

MEETING OF AUDIT COMMITTEE**TIME/DATE 5.00PM, Monday 14th March 2018****VENUE Conference Room (PS108) Professional Studies Building, Parson's Walk, Wigan Campus****ATTENDANCE:**

Committee Members

Ann Harrison (Chair)
Jennifer Cockram
Gill Edwards
Susan Loudon

External Co-opted Member

Pauline Hunter

Clerk

Robert Smith

Interim Finance Director
Vice Principal College Services
Assistant Principal College IT Services,
MIS and SubcontractingSteve Scott
Louise Brown
Dave Harrison

Internal Auditors (ICCA)

Kath Stott

Draft Minutes

Item	The meeting opened at 5.00pm and was quorate with at least 2 members present.	
1	A/18/03/32	CONSULTATION WITH AUDITORS Following detailed discussions with the auditors at the previous meeting, it was agreed that there were no additional matters that required consultation with the auditors without members of the College Executive present.
2	A/18/03/33	APOLOGIES An apology for absence was received from the Vice Principal, College Services.
3	A/18/03/34	DECLARATIONS OF INTEREST There were no declarations of interest in relation to the business to be discussed.
4	A/18/03/35	MINUTES OF THE MEETING HELD ON 27th NOVEMBER 2017 The minutes were approved as a true and correct record and approved for signature by the Chair.
5	A/18/03/36	MATTERS ARISING The Clerk advised that relevant managers had been reminded to include the Co-opted Member into relevant briefings and other communication to the Audit Committee. He also advised that a report on preparations for the introduction of the General Data Protection Regulations would be discussed under the following agenda item
6	A/18/03/37	GENERAL DATA PROTECTION REGULATIONS

		<p>The Assistant Principal College IT Services, MIS and Subcontracting provided an update on college preparations for the introduction of the General Data Protection Regulations (GDPR) in May 2018. He advised that the college had made significant progress in terms of changes to technical infrastructure and most technical areas of preparation were either complete or close to completion. This included the updating of college HR systems. He also advised that the college had sought an independent report from JISC in terms of IT security and compliance, which had indicated that the college technical preparations were appropriate and robust. However, members noted that there was still a significant amount of work to do in relation to the Customer Relationship Management System.</p> <p>The Assistant Principal reported that staff training was planned for delivery prior to the regulations coming into force. The content and extent of training were discussed and it was noted that initial training for all staff will take place prior to the regulations coming into force and further training would be provided for key staff involved in areas of activity that would carry risks of data breaches. Members stressed the need to include in the training some clear guidance on how staff can recognise potential breaches and when enquiries should be regarded as a subject access request under the legislation.</p> <p>The Chair asked whether preparations had led to a significant number of changes in terms of college processes and systems. The Assistant Principal responded that this was the case in some areas but not in others, but commented that the preparation process had required college managers and staff to clearly consider what data was being collected and for what purposes. He added that the college had completed a data mapping exercise in order to identify current recorded data that would not need to be retained.</p> <p>The Chair sought further information in relation to the use of privacy notices and data sharing agreements with college sub-contractors. The Assistant Principal advised that the college intended to use the ESFA model privacy notice for students and would seek legal advice in relation to an additional privacy notice for staff. He added that data sharing agreements would be included in contracts with other parties processing data on the college's behalf and confirmed that these would also be submitted for legal advice.</p> <p>Members asked whether GDPR would remain on the college's risk register for the foreseeable future, given the risk of heavy fines in the event of a breach of regulations. The Assistant Principal confirmed this would be the case and that it would remain on the register until the college was confident that new processes were embedded and fully effective.</p> <p>The Chair asked the Assistant Principal to bring a further report to the November 2018 meeting of the committee to update on the post-implementation position.</p> <p style="text-align: center;">Action: Assistant Principal College IT Services, MIS and Subcontracting</p> <p>Pauline Hunter joined the meeting at 5.15pm.</p>
7	A/18/03/38	<p>ESFA ANNUAL SUB-CONTRACTING ASSURANCE</p> <p>The Internal Auditor provided an overview of the findings of the Sub-contracting Assurance audit, including a summary of the nine required areas of compliance considered. She advised that the college had been fully compliant in relation to six of the requirements, partially compliant in relation to two further requirements, with the final requirement being non-applicable to the college.</p> <p>Members discussed the two areas of partial compliance in more detail and it was noted that there had been two occasions where sub-contracts had been entered into despite above average risks being identified during credit checks. It was noted that this risk particularly reflected on one of the sub-contractors as the value of activity was significant.</p>

		<p>It was noted that college management had responded by allocating no further learners under this sub-contract to prevent further risk, and increased the frequency of monitoring meetings. In relation to entering into sub-contracts, it was also noted that activity had commenced prior to contracts being signed on some occasions. The Interim Finance Director advised that this related to a staffing issue that had now been resolved and further examples of this were no longer expected. The Internal Auditor also reported that, although monitoring activity relating to sub-contracts may have taken place as planned, adequate records of this had not been maintained in some cases. She advised that the college had addressed staffing responsibilities for this activity and records were now expected to be maintained as required.</p> <p>The Chair asked whether further checks would follow to ensure the changes had been put in place as expected. The Internal Auditor confirmed that this audit was an annual requirement and included a follow up of findings from the previous audit.</p>
8	<p>8.1</p> <p>A/18/03/39</p>	<p>INTERNAL AUDIT REPORTS</p> <p><u>Corporate Governance</u></p> <p>It was noted that a draft of this report had been included in the meeting papers for information in order that members could see the audit findings. However, it was agreed that the report would be finalised and brought back to committee in June. The Clerk advised that he hoped to review the initially proposed management responses with the auditors and outlined a number of issues and potential changes. In particular, he suggested that proposals for the Chair to be present and take part in the performance appraisals of all senior post-holders may be impractical. The Chair concurred and suggested that this may also be inappropriate, given that much of the performance content would relate to delivery of operational objectives. The Internal Auditor agreed that the key objective was that the Remuneration Committee is made aware of performance and was content that this could be achieved under a revised action.</p> <p>The Co-opted Member made reference to arrangements for induction and training for Board Members and suggested this should be extended to Co-opted Members. The Clerk agreed and invited the Co-opted Member to provide details of availability so a first meeting could be arranged to provide further information and discuss any relevant information or training needs.</p> <p style="text-align: right;">Action: Clerk</p>
	<p>8.2</p> <p>A/18/03/40</p>	<p><u>HE Strategy</u></p> <p>It was also noted that this report was in a draft format and would be brought back to the June meeting.</p> <p style="text-align: right;">Action: Clerk</p>
	<p>8.3</p> <p>A/18/03/41</p>	<p><u>ILT Strategy</u></p> <p>The Internal Auditor outlined the findings of the audit of ILT Strategy and concluded that the audit had been very positive, with no recommendations for improvement. She added that the college's approach compared favourably within the sector. The Chair commented that it was reassuring to see that most audit reports now indicated positive overall findings and it was noted that this had not always been the case in previous years. Members concurred and recognised the efforts of managers and staff at the college to bring about improvements in its systems of control and assurance.</p>

9	A/18/03/42	<p>AUDIT IMPLEMENTATION PLAN</p> <p>The Interim Finance Director outlined outstanding audit actions and highlighted the addition of one further action since last reported. He reported that five actions had been outstanding at the last meeting and confirmed that one had been advisory only, three had been implemented and the final action was not due for implementation until September 2018. It was noted that the final action related to the production of contribution analyses by course. The Chair commented that this would be both time-consuming and challenging and suggested that it may be appropriate to introduce new reporting in stages, with a simple review of direct costs by course in the first instance.</p>
10	A/18/03/43	<p>RISK REGISTER</p> <p>Governors received the updated risk register and reviewed changes in risk position since the committee meeting in November 2017. The Interim Finance Director advised that all recommendations from the Internal Auditor had been taken into account when the register was updated. He explained that one new risk had been identified, the risk rating for one risk had improved and the risk rating for a further risk had been increased. It was noted that the increased risk related to implementation of GDPR requirements, which had been raised simply as a matter of caution due to the high levels of potential fines associated with non-compliance. It was also noted that the newly added risk related to potential failure to implement the Estates Strategy and the potential for this to impact on income growth expectations.</p> <p>The Co-opted Member asked for a summary of planned capital projects, which were summarised by the Interim Director. It was acknowledged that the main campus redevelopment had been subject to significant overspend and Members sought clarification in relation to specific risks associated with current and planned projects. The Interim Director highlighted a risk in relation to the ability to secure grant funding, but explained that current strategy aimed to finance capital projects from in-year revenue rather than requiring external financing.</p> <p>The Chair highlighted the risk associated with recruitment of suitably qualified and experienced staff and asked whether the Resources Committee considered this matter and the approaches taken to mitigate the risk of failure to meet recruitment requirements. The Clerk confirmed that the Resources Committee considered some matters associated with recruitment, but agreed to respond further at the next meeting in relation to that committee's consideration of the specific risk.</p> <p style="text-align: right;">Action: Clerk</p> <p>Progress in reducing volumes of sub-contracting was discussed and it was noted that, although some sub-contracting would continue, it was expected that apprenticeship sub-contracting would reduce significantly over the next two years as learners completed their programmes. The Co-opted Member raised a question in relation the Criminal Finances Act 2017 and whether the college had considered its risk position in relation to this legislation. The Interim Director agreed to respond on this matter at the next meeting.</p> <p style="text-align: right;">Action: Interim Finance Director</p> <p>The Internal Auditor commented on the college's risk reporting and suggested a brief annual summary report, an "Annual Risk Report", should be produced and presented to the Board for approval. She commented that this would satisfy expectations that the</p>

