



Minutes of an Audit Committee Meeting held on 4th June 2018 at 4.00pm

Held in the Boardroom at City Campus

- Present:** John Barrett (Independent Governor)
 Dave Busst (Independent Governor)
 Peter Matthews (Independent Governor) (Chair)
 Tony Minhas (Independent Governor)
- In Attendance:** Peter Brammall, Principal
 Jim Edwards, Clerk to the Corporation
 Martin Harrington - Finance Manager
 Paul Oxtoby RSM UK Ltd
 Mark Payne, Vice Principal Finance and Resources
 Robin Pritchard, Gateway Assure

A10/18 Apologies for Absence

Apologies for absence were received from Ieuan Blackmore.

A11/18 Declarations of Interest

There were no declarations of interest.

A12/18 Minutes of the Last Meeting held on 5th February 2018

The minutes of the last meeting held on 5th February 2018 were approved as a true record.

A13/18 Matters arising

There were no matters arising. Governors, however, resolved that a rolling actions' list should be established and considered at each future Audit Committee meeting.

A14/18 Internal Audit Block Two Report

1. Mr Robin Pritchard presented Governors with the Internal Audit Block Two report on Contract Compliance, HR (Workforce Planning), and IT Controls.
2. It was reported that the following assurances had been given:-

| Area | Assurance |
|-------------------------|-----------|
| Contract Compliance | Adequate |
| HR (Workforce Planning) | Adequate |
| IT Controls | Adequate |

3. Sixteen recommendations arising from the reviews had been suggested by the internal auditors and accepted by College management, and these were discussed by Governors. None of the recommendations are fundamental.

Contract Compliance

4. The review of Contract Compliance focused on apprenticeship contracts. Two 'Significant' and five 'Merits Attention' recommendations were made, most of which relate to procedural shortcomings. Governors noted that, at merger, the College was operating two separate systems for apprenticeship contracts, and this had resulted in some confusion.
5. A standard apprenticeship contract is now in place for use across the College, and staff training is being put in place to ensure that the business development team are aware of the procedures to follow when completing contracts with employers.
6. Because of the number of recommendations, 'Adequate' assurance has therefore been given that risks material to the achievement of the College's objectives for the area are adequately managed and controlled. There are areas of non-compliance which expose the College to increased levels of risk

HR (Workforce Planning)

7. In terms of HR (Workforce Planning), three 'Significant' recommendations had been made relating to the establishment of common HR policies and procedures; setting agreed staff utilisation levels including remission; and using a standard application form process when recruiting staff.
8. Each of these recommendations has been accepted by management, and steady progress is being made in addressing the outstanding issues. A first-stage plan is already in place to roll out updated HR policies, and this has been shared with the trade unions. Staff utilisation and remission arrangements are a priority area for harmonisation for the start of the 2018-19 academic year, following the conclusion of the staff restructure. Finally, the recruitment process is being reviewed as part of the new integrated HR and payroll system. All recommendations are expected to be closed out by 31st July 2018.
9. Governors discussed the critical work that had commenced in harmonising staff terms and conditions following merger, and it was noted that there were inevitable tensions because of differing contracts in place eg remission. The Principal confirmed that the timetable for concluding negotiations with trade unions was September 2018.
10. 'Adequate' assurance has been given that risks material to the achievement of the College's objectives for the area are adequately managed and controlled. There are areas of non-compliance which expose the College to increased levels of risk

IT Controls

11. There are six significant risks relating to IT Controls. The review focused on implementation plans, network security, software licensing, email controls, and business continuity arrangements.

12. The College's IT infrastructure has been transformed since merger in order to ensure that a single domain is in place across both campuses, and that Skype for Business is introduced. However, there are a number of key areas that still require significant development; namely, the alignment of IT and Digital Strategies with a Business Strategy; the implementation of robust and common policies and procedures; the establishment and maintenance of an assets' inventory; the production of a disaster recovery plan; and the introduction of regular penetration tests.
13. Good progress is being made towards compliance with GDPR requirements.
14. Governors discussed the recommendations arising from the review, and noted, that the College was making satisfactory progress in addressing them. However, the target date of 1st August 2019 for the establishment of the disaster recovery plan was queried by Governors who agreed that this should be brought forward [post-meeting note: this deadline has now been moved to 31st August 2018].
15. 'Adequate' assurance has been given that risks material to the achievement of the College's objectives for the area are adequately managed and controlled. There are areas of non-compliance which expose the College to increased levels of risk.
16. The Internal Audit Plan for the remainder of 2017-18 continues to be fit-for-purpose and covers all the requisite areas for review as previously agreed by the Audit Committee. However, Block Three audits have been delayed.
17. Governors resolved:-
 - i) to note the 'Adequate' assurance given to the areas of Contract Compliance, HR (Workforce Planning), and IT Controls;
 - ii) to endorse the internal auditors' recommendations for implementation by the College;

A15/18 Risk Register

1. The Vice Principal Finance and Resources presented the updated risk register as at the end of April 2018, and drew Governors' attention to the proposed risks and risk ratings.
2. No new risks have been added to or removed from the register. No risk ratings are considered to have increased or reduced since the April 2018 update to the Corporation. Both the Standards Committee and the Resources Committee scrutinised the relevant risk positions at their meetings of 16 May 2018 and 5 June 2018 respectively.
3. The risks and their respective ratings were then considered in detail, and Governors were reassured that they were aligned with the College's KPIs and Vital Signs.
4. Risk 2 *Failure to recruit sufficient students* is the only risk rated as 'High', as the number of applications from new and progressing students is behind schedule compared with the same point in 2017.

5. Six further risks are rated as 'Medium' as follows:-

- Risk 4, *Failure to achieve high student satisfaction*
- Risk 8, *Failure to deliver high student achievement rates*
- Risk 9, *Failure to obtain Ofsted rating of Good or better*
- Risk 10, *Failure to meet key financial targets*
- Risk 16, *Failure to maintain good industrial relations*
- Risk 18, *Failure to maintain robust business continuity plans*

6. Governors noted that there were some anomalies in the summary page at the front of the register and in the detailed register itself, and the Vice Principal Finance and Resources undertook to correct the errors and re-send the register to Governors.

7. The College's risk appetite was discussed, and it was agreed that Governors should continue to be made aware of any residual risks that remained 'High' even after management actions and controls had been put in place.

8. The risk associated with apprenticeship recruitment and outcomes was discussed, and it was agreed that a separate stand alone risk should be established for apprenticeships.

9. Governors resolved:-

- i) to agree with the proposed risks and associated risk ratings, subject to a separate risk relating to apprenticeship recruitment and achievements **Action: Vice Principal Finance and Resources**
- ii) to agree that the risk register should be linked and aligned to the finalised strategic plan; **Action: Vice Principal Finance and Resources**
- iii) to request that a corrected version of the risk register should be forwarded to the Audit Committee. **Action: Vice Principal Finance and Resources**
- iv) to agree that the risk register should be disseminated to staff **Action: Vice Principal Finance and Resources**

A16/18 Internal Audit Plan 2018-19

1. Mr Robin Pritchard introduced the Internal Audit Plan for 2018-19 for Governors' consideration, and explained the rationale for selecting certain areas for review. It was confirmed that the proposals had previously been approved by Governors as part of the three-year plan for 2017-20, but had been further reviewed, particularly with the current risk register in mind.

2. Governors reviewed the proposed areas for internal audit in 2018-19 (Governance and Risk Management; Performance Management; Key Financial Systems; Resource Utilisation; Marketing, Communications and External Relationships; Safeguarding; Business Continuity Planning, Contract Management; Campus Management; Curriculum Planning, Student Systems, Departmental Functional Reviews, IT Health Check; Follow Up Review).

3. It was suggested that the Departmental Functional Reviews should include apprenticeships, and that health and safety should also be reviewed.

4. Governors resolved:-

- i) to approve the proposed internal audit plan for 2018-19;
- ii) to agree that a detailed plan should be formulated for 2018-19, taking into account Governors' suggestion that Departmental Functional Reviews should include apprenticeships, and that health and safety should also be reviewed.

A17/18 External Audit Plan 2017-18

1. Mr Paul Oxtoby, RSM UK Ltd, presented Governors with the external audit plan and the fee proposal for undertaking the financial statements and regularity audits for the year ended 31st July 2018.
2. Governors were informed of the scope of the financial statements and regularity audit, the proposed audit approach, and the key risks that the audit would focus on. Fieldwork would be undertaken in September and October 2018, and it was confirmed that the final audit reports would be forwarded to ESFA by the deadline of 31st December 2018.
3. It was further confirmed that the primary responsibility for the external auditors was to form and express an opinion as to whether the financial statements of the College represented a true and fair view.
4. In terms of the regularity audit, it was confirmed to Governors that the external auditors were also required to form an opinion on whether in all material respects the expenditure dispersed and the income received during the year ended 31st July 2018 had been applied appropriately, and that financial transactions conformed to the requirements of the governing authorities of the College.
5. Funding compliance and pension disclosures would also be reviewed and reported on, and a view on whether the College remained a going concern for the foreseeable future would also be provided. Governors will be required to assess the going concern basis of accounting for the financial statements.
6. Paul Oxtoby reminded Governors that they and the Audit Committee have a responsibility to report any instances of fraud that they are made aware of to the external auditors. At the appropriate time a formal minute from the Audit Committee will be required in respect of the identification of any fraudulent activities.
7. The proposed fees for the audit, including a review of the Teachers' Pension Scheme, are £30,000 including VAT. This represents a considerable saving on the combined audit fees charged to the colleges before merger.
8. The issue of disclosures was discussed, and Paul Oxtoby informed Governors that there would be an increased number of them as a result of the merger.
9. After due consideration, Governors resolved:-
 - i) to recommend the External Audit Plan and fees for the year ended 31st July 2018 to the Corporation for approval.

A18/18 General Data Protection Regulation (GDPR)

1. The Vice Principal Finance and Resources presented Governors with a progress report on the College's progress towards compliance with the General Data Protection Regulation (GDPR), which came into force on 25th May 2018.
2. The new provisions within the GDPR were explained to Governors, and the College now has increased responsibilities with regard to informing data subjects openly and transparently of the reason for collecting their data, and for how long it will be stored. For Governors, there is now increased accountability at Corporation Board level for ensuring the College is GDPR compliant.
3. In response to the GDPR, the College has updated a number of existing policies and introduced some new ones. These have been uploaded onto the College's website as required. Governors were provided with copies of the Data Breach Notification Policy and Procedure; Data Protection Policy; Privacy Notice for Students; Privacy Notice for Staff; Privacy Notice for Governors; General Privacy Notice; and a Rights of Individuals' Policy.
4. The Vice Principal Finance and Resources is the named individual taking on the role as Data Protection Officer. The College is registered with the ICO.
5. Management and staff training will take place, and will be refreshed annually to ensure that data breaches are minimised.
6. Governors queried how compliance will be checked and audited, and the Vice Principal Finance and Resources explained that in-house checks would be undertaken, and might be supplemented through internal audit reviews.
7. After due consideration, Governors resolved:-
 - i) to take assurance that the College has made satisfactory progress towards GDPR compliance, and that appropriate policies and procedures were in place;
 - ii) to agree that the College's GDPR compliance should be reviewed as appropriate through the internal audit process;
 - iii) to agree that an annual report on data protection should be brought to the Audit Committee and to the Corporation.

A19/18 Publication of Documents

The publication of documents was approved without exception.

A20/18 Date of the next meeting

The date of the next meeting was confirmed for Monday 18th September 2018 at 4.00pm at the Henley campus.

Meeting commenced 4.04pm

Meeting closed 5.44pm

JE