

SOLIHULL COLLEGE AND UNIVERSITY CENTRE

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE MEETING HELD ON 11th MARCH 2019 AT SOLIHULL COLLEGE, BLOSSOMFIELD CAMPUS, starting at 6.15pm

PRESENT: Lucy Lee (Chair)
Badri Gargeshnari
Paul Large
Geraldine Swanton

IN ATTENDANCE: John Callaghan (Principal)
Heather Evans (Vice Principal – Finance)
Pete Haynes (Vice Principal – HR and Student Services)
Sam Bromwich (Director of Risk, Control and Compliance)
Theresa Lynch - Clerk

Louise Tweedie – RSM
Laura Goodwin - RSM

1. Membership

1.1 Apologies for Absence

There were apologies for absence from Tony Worth (External), Lindsey Stewart (Deputy Principal) and Mark Dawson (KPMG).

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 26th November 2018 were agreed as a correct record and signed by the Chair.

3. Risk Management and Board Assurance Framework

3.1 Strategic Risk Register and Board Assurance Framework 2018/19

The Director of Risk, Control and Compliance presented the Register and Framework and discussion took place regarding the on-going presentation of board assurance areas and it was noted that there had been 2 rounds of presentations for each area and that in future presentations would be made when specific issues arose.

3.2 ESF Business Elevator Risk Register

The Director of Risk, Control and Compliance presented the ESF Business Risk Register and the contents were noted.

3.3 IOT Project – Risk Register

The Director of Risk, Control and Compliance presented the IOT Risk Register and the contents were noted.

3.4 No-Deal Brexit Risk Analysis

The Director of Risk, Control and Compliance presented the report and discussion took place

regarding the impact on Erasmus schemes, but it was noted that this would not adversely affect the College because it does not have Erasmus students.

Discussion took place regarding how information about the potential impact of Brexit was being shared with staff and it was noted awareness would be raised now that guidance had been received. The Chair confirmed that she would forward some information that was being disseminated by her organisation. **ACTION.**

4. On-Going Board Assurance Reports

The Director of Risk, Control and Compliance presented the report and explained that the reports provided assurance that is not already covered via internal audit.

Q. The ESF Audit from October 2018 has 20 recommendations - should the Committee be worried about this number of recommendations?

A. There were a number of recommendations in the original audit in October 2018. These largely related to achieving financial targets. RSM had worked with the College to address these issues and a project change request was submitted to ESF in December 2018 to extend the project for one quarter so that targets could be met. The new ESF policy, however, is that a project change will not be allowed until the last 6 months of a project, so a reply will not be received until April 2019. It is hoped that it will be agreed.

The other recommendations were relatively minor. Monthly site visits were taking place and regular communication in place to ensure all processes are followed completely and risks of non-compliance are minimised.

It was suggested that in the covering report a summary that articulated the key points of each source of assurance would be useful. **ACTION.**

The Vice Principal Finance confirmed that the new insurance company, Hettle Andrews, were very responsive and committed to supporting the College.

5. Internal Audit Reports

5.1 Governance Framework - High Level Review of Selected OfS Requirements

The Internal Auditor presented the Governance Framework - High Level Review of Selected OfS Requirements audit report and noted that there were 5 recommendations, 1 medium and the others were low. It was noted that the audit had checked College processes against key HE documents and it was confirmed that a number of requirements were already in place. A Freedom of Speech Policy would be put in place following confirmation that colleges were required to have one. **ACTION.**

5.2 Non-IT Disaster Recovery and Business Continuity Planning Arrangements

The Internal Auditor presented the report and noted that there were 3 low level recommendations. The College had recently had three live incidents to observe the procedures in place.

5.3 Key Financial Controls

The Internal Auditor presented the report and noted that there were 2 low level actions. It was noted that covenant calculations had been reviewed by RSM (2.8), by tracing back to source documentation as far as possible.

