report was approximately one week late and was currently with management for comment.

In relation to learner records, there were no major findings and the audit conclusions were substantial/substantial, and for business recovery they were limited/limited.

With respect to business continuity the audit opinion reflected the fact that management had only recently introduced the policy. A lot of work had gone into the development of the plan but it was not possible to test operational effectiveness at this stage. With regard to design BDO felt that there were some additional features that should be included. This included greater clarity over the mission critical activities for business recovery with timings and objectives, and consideration of how the plan would be applied in the context of the different scenarios that can occur. However, TF was confident that management was responding positively to the recommendations and that further tests would result in positive assurance.

SC stated that mission critical activities were known and the plan had been successfully implemented in the last week with two major incidents resulting in College closures. However, these activities needed to be documented within the plan.

ML questioned to what extent the College could function without IT and SC confirmed that in the past week as part of the incident recovery process the College had run lessons without IT but beyond a couple of days it became progressively more difficult to manage data systems manually.

ML stated that business continuity was one of the areas of reputational risk for the College and effective management of it was crucial to avoid undermining the culture change in the organization. Employees needed to know what mission critical activities and that it would be advisable to include staff in a de-brief after an event.

Thereafter the Committee debated the GDPR advisory report. TF advised that very few clients were already compliant with the new regulations and that this review at the request of the College had also looked more widely at compliance with the Data Protection Act, information security, data retention and the role of the Data Protection Officer. BDO had discussed with the ICO their priorities and their general approach to enforcement and they were of the view that the focus would be on the adequacy of procedures and the implementation plan that organisations had, although much would depend on the nature of any breach that they were considering.

LN advised that the key issues for the College could be grouped into staff awareness, data management arrangements, information security protocols, and arrangements for securing

express consent. There were improvements that could be made in each of these areas and the Executive would need to develop an action plan that would be reported back to the committee.

DE stated that the Committee would need some assurance on progress around data mapping and express consent and ML stated that the Executive needed to consider the extent of the work, the resource requirement and the extent of any risks.

It was agreed that an update would be provided to the May Corporation.

Accordingly it was

RESOLVED

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

Item 5 – Sub-Contractor Controls Assurance

TF summarized the report and advised that this was a compliance audit around the ESFA sub-contracting rules. Where a College was operating under a notice of financial control approval of the ESFA was necessary before appointing a new contractor or increasing contract values and the audit had found two incidences where this was not the case.

SAC explained that the College had previously written to the ESFA seeking permission in advance but had been told that the sub-contractor declaration was the appropriate mechanism for raising this, and this had been done by the College.

TF stated that he was satisfied with the management comments but they did not draw conclusions on this audit. It was for the Principal to sign the certificate confirming that he was satisfied with the controls that the College had in place.

Accordingly it was

RESOLVED

- **That the report be noted**

Item 6 – Review of Arrangements for 2018/19 for Internal and External Audit

Representatives of both internal and external audit left the meeting for this item.

SC advised that both were appointed two years ago for a three year period and there were no concerns about performance. Therefore it was proposed to complete the three year terms and that a new appointment process be commenced in the spring of 2019.

Accordingly it was

RESOLVED

- **That the existing arrangements for internal and external audit continue for 2018/19 and a new appointment process be commenced in the spring of 2019 to commence in the following academic year.**

Item 7 – Cyber Security

SC advised that this report addressed concerns that had been raised in the previous meeting and set out the security arrangements associated with the College's IT network.

ML noted that there was a crossover between the assurance contained in this report and other agenda items including data protection and business continuity and the information contained in the report should be used for both of these.

ST stated that he was concerned that hackers may attempt to infiltrate College systems in order to gain access to third party systems, and it was agreed that SC would report back on this specific issue.

Any Other Business

All those in attendance left the meeting at this point. LN and the independent governors remained.

(i) BDO Commission to Undertake IBR

LN advised the Committee that in accordance with their terms of reference they needed to be advised when BDO undertook work outside of their terms of reference as internal auditors. The paper set out the work undertaken in relation to the Independent Business Review and the arrangements to ensure that there was no conflict of interest.

The remainder of the business is contained in a confidential minute.

Date of next meeting: June ~~28~~ 29 2018 SAT

Signed..... SIA Thompson
Chair

Date..... 29 / 6 / 18

