

**CONFIRMED MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON
FRIDAY 23 JUNE 2017 HELD IN THE COMMITTEE ROOM, MIDDLESBROUGH
CAMPUS**

Present

Ian Swain	Independent Member
Ian Butchart	Independent Member
Denise Ogden	Independent Member
David Hughes	Independent Member

Also in attendance

Stuart Slorach	Vice Principal Resources
Jackie White	Clerk to the Corporation
Martin Raby	Principal
Alex Hartshorne	KPMG
Mick Thompson	KPMG
Clare Leece	RSM
Lucy Robson	RSM

AC16 030 APOLOGIES FOR ABSENCE

There were no apologies for absence.

AC16 031 QUORUM

The meeting was quorate in line with standing order 8.1 Meetings of the Corporation Board and its committees shall be quorate when 40% of the total membership of the Governing Body or its committee, excluding vacancies, is present, except where otherwise stated within the terms of reference for that committee.

AC16 032 DECLARATIONS OF INTEREST

No additional declarations of interest were made.

AC16 033 UNCONFIRMED MINUTES OF THE LAST MEETING HELD ON 10 MARCH 2017

The minutes of the last meeting held on 10 March 2017 were agreed as a true record apart from the following amendments:

Page 2, AC16 020 – Internal Audit Reports – 01-17 FUDING BODY INCOME to be amended to FUNDING BODY INCOME

Page 3, AC16 021 – INTERNAL AUDIT REPORTS – 02-17 TENDERING, ORDERING, RECEIPTS AND PAYMENTS – 4th paragraph, 1st line, replace as with asked

Page 3, AC16 023 – RISK REGISTER – 1st paragraph, 1st line replace spoke to with gave an update on.

AC16 034 MATTERS ARISING

AC16 002 – Matters Arising, AC15 033 Internal Audit Report Business Continuity – The Vice Principal Resources advised members that a policy had been developed and approved by the Principalship. He has met with some business continuity consultants and is taking forward the recommendations they discussed. An IT plan test is taking place in July.

AC16 021 – Internal Audit Report – 02-17, Tendering, Ordering Receipts and Payments, the Vice Principal Resources confirmed that the suppliers list is in place and a procedure for how suppliers are added or removed from this list is also in place.

AC16 035 GENERAL IT CONTROLS

Alex Hartshorne from KPMG referred members to her previously circulated report and members noted that from the work performed over the College's general IT control, KPMG consider the systems of internal control as Satisfactory. Of the 7 recommendations, 3 are medium and 4 are low.

Ian Swain referred members to the presentation of Cyber security provided at the last audit meeting of the Audit Committee.

Ian commented that some of the actions detailed in the report are far off and requested that these are brought forward, the Vice Principal advised that some can be brought forward where possible. The Principal advised that IT work is occurring over the summer with the building work at Hartlepool.

In terms of some of the actions Ian Butchart asked what the overlap was with HR and IT with regard to training, noting that IT staff are good on hardware and software but not necessary good at delivering training. The Vice Principal Resources confirmed that IT training will be delivered through an online training package.

Ian Butchart commented regarding the recommendation on password changes and strength of password noting that this needs to be implemented urgently. Ian went on to ask the Vice Principal Resources when the policy for IT would be reviewed and the Principal advised that this will come to a future Board meeting.

AC16 036 SAFEGUARDING

Alex Hartshorne from KPMG referred members to her previously circulated report and members noted that from the work performed on Safeguarding, KPMG consider the systems of internal control as Satisfactory. Of the 6 recommendations, 3 are medium and 3 are low.

David Hughes referred members to the recommendation on recording training information and asked if there was any

other way of recording the information other than on an Excel spreadsheet. The Vice Principal Resource advised that it is included on a HR system but there was a system change during the audit and therefore this was not available for evidencing.

Denise Ogden asked the Vice Principal Resource whether it was the staff who he was chasing to go onto the training and he advised it was.

Ian Butchart asked if Sarah Fawcett Independent Governor with responsibility for Safeguarding had seen the report and the Vice Principal Resources confirmed she had as it had been reviewed in the Safeguarding committee.