5.4 Progress Report

The Internal Auditor presented the report and confirmed progress regarding the internal audit

plan for the year. It was noted that 4 of 7 audits had taken place and all had green opinions. It was hoped that the remaining 3 reports would be available for the meeting of the Committee in June 2019. It was noted that the cyber security arrangements in place regarding financial procedures would be picked up in a subsequent audit.

6. Further Education – Benchmarking of Internal Audit Findings 2017/18

The Internal Auditor presented the report and explained that it provided a comparison across the sector in terms of levels of assurance. Apprenticeships in 2017/18 had a significant impact on colleges and the number of management actions had increased due to the issues relating to apprenticeships. The College had been in the top category in terms of internal audit annual opinions, however, it had gone down one section due to the issues relating to apprenticeships and GDPR because there had been a higher number of recommendations for each of these areas.

7. Fraud Update Report

The Vice Principal Finance presented the report and explained that a cyber fraud incident had taken place. An investigation had been conducted and additional controls had been put in place to avoid the issue arising again.

Multi-factor authentication was being put in place and staff were all undertaking cyber security training to continue to improve cyber security. The multi-factor authentication was being trialled and once live, access offsite will require this function.

The Vice Principal Finance confirmed that the Policy and Procedure to prevent and respond to Fraud would be reviewed in the summer term.

Q. Phishing email – is this through Office 365 system?

A. Yes, getting a number of phishing emails now. When one is received the IT department send an email to all staff to explain that it should not be opened.

Q. Does the College insurance cover cyber issues?

Q. The Vice Principal Finance confirmed that the insurance policy did cover loss due to cyber security issues.

Clarity was sought regarding the specific incidents of fraud and it was noted that changes have now been made to processes for setting up supplier payment details, to mitigate against this type of event.

The Vice Principal Finance explained that significant liaison took place on the Finance Directors network regarding cyber security issues and that through Badri Gargeshnari the College had met with the National Cyber Security Centre to review and update controls in line with best practice.

8. Insolvency Regime

The Internal Auditor gave a presentation relating to the insolvency law introduced on 31st January 2019. She explained that the guidance set out the financial duties of a Corporation:

- Make sure the College's assets are only used to support or carry out its purposes;
- Avoid exposing the College's assets, beneficiaries or reputation to undue risk;
- Not over-commit the College;
- Take care when investing or borrowing and review covenants regularly;
- Comply with any restrictions on spending funds or selling land, premises or other assets;
- Ensure effective and efficient use of resources.

She confirmed that as long as the Governors acted with reasonable care and skill they were

unlikely to be held personally liable for any financial losses.

Discussion took place regarding the specific mention of a Finance Committee and the fact that having moved to a Carver-style governance structure the Corporation relied on finance expert groups to review the budget, financial plan and financial statements in detail.

Q. Is there a slightly higher standard of care articulated through the new insolvency regime, particularly in relation to governors' personal liability?

A. No, not compared to charity trustees – the insolvency guidance just makes it more explicit, but this standard of care has always been an expectation. The important element is that governors make informed decisions at all times.

9. Health and Safety Termly Report and Policy Review

The Vice Principal Finance presented the report and discussion took place. Clarity was sought regarding the contents of the 'other' category in relation to accidents and the Vice Principal Finance confirmed that she would provide further information. **ACTION.**

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

10. Performance Review of the External Auditors during 2017/18

This item was deemed as confidential and the auditors left the meeting.

11. Additional Audit Work

This item was deemed as confidential and the auditors left the meeting.

12. Value for Money Update Report

This item was deemed as confidential and the auditors left the meeting.

13. Mgt Report on Implementation of Audit Recommendations

The following trackers were presented for information:

- 13.1 Status Report for Internal and External Audit
- 13.2 ESF Audit Report Tracker
- 13.3 UMAL Property Report SUAC
- 13.4 Hettle Andrews Insurance Tracker

14. Date of the Next Meeting

The date of the next meeting is Monday 17th June 2019 at 5.30pm.

Signed: _____



Date: 17 June 2019.