

SOLIHULL COLLEGE AND UNIVERSITY CENTRE

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE MEETING HELD ON 12th JUNE 2017 AT SOLIHULL COLLEGE, BLOSSOMFIELD CAMPUS

PRESENT: Alex Palethorpe (Chair)
Paul Large
Geraldine Swanton
Tony Worth

IN ATTENDANCE: John Callaghan (Principal)
Lindsey Stewart (Deputy Principal)
Pete Haynes (Vice Principal – HR and Student Services)
Heather Evans (Vice Principal – Finance)
Sam Bromwich (Director of Risk, Control and Compliance)
Elaine Watton (ICT Services Manager) – Item 3
Dave Gartside (Network Manager) – Item 3
Theresa Lynch (Clerk to the Corporation)

Karen Gentles – RSM
Mark Dawson – KPMG
Toby Railton - KPMG

The Chair welcomed Paul Large to his first meeting of the Committee and Toby Railton from KPMG.

1. Membership

1.1 Apologies for Absence

There were apologies for absence from Lucy Lee.

1.2 Declarations of Interest

There were no new declarations of interest.

2. Minutes of the previous meetings and matters arising

The minutes of the meeting held on 27th February 2017 were **agreed** as a correct record and signed by the Chair.

2.1 Data Protection Update

The Director of Risk, Control and Compliance presented the report. She explained the preparation taking place with regarding to the introduction of new GDPR legislation from May 2018. It was noted that a new online training package had been introduced for all staff. The data audit would be launched through CMT this term and it was confirmed that this was important preparation in ensuring the College was compliant with the new requirements.

2.2 Ad Hoc Audit Reports – Audit of Sub-contracting Activity

The Deputy Principal provided a verbal update to confirm that the SFA had now issued guidance regarding the requirements of the sub-contracting audit and the College was not required to take any further action.

2.3 Insurance Update

The Vice Principal Finance presented the insurance update and explained that the current process was aimed at confirming insurance levels required and to provide a market comparison of insurance providers. Risk2Value Ltd had provided some information regarding insurance levels via an email and had provided a proposal to carry out a further review. Discussion took place about whether a further review would provide any increased assurance regarding insurance levels and it was noted that it would cost £995+VAT. Whether this offered value for money was carefully considered and it was **agreed** that the information provided to date was adequate to go out to market to obtain insurance quotes, without commissioning additional work.

3. Board Assurance Framework Presentation – Area 5 Effective IT

The Network Manager and ICT Services Manager gave a presentation relating to College IT processes and security mechanisms and discussion took place. It was noted that core IT systems are reviewed in line with business continuity procedures and data protection requirements.

Q. Are staff encouraged to use their own IT equipment in College?

A. All teaching staff have an iPad and there is consideration of limiting use of memory sticks, in College, unless they are encrypted.

The Principal described the savings being made around the introduction of new technologies.

Dave Gartside and Elaine Watton were thanked and they left the meeting.

4. Risk Management and Board Assurance Reports

4.1 Strategic Risk Register

The Director of Risk, Control and Compliance presented the report and explained that the Register had been updated in liaison with each risk owner.

The Chair requested that changes within the risk register should be recorded to ensure it was clear action that had been taken. She also noted that not all risk scores had been completed.

ACTION.

RESOLVED to recommend approval of the Risk Register to Corporation.

4.2 Board Assurance Framework

The Director of Risk, Control and Compliance presented the report and she confirmed that updating of the Framework had taken place.

The Chair suggested that as the Risk Register and Board Assurance Framework were thoroughly embedded processes that it would probably be useful to review reporting of the key risk areas to the Committee. **ACTION.**

4.3 Board Assurance Action Plan

The Director of Risk, Control and Compliance presented the report and confirmed that mitigations of actions was monitored in individual meetings.

4.4 On-going Board Assurance

The Director of Risk, Control and Compliance presented the report.

Assurance had been provided through the SMBC School Adviser Report regarding College safeguarding processes and no actions had been identified.