Ian Butchart asked the Vice Principal Resources whether he thought the Safeguarding Committee have they got the full picture of safeguarding and how confident did he feel about this. The Principal advised that Safeguarding is given a high priority in College and is a key part of the day job for a number of key staff. He recommended that the Corporation Board receive a safeguarding update early in the new year.

Ian Swain commented that the auditors and members recognised that the College policies go beyond the normal standard and this was good practice.

Ian Butchart queried the frequency of training and referred members to the legislation which says annually; there was some discussion regarding the formal training and updates and asked that this be looked at and clarified.

Denise asked the Vice Principal Resources whether the audit identified what he thought was there or are you quite happy and the Principal commented that it was unfortunate that the system changes were going on at the time, but that the College will take the recommendations forward.

Ian Swain asked what the feeling on the Safeguarding Committee was and were they happy with the report and the Vice Principal Resources confirmed that they were happy with it.

Ian Butchart discussed that the Board particularly through Sarah Fawcett did press hard for the audit to be undertaken and it is important to have a safeguarding governor to take this forward.

AC16 037 FOLLOW UP

Mick Thompson from KPMG referred members to the previously circulated report and members noted that from the work performed on follow up of prior year recommendations, KPMG consider the systems of internal control as Satisfactory. Members noted there were 26

recommendations in total with 19 implemented and 7 carried forward.

Ian Swain commented that it is helpful for us to review the follow up report at every meeting and it was agreed to keep it on the agenda.

David referred members to the IT strategy and asked if we have the right resources within the College to write the strategy. The Vice Principal Resources advised that he has been working on the resources that would be included in the Strategy. Ian Butchart commented that he has expressed concern over the years with resources within the team and experience to deliver the agenda. The Principal commented that there is tension between staff around access to IT equipment and the rationalisation of equipment following a review.

Ian Butchart advised that the issue is the narrative around the Strategy and how you discuss this with staff and the use of personal equipment by students. The Principal discussed that there are computers in studios for lesson planning, the desire to focus on use of IT in studios as well as looking at what we have and using it better. Also looking at resources and cash generation and investment in teaching and learning. Ian asked again whether there is staff resource and the Principal commented that last time the College participated in a benchmarking exercise IT resource for the College was still above the benchmark level.

The Vice Principal Resources advised that last summer they had a debate with academic staff to give up old equipment and pulled out in excess of 150 machines, some replaced with new equipment and there have not been any complaints this year. Next year £150k has been put aside for IT purchasing of equipment.

AC16 038 ANNUAL INTERNAL REPORT 2016/17

Mick Thompson referred members to the previously circulated report and members noted that KPMG has provided the internal audit service to CCAD for the year ended 31 July 2017. This work was carried out in accordance with the internal audit plan, approved by the Audit Committee, and was designed to allow them to make a statement on the adequacy and effectiveness of the College's risk management, control and governance processes. Planned coverage and output

The Audit Committee agreed to a level of internal audit input of 24 days, with treasury management review being deferred and substituted by a Safeguarding review.

Management responses to report recommendations were positive with timely implementation dates identified.

Clerk

VP
Resources

During 2016/17 KPMG followed up 26 agreed recommendations from prior years, of which 19 had been 'implemented', leaving 7 'ongoing'.

KPMG has complied with the public sector internal audit standards ("PSIAS").

Of the seven performance indicators set by the Audit Committee, all have been fully achieved.

Ian Swain commented that it was great that all the reports were either satisfactory or good, we are striving to get all good, but felt it was encouraging that there had been a lot of progress made.

Mick Thompson advised that they have been looking at areas the Committee and College wanted them to look at and this is a sign that we are challenging the right areas. The Vice Principal Resources advised that when we look at the audit plan we look at the areas we feel we think we need improvement or a risk area.

AC16 039 **ANNUAL PLAN 2017/18**

Mick Thompson from KPMG spoke to the previously circulated report which set out the 3 year strategic and annual internal audit plan scope of planned work to be undertaken by internal audit for 2017/18 within the longer term strategic plan.