		<p>committee should provide a specific report on risk to the main Board.</p> <p style="text-align: right;">Action: Interim Finance Director</p>
11	A/18/03/44	<p>RISK MANAGEMENT POLICY (including definition of risk appetite)</p> <p>The Interim Finance Director advised that no changes to the existing Risk Management Policy were recommended, although his report contained a proposed Risk Appetite Statement which, if approved, would be inserted into the main policy. It was noted that the risk appetite statement would be inserted into the Risk Management Policy prior to seeking approval at the Board meeting.</p> <p style="text-align: right;">Action: Interim Finance Director</p> <p>Members discussed risk reporting and sought clarification on the reporting of opportunities as well as risks. The Clerk explained that risk reports focused on potential risks to achieving the opportunities identified within the college's Strategic Plan.</p> <p>RESOLVED: That the proposed policy (unchanged) be recommended to the Board for approval, along with the draft Risk Appetite Statement.</p>
12	A/18/03/45	<p>ANTI-FRAUD ANNUAL REPORT</p> <p>The Interim Director of Finance reported that the college had identified no instances of fraud since last reported and explained that controls were in place to prevent fraud. The Chair asked whether the college was reliant on fraud being discovered on an ad hoc basis of whether internal controls were able to identify it. The Interim Director responded that controls were not designed specifically to identify fraud but rather to prevent it in the first place. He gave examples of double-checking requirements and segregation of duties to prevent both purchase or payment requisition and approval sitting within the responsibilities of the same individual manager or staff member.</p>
13	A/18/03/46	<p>WHISTLEBLOWING POLICY</p> <p>The Assistant Principal College IT Services, MIS & Subcontracting reminded Members that this policy had been extensively updated in the previous year and had been the subject of legal advice. The college's legal advisors had also confirmed that there had been no further legislative changes since last updated and the Assistant Principal asked the committee to recommend the policy for approval by the Board with no further amendments. The Chair asked for further detail about the availability of the policy to staff and it was confirmed that the policy was available to all staff on the college intranet, and that all staff were encouraged to view the various policies on the intranet.</p> <p>RESOLVED: That the Board be recommended to approve the Whistleblowing Policy with no further amendments.</p>
14	A/18/03/47	<p>TENDER FOR EXTERNAL AUDIT SERVICES: Update</p> <p>Members noted that the Chair had been granted delegated authority to select a number of candidate companies to invite to tender for the college's external audit services. The rationale for selecting companies was discussed and the Chair invited Members to suggest key matters for consideration in selection. Members suggested the following:</p> <ul style="list-style-type: none"> • General guidance relating to changing providers to avoid overly longstanding relationships

		<ul style="list-style-type: none"> • Auditors who have supported colleges graded as outstanding by Ofsted • Familiarity with the FE sector • Mix of national and regional providers • Selection of reserve candidate <p>The Chair agreed to take these points into account and asked the Interim Director of Finance to carry out further research into the potential candidates included within the CPC framework of providers, prior to arranging the candidate selection.</p> <p style="text-align: right;">Action: Interim Director of Finance</p>
15	A/18/03/48	<p>ANY OTHER BUSINESS</p> <p>There was no further business.</p>
16		<p>DATE AND TIME OF NEXT MEETING – Wednesday 20th June 2018 at 5.00 pm at the Wigan Campus.</p>
		<p>Members were thanked for their attendance and the meeting closed at 6.30pm</p>