5. Internal Audit Reports

5.1 Funding Compliance (follow up)

The Internal Auditor presented the report and confirmed that good progress had been made with all actions having been completed.

The Deputy Principal noted that it was hoped that a follow up audit would take place regarding apprenticeship funding, but guidance from the SFA was awaited.

5.2 College Business Planning: Strategic, Curriculum and Financial (Phase 2)

The Internal Auditor presented the report and explained that the Committee could take substantial assurance that the controls upon which the organisation relies to manage the identified risk are suitably designed, consistently applied and operating effectively. No actions were required.

5.3 Key Financial Indicators – Additional Support

The Internal Auditor presented the report and explained that the Committee could take substantial assurance that the controls upon which the organisation relies to manage the identified risk are suitably designed, consistently applied and operating effectively. It was noted that 2 medium level recommendations had been made.

Discussion took place about the number and level of recommendations that would be required for the level of assurance to reduce.

5.4 Follow Up

The Internal Auditor presented the report and explained that there had been 17 management actions during 2015/16. 12 had been implemented and 5 were on-going and had been given revised implementation dates. These would be re-visited in the 2017/18 Follow Up audit.

It was noted that the recommendations with July 2017 implementation dates were being addressed and would be completed in time.

Q. Have the number of hourly paid staff who have completed the WRAP training now increased and do new staff complete it as part of their induction?

A. Yes, all staff are required to undertake the training and so this will be an on-going process to ensure that all hourly paid and new staff have completed the training. It was noted that hourly paid staff are paid for the time (1 hour) it takes to complete the training to encourage compliance.

5.5 Progress Report 2016/17

The Internal Auditor presented the report and it was noted that the 2016/17 Plan had almost been completed. Due to the need to obtain guidance around apprenticeships from the SFA, this work was currently on hold. Briefing documents had been included for information.

Q. Is there a data sharing agreement with the police?

A. There is an agreement in place and the College has a good relationship with the police – information is released in line with data protection requirements.

6. Internal Audit Plan 2017/18

The Internal Auditor presented the Internal Audit Plan for 2017/18 and 3 year strategy and noted that the dates indicated were draft. It was noted that the fee of £15k for 36 days was in line with the Letter of Engagement.

Q. Is March adequate timing for the data protection audit?

A. Timing will be important to ensure that the work the College needs to do to prepare for the new data protection requirements is done before the audit is undertaken. It was noted that a March audit would not be reported to the committee until June 2018 and the GDPR would be implemented from May 2018.

Q. If a further audit was added, what would be the area?

A. There were no further audits identified, so no area had been left out for 2017/18 that was deemed a priority.

RESOLVED to recommend approval of the Internal Audit plan for 2017/18 to Corporation.

7. KPMG Financial Statements Audit Plan and Strategy 2016/17

The FSA Auditor presented the Audit Plan and Strategy for 2016/17 explained that there were minimal changes from the previous year and following introduction of the new auditing standards. Changes had been made in the audit team, so that Mark Dawson would lead the audit, whilst Toby Railson would manage the audit on site. Fees were in line with tender and the interim audit would take place w/c 26th June.

RESOLVED to recommend approval of the Financial Statements Audit Plan and Strategy 2016/17 to Corporation.

8. Insolvency Regime Update

The FSA Auditor gave a presentation relating to the Technical and Further Education Act ("the Act") that received Royal Assent on 27 April 2017.

The Act contains the following provisions:

- the forthcoming introduction of an insolvency regime applicable to further education and sixth form colleges;
- the Institute of Apprenticeships will be renamed as the Institute for Apprenticeships and Technical Education and its remit extended to cover technical education;
- schools providing secondary education will be required to ensure that there is an opportunity for a range of education and training providers to access pupils for the purpose of informing them about approved technical educational qualifications or apprenticeships;
- introduces an obligation for Ofsted to comment, in its inspection report for further education institutions, on the careers guidance provided to relevant students at the institution.

