

Minutes of a Meeting of the Audit Committee

on Monday 29 April 2019 at 5.30pm in Room RW110, Redwood building

In Attendance: Sasha Burns (Chair), David Griffin (Vice-chair), Nicki Reid and Stephen Haydock.

Also in Attendance: John Abbott (Principal), Xanne Blythe (Clerk), Steen Gourlay (TIAA IAS), Paul Lonsdale (Vice Principal-Finance) and Richard Anderson (IT Manager)(part).

Apologies were received from Pat Flaherty.

AUD 12 **Declarations of Interest (agenda item 2)** **Action**

There were no declarations of interest.

AUD 13 **Minutes of the Previous Meeting and Matters Arising Report 18-19 (agenda item 3)**

RESOLVED: that the minutes of the Audit Committee meeting dated 17 September 2018 be agreed and signed by the Chair as an accurate record.

The matters arising schedule was noted.

AUD 14 **Risk Owner Presentation: IT Security Risk Area (agenda item 4)**

The Committee had 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 the College's IT security.

The IT Manager gave a presentation on the IT security risk at the College and the following areas were discussed:

- IT security issues and logged incidents, (2015-18 5 logged incidents and 4 for 2019),
- an update on actions implemented to enhance the College's IT security, including a trial on multi factor authentication on Office 365 accounts,
- penetration testing with Lloyds Cardnet as part of the PCI compliance. Payment Card Industry Data Security Standard (PCI DSS), set the requirements for organisations and sellers to safely and securely accept, store, process, and transmit cardholder data during credit card transaction to prevent fraud and data breaches,
- penetration test results had provided a PCI scan vulnerability report, and identified actions were being completed. The Chair asked for completion dates to be inserted in the action plan and for the updated action plan to be provided to the June Committee meeting,
- staff training on identifying malicious emails would be implemented and PCI compliance had been successfully completed,
- the College insurers would insure the College if it achieved a certain level of compliance. The College was expected to have Cyber Essentials and a logo would be placed on the College website. Cyber Essentials would be in place this term.

The Committee thanked the IT Manager for this large piece of work to secure the Colleges IT and he left the meeting

Governors agreed that the IT Manager was a very responsible role and noted that the IT Manager was highly competent. A Governor queried whether there was a specialist to provide external validation on this specialist work area.

Clerk

RESOLVED: that the action plan from the PCI vulnerability report be updated and reported to the next Audit Committee meeting in June 2019.

AUD 15 Internal Audit Reports for 2018-19 (agenda item 5)

The following internal audits had been arranged for the 2018-19 summer term:

- Debtors (28-29 May),
- Budgetary Control (10-11 June)
- Student Records (25-27 June)

The Committee noted that Governors, at the Student Accommodation Task and Finish Group meeting on 23 April 2019, had recommended a Safer Recruitment Specialist Internal Audit to include safer recruitment and the Single Central Register. The final report would be presented to this Committee and would provide additional externally validated assurance for Governors.

In response to a question from the Chair, the TIAA representative confirmed that the above number of internal reports was adequate to enable the production of an annual internal audit report from TIAA to assist the Committee in making its annual governance statement.

RESOLVED: that the planned internal audits for 2018-19 be noted.

AUD 16 FE College Insolvency Regime – January 2019 (agenda item 6)

The College Insolvency Regime was introduced to provide what the government called “orderly winding-up and other insolvency proceedings in the unlikely event of a further education or sixth-form college becoming insolvent”. The aim was to protect a public service while creating an orderly process to deal with a situation where the organisation providing that service had run out of money.

The Technical and Further Education Act 2017 (‘the 2017 Act’) also introduced a special administration regime for the college sector, known as an education administration, which protected learner provision for existing students at insolvent colleges.

The government’s response to the consultation on the new regime for colleges, published in June, had estimated that over the next 10 years, 63 colleges could be given a notice to improve for their financial health, in addition to the 37 current subject to a notice.

According to the Association of Colleges, one by-product of the insolvency law was a reduction in new lending to colleges, reducing their ability to invest in new facilities. The Committee Vice-chair and Clerk had attended the AoC Governance Conference in April 2019 and had been advised that further guidance was anticipated bringing forward the intervention trigger mechanisms.

