

**Minutes of a Meeting of  
The Audit Committee**

**on Monday 4 June 2018 at 5.30pm in Room M4, Maple Building**

**In Attendance:** Sasha Burns (Chair), David Griffin (Vice Chair), Pat Flaherty, Stephen Haydock and Nicki Reid.

**Also in Attendance:** John Abbott (Principal)(part), Tim Borton (Bishop Fleming EAS)(part), Nathan Coughlin (Bishop Fleming EAS)(part), Steen Gourlay (TIAA IAS), Paul Lonsdale (Vice Principal-Finance) and Richard Anderson (IT Manager)(part).

Introductions were made and the Chair welcomed Bishop Fleming and TIAA representatives to the meeting.

**AUD 26      Declarations of Interest (agenda item 2)      Action**

There were no declarations of interest.

**AUD 27      Minutes of the Previous Meeting and Matters Arising Report 17-18 (agenda item 3)**

**RESOLVED:** that the minutes of the Audit Committee meeting dated 13 November, 20 November and 5 February 2018 be agreed and signed by the Chair as an accurate record.

The matters arising schedule was noted, with the following comments: risk management training to be offered to all Governors as part of a Corporation meeting in 2018-19.

At the request of the Chair it was agreed to reorder the agenda to allow for visitors' to leave the meeting following their item.

**AUD 28      Committee Chair and Vice-Chair Appointment for 2018-20 (agenda item 4)**

**RESOLVED:** that Sasha Burns and David Griffin be recommended for appointment as the Audit Committee Chair and Vice-chair respectively for 2018-20.      **Corp**

**AUD 29      GDPR Action Plan (agenda item 7)**

In response to a query from the Committee Chair on GDPR staff training, the Principal advised that all staff training had been completed in January 2018 with a more detailed online training session for College managers. A further all staff training session had been arranged on 7 June 2018 to reiterate the GDPR training.

The GDPR action plan would be finalised and circulated to the Audit Committee electronically by the end of June 2018 identifying set actions for full compliance. The Data Protection Policy had been reviewed and combined with the Information Security Policy.

**RESOLVED:**

1. that the finalised GDPR action plan be circulated to the Audit Committee by 30 June 2018,      **JAB**
2. that the Data Protection and Information Security Policy be recommended to the Corporation for approval.      **Clerk**

The College's updated risk management action plan was tabled at the meeting.

The Committee had previously agreed to invite individual risk owners to each Committee meeting for further in-depth scrutiny of risks, a greater understanding of the associated controls and to offer a supportive role. The Committee had requested a presentation on a key risk (risk ref 39) 'The College experiences a cyber-attack' and invited the College IT Manager to give an overview of the College's IT Investment Strategy.

The IT Manager gave an overview of progress made to date:

- most areas had been moved to the Cloud to reduce the strain on internal storage,
- methods of extending the assets' life cycle had been introduced instead of direct replacement,
- with the increased threat of cyber-attacks constant patching was in place, completed during off peak hours to minimise disruption,
- work to support Windows 10 was in place and was challenging,
- subscription challenges with JISC were discussed, the main internet connection. From August 2019 a subscription of £6K was required compared to the current subscription cost of £1900,
- JISC completed threat management on behalf of the College and a portal would be made available by JISC to quantify the amount of work completed in this area,
- internal and external penetration cyber-attack systems were discussed, educating staff, students and parents on security awareness was effective to mitigate risks,
- disaster recovery backup systems were in place and discussed with further investment planned,
- GDPR legislation had increased the budget, an example of this was encrypted smart mobile phones.

The Chair thanked the IT Manager for his presentation and asked for the IT Investment Strategy to be circulated to the Audit Committee for information once complete. \*\* At this point the IT Manager and the Principal left the meeting\*\*

Governors and the VP-F discussed the College's primary risks and the following comments were noted in particular:

- the College risk register underwent a complete review every July, the Audit Chair and another Audit Committee member had been involved for the 2017 review,
- the risk around international student recruitment and the College's reliance on the income stream was discussed. Final application numbers would be available in September 2018, there had been increased activity in international recruitment following a recent visit to Hong Kong by the Principal and Director of Marketing, Admissions and International,
- the apprenticeship contract was discussed with the requirement to source external premises to deliver apprenticeships, the College accommodation strategy was under review,
- the College had been unsuccessful for the recent 2018-19 BCIF funding bid and feedback was provided,
- from 2020-22 there was an anticipated student demographic uplift and additional teaching and social space was required, to compound the situation banks were only lending to colleges in an outstanding financial position,
- the Audit Committee asked for solutions to the lack of student accommodation to be explored by the next financial planning cycle. There were a number of variables that could impact on the accommodation strategy such as T levels and other curriculum changes. There was a requirement for the College to explore the rental of a commercial property off site in order to deliver the increasing apprenticeship/adult skills provision in time for the start of the next academic year.

**RESOLVED:** that the IT Investment Strategy be circulated to the Audit Committee for information **Clerk**

once complete.

**AUD 31 External Auditor Bishop Fleming's Audit Plan Presentation – 31 July 2018 (agenda item 6)**

The report set out the proposed approach to the audit of the financial statements of Richard Huish College for the year ending 31 July 2018. In particular, this paper described the overall strategy and scoping; the audit timetable, the approach to materiality (set at 1-2% of the College income); and identified the following significant risks and areas of focus to be addressed by the audit:

- management override of controls,
- revenue recognition,
- accounting for capital projects and capital grant funding,
- Oak House accommodation lease, and
- pension assumptions.

**RESOLVED:** that the external auditor's audit plan for the year ending July 2018 be recommended to the Corporation for approval.

Bishop Fleming had scheduled a meeting with KPMG (outgoing Auditor) for further details and background papers. The Clerk was asked to forward KPMG management letters to the Bishop Fleming Audit Manager.

**Clerk**

The meeting noted that Bishop Fleming had submitted a tender for the separate entity Richard Huish Trust external auditor tender and assured their objectivity and independence.

\*\* At this point the External Auditors left the meeting\*\*.

**AUD 32 Internal Audit Final Reports (agenda item 8)**

**32.1 Health and safety evaluation – visit date 24 April 2018**

An action plan was circulated to identify areas of improvement within the College's health and safety management systems to cover documentation, work processes, work premises, risk management and work equipment. The action plan identified a number of actions to improve safety management. The Committee showed disappointment at the accumulation of amber rated actions in the report and asked for a copy of the updated action plan to be circulated before the end of the summer term and represented at the next Audit Committee meeting in September 2018. The Committee agreed that greater rigour and emphasis was required on logging and recording procedures.

The Internal Auditor presented findings on the following internal audits for 2017-18.

**32.2 Purchasing online system + supplier management (March 2018)**

The review had considered the controls within the new online purchasing system and the effectiveness and efficiencies arising from the new system. The review had also considered the arrangements in place for managing suppliers and the standardisation of suppliers across all College areas. Substantial assurance had been provided with one routine and two operational recommendations.

The process for setting up new College suppliers was discussed to streamline procedures.

**32.3 Transition to the new apprenticeship levy (March 2018).** The final report would be circulated electronically once finalised with management responses.

**32.4 Compliance review of learner numbers compliance testing 2017-18 (May 2018)**

The review considered the checks completed by MIS staff in relation to learner records. Compliance testing was carried out to test data completeness/accuracy. Substantial assurance had been provided with two operational recommendations.

### **32.5 Assurance review of Governance Performance Management (May 2018)**

The review considered the arrangements for providing assurance to the Board and senior management through the use of Key Performance Indicators and the systems used to track and manage the attainment of these targets. Substantial assurance had been provided with one routine and three operational recommendations.

### **32.6 Follow Up Review (May 2018)**

The follow up review considered whether the management action taken had addressed the control issues that gave rise to the internal audits' recommendations. From the work carried out the following evaluations of the progress of the management actions taken to date had been identified. Eight recommendations had been implemented and one was in the process of being implemented and two recommendations had a revised target date.

### **32.7 Overdue Internal Audit Recommendations Tracker Report**

A revised format had been adopted to show strategic recommendations. It was agreed that the recommendation around the IT Investment Strategy and cyber security be signed off and continue to be kept under review as a primary risk on the risk register. The Committee understood the position and the level of risk and emphasised the importance of penetration testing, a core tool for analysing the security of IT systems, and asked for feedback on the findings to an appropriate Audit Committee meeting.

The Audit Committee iterated the importance for all final internal audit reports to be circulated to all Governors for their information, as part of the subsequent Corporation meetings.

#### **RESOLVED:**

1. that the RHC final internal audit reports be noted, **PLO**
2. that the College Health and Safety action plan be circulated to the Audit Committee with updates by the end of the summer term and be re-presented at the 2018 September Audit Committee meeting, **Clerk**
3. that the final internal audit report 'transition to the new apprenticeship levy' be circulated to the Audit Committee once finalised, **Clerk**
4. that the IT Manager be invited to the Audit Committee to provide feedback on the security of IT systems (penetration testing). **Clerk**

#### **AUD 33 Policy Update (agenda item 9)**

**RESOLVED:** that the RHC Whistleblowing policy be recommended to the Corporation for approval. **Clerk**

#### **AUD 34 Post 16 Audit Code of Practice / Conditions of Funding Agreement 2017-18 (agenda item 10)**

A report identified the changes in the March 2018 document, the document was to be read in conjunction with the conditions of funding agreement 2017-18. The Clerk brought Governors' attention to the clarification that staff governors should not be members of the Audit Committee and the separate assurance requirements for sub-contracting.

**RESOLVED:** that the Post 16 Audit Code of Practice 2017-18 and Conditions of Funding Agreement 2017-18 be noted.

#### **AUD 35 Audit Committee's Terms of Reference / Calendar of Meetings 2018-19 (agenda item 11-12)**

**RESOLVED:** that the Audit Committee's Terms of Reference and calendar of meetings for 2018-19 be recommended for Corporation approval.

#### **AUD 36 Fraud Reporting (agenda item 13)**

Nothing to report.

**AUD 37 TIAA Audit Chairs' Conference 8.2.18**

The Chair updated the meeting on the conference which focused mainly on GDPR, she confirmed that all areas covered at the conference had been addressed by the College Audit Committee.

**AUD 38 Any Other Business/ Items for Next Agenda (agenda item 4)**

The date of the next meeting was noted as Monday 23 April 2018.

- The meeting noted that the External Auditor’s Letter of Engagement dated 25 May 2018 would be circulated electronically by the Clerk for note.
- The meeting agreed that risk owners would be invited to future Audit Committee meetings to present their area of risk. It was agreed to invite the Director of Marketing, Admissions and International to the Audit Committee September 2018 meeting to discuss the international student recruitment risk area. Other risk areas to be covered at future Audit Committee meetings would be agreed at the September meeting following the annual review of the College risk register.

**Clerk**  
**PLO**

With no further business the meeting concluded at 7.10 pm.

The minutes were agreed and signed.

Chair.....Date.....