

**Minutes of the Meeting of the Audit Committee
held on Friday 29th June 2018 at 8.00am
In Room 814
at Matthew Boulton Campus**

| Present: | Apologies: |
|-----------------------------|----------------------|
| Simon Thompson (ST) (Chair) | Amardeep Gill (AG) |
| Michele Larmour (ML) | Deborah Edmonds (DE) |
| Jane Smith (JS) | |
| In Attendance | |
| Andrew Cleaves (AC) | |
| Tim Foster (TF) BDO | |
| Simon Stanyer (SS) | |
| Mike Rowley (MR) | |
| Simon Cosson (SC) | |
| Liam Nevin (LN) | |

Apologies & Declarations of Interest

Apologies were received from Amardeep Gill and Deborah Edmonds

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 12 March 2018

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

Matters Arising and Action Log

There were no matters arising and the Action Log was noted.

Item 2 – Risk Management Update

SC introduced the item and summarized the movements in risk since the last update.

ST noted that there was a substantial movement in risk in relation to income and stated that the Committee needed to better understand that.

SC advised that the priority was to stabilize income and to ensure that income targets were not overly optimistic in light of recent experience. The Principal added that the Finance Committee would be considering the Finance Plan which contained the detailed assessment of income for the next financial year and an explanation of the regime being applied to improve control and forecasting.

LN advised that the Finance Plan contained a section on “financial resilience” and that this was being reported to the Finance Committee in response to a recommendation by the Further Education Commissioner. In addition there would be a working group meeting in the next week specifically to examine the plan.

ST stated that it would be helpful to group the risks under subject areas with teaching and learning followed by finance and then the remaining risks.

ML noted the proposal in respect of financial resilience and questioned what would be different under the new arrangements that would give the Committee assurance.

The Principal advised that whilst reforecasting had been done in previous years this was too late and actions that should have been taken in November slipped into the new year. The proposals contained in the Finance Plan was a more structured approach to forecasting with remedial actions both of which were timetabled.

TF advised that an internal audit of cost control and budget management was also programmed for October.

ML questioned whether an October review was sufficiently timely and the Principal asserted that it was and advised the Committee that student numbers were not finalized until the end of September and the College needed to then assess the income generation associated with each student.

MR advised that the key for the College was to be able to refocus its resources, in light of income, by the new- year.

JS questioned whether the income targets properly reflected bad debts as from her position as Director of a Curriculum area, she was aware of a number of outstanding debts. It was agreed that this point would be reviewed and the Committee advised as to whether the arrangements for debt recovery were timely.

The Principal concluded that the Financial Plan would have considerable internal and external scrutiny and that his view was that there were two broad issues that the proposed plan sought to address; firstly, the 2017-18 budget contained stretching targets for apprenticeship and HE growth that had been not been achieved, and the proposed budget for 2018-19 scaled back these ambitions. Secondly there were necessary improvements in budget control and forecasting that were addressed in the plan.

LN summarized the process for approval of the Financial Plan and the new control arrangements that were set out within it. These would be considered by the Finance Committee in the following week and by a separate working group, with a co-opted member. The outcome of this would be reported to the full Corporation on the 12th July.

In addition, because the new control arrangements involved a budget-recut and remedial measures by specified times, these were being worked into the Finance Committee workplan and an additional meeting for that Committee was being proposed.

ML asked for clarification of the involvement of the Audit Committee in assessing the effectiveness of these new arrangements and LN advised that these would be addressed as part of the Risk Register and would be reported to the Committee accordingly.

There being no further discussion

Accordingly it was

RESOLVED

- **That the Risk Management Report be noted.**

Item 3(i) – Health and Safety Update

Item 3(ii) Trend analysis of workplace sickness

SC summarized the report and invited questions.

ST noted that there were a number of unsatisfactory outcomes to the College's own health and safety audits and questioned whether this was normal. SC advised that there were more

such outcomes than he was used to seeing in other organisations but that frequently the reason for this outcome was because of poor record keeping. ML expressed concern that the Hair and Beauty audit had identified that the autoclave had not been checked in two years and the Principal advised that this appliance had been checked and the risk was addressed.

Thereafter the Committee reviewed the evacuation arrangements and ML sought and received confirmation that the evacuation times for fire drills reflected the point at which staff and students were at the assembly point.

The Committee was further advised that there were a minimum of two fire drills in each building every year and that evening tests were also now deployed.

In respect of workplace sickness, the Committee was advised that at 3.2% the College rate compared favourably with the public sector and was in line with the private sector.

The Principal advised that the sickness rate was disproportionately affected by a small number of long term sickness absences. The College had introduced a new occupational health process that was designed to ensure quicker intervention but it was important to keep this in balance with supportive arrangements for these staff.

ML advised that it was important for staff to see the intervention process as part of a wider framework that emphasized supportive measures such as reduced hours and phased return arrangements. She further noted that November and January were peak absence periods and encouraged consideration to be given to proactive measures that anticipated peak absence periods, through measures such as the provision of flu jabs.

Accordingly it was

RESOLVED

- **That the report be noted.**

Item 4 – Internal Audit Reports

(i) Security Arrangements

TF presented this item and advised the Committee that the outcome was a “moderate/moderate” judgement. It was noted that some tightening up of role profiles and the scoring matrix was needed to ensure that a candidate was not selected if they didn’t meet the mandatory job requirements.

(ii) Follow Up of Prior Year Recommendations

TF advised that fourteen recommendations had been reviewed and 71% of these had been fully implemented which represented good progress.

Accordingly it was

RESOLVED

- **That the report be noted**

Item 5 – Internal Audit Strategy

TF summarized the report and advised that the plan had been reviewed with LN and SC and taking into account the risk profile and assurance need, a proposed plan had for 2018-19 had been constructed and which was set out on page 7 of the document.

ST questioned whether annual penetration testing of the College website was sufficient to mitigate risk and stated that he had a particular concern that the College system could be used as a platform to access government systems.

SC advised that actual access into the system was low, and the College had good support from JISC who monitored for penetration and denial of service attacks. Furthermore, the level of connectivity with government systems was low. However, it was agreed that further consideration would be given to the question raised by ST.

ML expressed concern that there was still limited assurance against business continuity and LN advised that the status reflected the need to address outstanding actions from the IT Disaster Recovery Plan and that this was addressed later in the agenda.

ST noted that risk 6 (failure to capitalize on growth from the apprenticeship levy) was outside of the Corporation risk appetite but was not included in the plan until 2019-20. SC advised that this was because there was a third line assurance against this risk and TF added that the review of income risk in 2017-18 gave some assurance.

The Principal advised that a review of this risk could be brought forward but this would mean deferring another review and it may be preferable if instead an alternative form of assurance be provided to the Committee. ST agreed that the Committee would consider this

Accordingly it was

RESOLVED

- **That the internal audit strategy for 2017/18 – 2019/20 be recommended to the Corporation.**

Item 6 – External Audit Memorandum

MR summarized the scope and timetable for the external audit of the financial statements, which would include an assessment of significant risk, the overall financial position and going concern, cash and covenant compliance, testing actuarial assumptions around pensions and regularity.

ST stated that the going concern statement was the most significant issue for consideration and that he would like to see a joint review of this with the Finance Committee before the matter was reported to the Corporation, and it was agreed that LN would consider the practical arrangements to facilitate this.

Accordingly it was

RESOLVED

- **That the External Audit Plan and Strategy for the year ending 31 July 2018 be recommended to the Corporation.**

Item 7 – Counter Terrorism and Disaster Recovery Plan Update

SC summarized the further work done on this issue since the last meeting of the Committee. All students had been briefed on “run, hide and tell,” the number of welfare officers had been increased and further refinements to the College’s policy framework had been completed. The Disaster Recovery Plan was appended to the papers for consideration and this was the overarching response plan, under which the College also had an evacuation plan and a lock down procedure.

It was noted that some further work was required in respect of:

- ensuring that all support staff had received training on run, hide tell;

- consideration being given to using the ACT on-line training developed by the Counter Terrorism Unit;
- merging the Disaster Recovery Plan into the overarching plan and setting out the business recovery timescales for key IT systems.

It was expected that these issues would be addressed by the end of the academic year.

Thereafter the Committee discussed the preferred arrangements for testing the College's policy framework and ML suggested that a desk top exercise could be effective if it included emergency services.

SC advised that a desk top exercise had been done with the CTU but he would revisit this with a view to carrying out a multi- agency exercise.

MI stated that the Disaster Recovery Plan appeared to be focused on the immediate incident management and it was important that the Duty Director was also coordinating business continuity operations.

The Principal assured the Committee that part of the role of the Duty Director was to set up reporting arrangements that would both manage the immediate incident and direct business operations, but in light of the challenge, the plan would be reviewed to ensure that this was clear.

Accordingly it was

RESOLVED

- **That the revised Disaster Recovery Plan and the report update be noted**
- **That the further actions proposed in relation to completion of the plan and the provision of training be noted.**

Item 8 – Fire Safety Update

SC advised that a meeting had been held with civil servants and the College had set out the various forms of assurance upon which it was satisfied that Matthew Boulton College was safe for educational usage. In addition, an escorted tour of the building and premises had been undertaken with the visitors and there were no action points arising from the meeting for the College.

The Chair requested, and it was agreed that LN would provide, a summary of the totality of the evidence that the College had relied on. This would be used in future meetings of the Committee to review whether anything had changed that warranted a review of the assurance.

Accordingly it was

RESOLVED

- **That the report be noted**

Item 9 – GDPR Update

LN introduced the paper and advised that for the purpose of the Committee overseeing progress at a strategic level the Action Plan appended to the report had been structured around the five key objectives with each being RAG rated. Good progress had been made in a number of areas in particular in relation staff awareness and arrangements for ensuring lawful processing. However further work was needed on aspects of the programme concerning consent and privacy, and information security, to ensure that the College was compliant with best practice.

Accordingly it was

RESOLVED

- **That the report be noted**

Item 10 – Annual Report on Fraud

SC summarized the report and advised that no new issues had been reported either within the College or to the internal auditors and he drew attention to the areas of fraud risk that had been reviewed in the last twelve months.

There being no discussion

Accordingly it was

RESOLVED

- **That the report be noted**

Item 11 – Whistleblowing Annual Report

LN introduced the report and advised that there had been one complaint under the policy in the last year which had been reported to the Committee and was now closed. The policy had been reviewed and no changes were recommended.

There being no discussion

Accordingly it was

RESOLVED

- **That the report be noted**

Item 12 – Committee Terms of Reference

LN reminded the Committee that by virtue of changes to the Post 16 Audit Code of Practice issued by the ESFA, it had been necessary to change the terms of reference such that staff members could no longer sit on the Committee. No other changes were proposed.

Accordingly it was

RESOLVED

- **That the Committee note the change to the Committee terms of reference arising from the prohibition on staff members sitting on the Committee**

Item 13 – Annual Workplan

LN summarized the report and advised that the workplan set out the programmed activity for the next year and that this would be supplemented by reactive work captured on the Action Log.

ST reiterated that he was keen to hold a joint review of the Financial Statements with the Audit Committee and it was agreed that this would be reflected in the workplan

Any Other Business

None

Date of next meeting: TBC

Signed.....

 Chair

Date.....
 30 / 11 / 18