Note that the provisions have not yet come into force as there will need to be separate regulations to do that. Provisions are not yet in force nor is there any specific date for this to take place. The Government previously indicated that it was its intention that the new regime should be in place around the start of the 2018/19 academic year.

Insolvency regime

- The Act confirms that normal insolvency procedures of voluntary arrangements, administration, creditors voluntary winding up and winding up by the court will be available in relation to further education colleges in England and Wales (and Sixth Forms in England) in a similar way to insolvent companies under the Insolvency Act 1986.

- It also introduces a special administration regime for FE bodies – this allows a court to appoint an education administrator to manage the institution's affairs, business and property. The application for the appointment of an education administrator in relation to institutions in England can only be made by the Secretary of State.
- If an education administrator is appointed they have a 'special' objective to avoid or minimise disruption to the studies of the existing students of the FE body and to ensure that it becomes unnecessary for the institution to remain in education administration for that purpose.
- The means by which this objective can be achieved include: rescuing the FE body as a going concern, transferring some or all of its undertakings to another body, keeping it going until existing students have completed their studies, or making arrangements for existing students to complete their studies at another institution.

Governors' liabilities

- Section 39 of the Act will amend the Company Directors Disqualification Act 1986 such that it applies to FE bodies as it applies to companies
- The extent of governors' liabilities will be a matter for secondary legislation to be published and brought into force in due course.
- The Government has stated that it would ensure that the resulting regulations would be clear on whom the duties would fall, but that the principle was that any governor or member of college staff who was knowingly party to activity intended to defraud creditors could be subject to a charge of fraudulent trading and liable for any penalty the court could impose (this is the same provision as relates to companies).
- The Government said it further intended that governors should be liable for wrongful trading and that principals should fall within the scope of this liability (even in the unusual case that they were not a governor). Liability could potentially extend to shadow governors and de facto governors (including the CFO).
- This could attach personal liability to individuals who failed to give proper consideration to creditor protection in the same way as for trustees of charities that are companies.
- Details of the proposals and associated guidance are to be consulted on but there is not yet any timetable for this.

Discussion took place regarding potential impact of the legislation on governor liability.

Q. Is the only mechanism at the moment to resolve a college's insolvency issue merger?

A. Yes, that is the main way to address a college's insolvency issues, so the Insolvency Regime will give a wider range of possible responses.

Q. Will it have financial/audit reporting implications?

A. No the FSA audit already addresses whether the College is a 'going concern' and reviews the 12 month cashflow position.

9. Value for Money Update Report

The Vice Principal Finance presented the report and explained that value for money processes are well embedded into College procedures. Discussion took place regarding the amount of savings identified (£216k) and how this would be achieved and the challenges of ensuring on-going savings year-on-year.

10. Health and Safety Report and Policy Review

The Vice Principal Finance presented the report and explained that minor changes had been made to the Health and Safety Policy.

Q. Was the insurance claim going to be settled?

A. The Vice Principal Finance agreed to provide this information. **ACTION.**

RESOLVED to recommend approval of the Health and Safety Policy to Corporation.

11. Self-evaluation Tool for Audit Committee

The Clerk explained that the self-evaluation tool, provided for information, would be used to evaluate the effectiveness of the Audit Committee and be shared with members of the Committee in due course. **ACTION.**

12. Policy Review – Incident Management Plan

The contents of the amended Incident Management Plan were noted for information.

13. Additional Audit Work

This item was deemed confidential.

14. Management Report on the Implementation of Audit Recommendations

The contents of the Management Report on the Implementation of Audit Recommendations were noted for information and it was confirmed that dates for completion of actions would be updated.

15. Dates for 2017/18

Dates to be confirmed:

Monday 16th October 2017 starting at 6pm

Wednesday 29th November 2017 (Annual Audit/Corporation Meeting) starting at 5.30pm

Monday 12th February 2018 starting at 6pm

Monday 18th June 2018 starting at 6pm

The Principal expressed warm thanks to the Chair of the Audit Committee, Alex Palethorpe, as this would be her last meeting.

Signed



Date

16 October 2017.