During discussion the following points were highlighted:

- the College was currently classified financially as ‘Good’, the debt to income ratio for the College was 17%, other colleges had a higher debt to income ratio,
- rate bank lending to Colleges,
- the impact of the pensions debt,
- the FE College Insolvency intervention team would ask for key documents such as the College Risk Register.

RESOLVED: that the DfE FE College Insolvency Regime Governor Guidance dated January 2019 be noted.

AUD 17 RHC Risk Register and Gifts and Hospitality Register 2017-19 (agenda item 7)

(i) RHC Risk Register

A revised alternative risk register template with a revised strategic risk heat map had been

presented to the previous September Committee meeting and was linked to the College's strategic targets. An update of the high level strategic risk areas was presented with a five point scoring mechanism. The register started with gross risks, showed mitigating controls to produce net risks and an additional column showed additional controls planned within the next 12 months and resourcing requirements to produce the residual risk.

In response to the Chair's question on any new risks, cyber security was included and the risk would be reduced once the Cyber Essentials compliance and insurance was in place. The meeting agreed that greater focus was required on the risk register by the Corporation with the current financial challenges facing the College and the potential budget £350K deficit for 2019-20, it was critical for all Governors to understand the associated risks, identified in the risk register. The Committee Vice-chair asked whether the pressures of the Richard Huish Trust and its demands on College central services / finances had been included in the risk register. It was agreed that the Risk Register would be discussed in more detail at the July Corporation meeting, the College's Strategic Drivers were due to be agreed at the May Corporation meeting.

The meeting noted that the College 2019-20 deficit, once finalised, could set off a trigger for a FE Commission inspection. There were a number of difficult fundamental decisions to be made as it was not possible to set a deficit budget for the following year (2020-21). The 16-18 Student Funding Tariff had remained the same for the last seven years (£4K per student) and the AoC had been lobbying the government for an increase on the funding rate. This was compounded by the delayed government Spending Review, due to the Brexit deliberations. It was envisaged that any additional funding would not be made available for colleges until August 2020.

(ii) RHC Gifts and Hospitality Register 2017-2019

RESOLVED:

1. that the RHC Risk Register be presented to the July 2019 Corporation meeting to ensure that all Governors be made aware of the current risks to the College via a presentation at the July 2019 Corporation meeting,
2. that the RHC Gifts and Hospitality Register dated 2017-2019 be noted.

AUD 18 Policy Renewal (agenda item 8)

The RHC Risk Management Risk policy had undergone a significant update to reflect the new risk register format and approach. The Whistleblowing policy had been streamlined and the College legal adviser's recently updated version had been used.

RESOLVED: that the RHC Risk Management policy and the RHC Whistleblowing policy be recommended for Corporation approval.

AUD 19 AoC Code of Good Governance for English Colleges – Compliance Checklist (agenda item 9)

The AoC Code of Good Governance for English Colleges (AoC Code) was introduced in March 2015 and was adopted by the Corporation on 6 July 2015. The AoC Code had recently been amended (Jan 2019), to reflect the Remuneration of Senior Post Holders (section 9.9 and 9.10) which introduced a Colleges Senior Post Holder Remuneration Code.

The Code of Good Governance for English Colleges was intended to help governing boards meet and exceed basic governance requirements. A compliance check list against the Code was circulated for a systematic approach to good governance.

RESOLVED: that the compliance checklist for Financial Strategy and Audit (section 6) be noted, and that the AoC Code of Good Governance compliance checklist be used as the Governance annual self-assessment.

AUD 20 Fraud Reporting (agenda item 10)

The VP-F informed the Committee of a recent attempted cyber fraud, the Colleges Anti-Fraud policy had been followed. The attempted fraud had been reported to RHC Corporation Chair, Audit Committee Chair and Vice-chair, the ESFA and other relevant bodies. The College was insured against fraud if proven to be a criminal act.

AUD 21 Calendar of Meetings for 2019-20 (agenda item 11)

The Audit Committee meetings were noted for 2019-20 and it was agreed to hold the joint meeting with the Finance and General Purposes Committee on 11 Nov 2019 at 8am in order to avoid the clash with a College parents' open evening.

AUD 22 Any Other Business/ Items for Next Agenda (agenda item 12)

The date of the next meeting was noted as Monday 3 June 2019.

With no further business the meeting concluded at 7.00pm.

The minutes were agreed and signed.

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