The strategic and annual internal audit plan sets out the scope of the planned work to be undertaken by internal audit for 2017/18 and these plans were developed based on consideration of:

- business priorities and objectives, through discussions with management;
- the College's risk register;
- requirements for internal audit; and
- consideration of key business processes.

Through these activities, potential internal audits were identified and prioritised for 2017/18 based on those areas viewed as of greatest benefit. The following reviews are planned:

- Marketing
- Succession planning / capability
- Fixed assets
- Student recruitment
- Follow up and
- treasury management.

The Committee RECEIVED the plan and RECOMMENDED it to the Corporation Board for approval

AC16 040 **EXTERNAL AUDIT PLAN**

Confidential report.

AC16 041 **RESERVES POLICY**

Confidential report.

AC16 042 **RISK MANAGEMENT UPDATE**

The Vice Principal Resources referred members to his update report on risks and the risk register. Members noted that 3 new risks had been added including TEF, DLHE and Brexit.

Ian Butchart asked whether there was any risk to the College regarding the recent fire in London and the Vice Principal Resources and Principal confirmed that an assessment had been undertaken on all premises including student accommodation and there was no risk. In terms of the new building the Architect had confirmed that the building was safe.

It was agreed that the Principal circulate the email from the Architect to members.

Principal

AC16 043 **HEALTH & SAFETY UPDATE**

The Vice Principal Resources gave a verbal update on Health Safety and confirmed that he had looked at last quarter of reported incidents across college and had 4 incidents at Hartlepool, cuts to fingers etc, sprained wrist through arm wrestling. 3 incidents at Hartlepool one student referred to MH teams. 1 RIDDOR fracture to elbow, learning from incident has occurred. The number of reported accidents continues to fall and a lot of awareness training has occurred.

AC16 044 **REVIEW OF EFFECTIVENESS**

The Clerk advised that the template to review the Committee effectiveness had been excluded from the papers and she agreed to circulate this for members to complete separately.

Clerk

AC16 045 **BOARD STRATEGY DAY FEEDBACK**

Ian Swain gave members an update on the Strategy Day and advised that it had been a useful day, with two key issues to raise at Audit Committee; LGF building project and setting up a mechanism for learning lessons and it was agreed to take this forward through LGF project board. The Principal commented that it was proposed that we had a lessons learnt discussion and the first stage of this had been undertaken after the last project board, we need to have a follow up to discuss the cash issues and share this with David Hughes who had specifically raised the issue. Ian Swain asked if there was anything which needs to come back to this committee and the Principal agreed that there would be for the next meeting.

Principal

Ian advised that the second issue related to giving consideration of the sector change and how this would affect

the Audit Committee. It was agreed that the Clerk and others would provide advice regarding this.

AC16 046 BANKING UPDATE – RISK FENCING

The Vice Principal Resources referred members to his previously circulated report which advised members that UK banking regulations are changing in the aftermath of the credit-crisis in the banking sector. Barclays, our current day-to-day bankers and one of the College's lenders, have visited the College to update us on their stance to this legislation. Barclays, as with other UK banks, are creating a ring-fenced bank for clients with income less than £6.5m. All other business will be transferred to Barclays International. The College account, due to our turnover, will be transferred to Barclays International.

It is, as yet, unclear as to whether this poses a risk to the College and we continue to monitor and review the situation. We have been courted by Lloyds Bank who are keen to point out that should we transfer to them would be in the UK ring-fenced bank.

Denise asked the Vice Principal Resources whether the College has an ethics policy which may help them consider where to bank. The Vice Principal Resources confirmed it didn't.

AC16 047 ANY OTHER BUSINESS

There were no further items of business.

AC16 048 ITEMS TO HIGHLIGHT TO THE BOARD

It was agreed to highlight the following to the Board:

- Safeguarding pre meeting session
- Audit Plan
- Reserves Policy
- Cladding

Clerk

AC16 049 CONFIDENTIAL ITEMS

It was agreed that the Audit Plan and Reserves policy were confidential.

Clerk

AC16 050 DATE AND TIME OF NEXT MEETING

The next meeting of the will be 24 November 2017 at 9.30 in the Committee Room, Green Lane, Middlesbrough

All

Signed:

Name:

Date: