

**CONFIRMED MINUTES OF THE AUDIT COMMITTEE HELD ON  
FRIDAY 10 MARCH 2017 IN THE COMMITTEE ROOM AT GREEN LANE**

**Present**

Ian Swain	Independent Governor (Chair)
David Hughes	Independent Governor
Ian Butchart	Independent Governor

**Also in attendance**

Stuart Slorach	Vice Principal Resources
Jackie White	Clerk & Governance Advisor
Claire Leece	RSM
Alexandra Hartshorne	KPMG
Mick Thompson	KPMG

	<b>Action</b>
<p><b><u>PRIVATE MEETING WITH THE AUDITORS</u></b> Members held a privately with the auditors prior to the main meeting.</p>	
<p><b><u>DECLARATION OF INTEREST</u></b> There were no further declarations of interest.</p>	
<p><b><u>APOLOGIES FOR ABSENCE</u></b> Apologies were received from Denise Ogden, Independent Member.</p>	
<p><b><u>AC16 018 UNCONFIRMED MINUTES OF THE MEETING HELD ON FRIDAY 25 NOVEMBER 2016</u></b> The minutes of the last meeting were agreed as an accurate record.</p>	Clerk
<p><b><u>AC16 019 MATTERS ARISING</u></b></p> <p>AC16 002 - MATTERS ARISING - AC15 031, External Audit Plan, cyber defences, the Clerk advised that an update was being provided to members today.</p> <p>AC15 033, Internal Audit Report, Business Continuity, the Vice Principal confirmed this action was still outstanding but that he is working with a consultant on the plan. He expected this to be completed by February 2017. The Vice Principal Resource confirmed that this was moving forward and had been discussed in the Principalship and an update will be provided to the Board in April.</p>	

AC15 032, Internal Audit Report Follow up, the Vice Principal Resources confirmed that this was still outstanding and would pick this up in April.

AC16 003 - FINANCIAL STATEMENTS 2015/16 AND BANK COVENANT SCHEDULE – The Vice Principal commented that he had a few alterations to the accounts and these were completed.

Financial statements and bank covenant to be approved by the Board – the Clerk confirmed these were approved by the Board.

AC16 012 - ACTIONS FROM THE CORPORATION BOARD REGARDING E&D AND SAFEGUARDING - It was agreed that the Vice Principal Resources speak with the Internal Auditors to see if it was possible to undertake an audit of safeguarding and swap out an existing audit, this was agreed and the safeguarding audit was scheduled.

**AC16 020 INTERNAL AUDIT REPORTS – 01-17 FUNDING BODY INCOME**

Alex Hartstone, KPMG spoke to her previously circulated report and members noted that from the work performed on funding body income, they consider the system of internal control is **Good**. One low risk was identified as the ILR is not supported clearly by underlying documentation.

Ian Butchart asked the Vice Principal Resources who will be picking up Charly Butlers role when she leaves as the action to address the risk was allocated to her. The Vice Principal advised that he is picking up the action in the short term but the College is interviewing for Charly's replacement.

The Audit Committee RECEIVED the Internal Audit Report on Funding Body Income.

**AC16 021 INTERNAL AUDIT REPORTS – 02-17 TENDERING, ORDERING, RECEPITS AND PAYMENTS**

Alex Hartstone, KPMG spoke to her previously circulated report and members noted that from the work performed on tendering, ordering, receipts and payments, they consider the system of internal control is **Good**. Two low risks were identified as:

- Orders are placed with inappropriate or unauthorised suppliers which may have onerous credit terms or be damaging to the College's reputation.
- Value for money is not achieved due to a lack of consistent purchasing from different areas within the College.

Ian Butchart asked the Vice Principal Resources whether the College maintained a list of authorised suppliers and he advised that the College didn't. Ian went on to comment that he thought that the Audit Committee had discussed having a list of authorised suppliers before and was surprised that the College did not have

one. Ian Swain commented that the College should have a list and it would be easy enough to develop using the database of suppliers from the ordering system. David Hughes commented that we would need to be clear how suppliers get onto the list and also how they come off the list. Ian Butchart asked for the Vice Principal to update the Audit Committee at the next meeting on this.

VP  
Resources  
/ Clerk

David Hughes asked the Vice Principal Resources whether the levels of delegated authority were appropriate and the Vice Principal Resources advised that anything of value comes direct to him anyway so feels that the levels are sensible. The Vice Principal Resources advised that the Financial Controller would always check orders in the first instance as part of the process for ordering.

The Audit Committee RECEIVED the Internal Audit Report on Funding Body Income.

#### **AC16 022** **RISK MANAGEMENT UPDATE**

The Vice Principal Resources spoke to his previously circulated report and members noted that the key risks to the College over the course of the coming months include:

- Government policy including BREXIT
- Local Area Review aftermath, incl. the Combined Authority
- Hartlepool construction project
- Cash flow and banking covenants
- HE recruitment
- FE recruitment
- Teaching Excellence Framework
- Name change

The Audit Committee RECEIVED the Risk Management Update for information.

#### **AC16 023** **RISK REGISTER**

The Vice Principal Resources referred members to the risk register which had been circulated with the papers. Members reviewed and challenged each of the risks which where the residual risk was amber or red along with any new risks added to the register.

Ian Butchart asked the Vice Principal Resources what the impact of T Levels were in relation to the LAR. The Vice Principal Resources was unable to respond and it was agreed that the Principal comment on this in his Principals report to the Board.

David Hughes commented on FE progression and that he had discussed progression with his buddy and issues of transition preparedness for current FE students. The Vice Principal Resources advised that the College is looking at a new accreditation body for FE with the University of Arts London which

should help with transition and the skills required to move from FE to HE.

David also asked for an update on the Sound Stage and whether it should be included in the Risk Register. The Vice Principal Resources advised that work is still progressing on this and that the tendering process for works was due to start next week.

The Vice Principal Resources discussed the risk around maintaining the estate and that a condition survey had been undertaken. Members noted that discussions with Middlesbrough Council on their redevelopment programme were still ongoing and that this may mitigate maintenance costs if the College were to relocate but this wouldn't be until around September 2018/19.

The Vice Principal Resources also discussed student accommodation and that the College are looking at 2<sup>nd</sup> and 3<sup>rd</sup> year's accommodation as there may be a reduction in providers / landlords in Hartlepool for this group of students.

The Audit Committee RECEIVED the Risk Register.

#### **AC16 024 INTERNAL AUDIT RISK LOG and RECOMMENDATIONS TRACKER**

The Vice Principal Resources spoke to his previously circulated report and members noted that the report illustrates progress against the recommendation actions from internal audit reports produced by KPMG.

Members noted that the number of Audit recommendations during KPMG appointment:

	HIGH	MEDIUM	LOW
Closed	1	20	24
Open	1	3	1
Not started	0	0	0

The Audit Committee RECEIVED the Internal Audit Risk Log for information.

#### **AC16 025 HEALTH & SAFETY UPDATE**

The Vice Principal Resources gave a verbal update on Health & Safety following a request from the Audit Committee to keep it as a standing item on the agenda for the foreseeable future.

Members noted that the Principal has included in his report to the Board an update on Health and Safety including a report accidents and injuries during 2016/17. The Vice Principal Resources discussed with members that the H&S culture is developing and that training for staff and students was well underway. Ian Butchart asked whether the Governors needed to participate and the Clerk agreed to look into the online package available to staff to see if it was appropriate.

**AC16 026**    **IT SECURITY UPDATE**  
The Audit Committee RECEIVED the H&S update.  
Bill Goodwin, IT Manager attended and gave a verbal update and provided written information to the Audit Committee on IT Security following a request from the Committee.

Ian Butchart asked Bill how the College responded 24/7 to requests and Bill advised that he and the team have an unofficial cover in place and IT systems notify them of issues so they can respond appropriately. Ian asked Bill how he is protected from emergencies and Bill advised that systems are in place to avoid this. Ian also asked Bill if he was linking into other Colleges and networks and he advised that there is a forum which he is linking into. Ian also asked Bill on whether the CCTV system linked into the network and Bill advised that it currently didn't but that they were looking into the College system.

The Audit Committee thanked Bill for his update.

**AC16 027**    **ITEMS TO HIGHLIGHT TO THE CORPORATION BOARD**  
It was agreed that the Risk Register and IT security should be highlighted to the Corporation Board

Clerk

**AC16 027**    **ANY OTHER BUSINESS**  
There were no further items of business.

**AC16 028**    **CONFIDENTIAL MATTERS**  
There were no confidential matters.

**AC16 029**    **DATE AND TIME OF NEXT MEETING**  
Friday 23 June 2017, 9.30 am Middlesbrough Campus.

Signed: .....

Date: .....