



640 PRELIMINARY PROCEDURAL MATTERS

640.1 Attendance, Apologies & Welcome

Present: Ken Ayling
Mark Eastwood (Committee Chair)
Ricky Irons
John Sills
Rina Singh

In Attendance: Andrew Clare (Deputy Principal Finance & Resources)
Jayne Chaplin (Clerk to the Corporation)
Daniel Harris (RSM)
Rajeev Shaunak (McIntyre Hudson)

Apologies: Jan Wing

640.2 Declaration of Interests & Confidential Items

None declared.

640.3 Private Meetings

CONFIDENTIAL MINUTE

640.3.3 Minutes & Matters Arising

Minutes of the Meeting Held on 9 March 2018

The minutes of the last meeting were approved as a correct record for signing by the Chair.

Matters Arising

With all matters covered on the agenda, there were no matters to report.

641 ACADEMIC YEAR 2017/18

641.1 Internal Audit Reports

Reports regarding internal audit activity for the current year were received from the Internal Audit Service (IAS), RSM, comprising:

641.1.1 Progress against Annual Internal Audit Plan

A report was received updating members on progress against the Internal Audit Plan for 2017/18.

There was review of progress noting that:

- There had been four final reports to date, three of which were presented for review at the meeting (Minutes 641.1.2 - 642.1.4 refer) with the final report, Key Financial Controls, to be presented at the autumn term meeting.

- The subcontracting review was now arranged, having waited for the revised guidance that was only recently issued.
- There had been no changes to the Audit Plan.
- Whilst the issue of partial assurance opinion following the review of risk management (Minute 641.1.2 refers) would be noted in the IAS annual report, an unqualified opinion at year-end was anticipated.

The update was noted.

In accordance with the Audit Plan for the year, the findings of and recommendations from the Internal Audit reviews completed to date then were presented covering:

641.1.2 Audit Report: Governance & Risk Management

It was reported that the objective of the review had been to provide assurance that the controls to manage each area were suitably designed and consistently applied.

A split opinion was reported, with the Risk Management review resulting in a partial assurance opinion. Considering the reviews further members were advised that in respect of:

- Governance, testing confirmed that the control framework was adequately designed and operating effectively. It was noted that a substantial assurance was provided that controls to manage risk were suitably designed and consistently applied, subject to one medium rated recommendation regarding the introduction of formal reviews of committees' effectiveness to address the potential risk of operating ineffectively, which had been accepted by Management.
- Risk Management, testing confirmed that the review of the risk management arrangements highlighted some strengthening of the controls was required in key areas, advising members of the reasonable that assurance provided that controls to manage risk were suitably designed and consistently applied. There was report of two medium and two low rated risks proposed for the purposes of strengthening of controls in key areas such as the clear documenting of controls, assurances and updates on progress for risks; scope to develop formal operational risk registers to ensure completeness of the risk management process, and embed risk management throughout the organisation

Exploring further the rationale for the risk management partial audit opinion, there was discussion:

- With the IAS of its recommendation regarding Operational Risk Registers representing good practice; and with Management noting its previous experience in this regard having proved to the contrary and advising members that the priority for the College currently was to ensure buy-in within the organisation. In response to questioning by members of future implementation, it was confirmed that the College would assess the need operational risk registers across the next 12 months, once the revised risk management processes had been embedded.

- Of the recommendation regarding the strategic risk register, welcoming Management confirmation that the points of clarity highlighted had been accepted and would be implemented.

Following review, the report was noted.

641.1.3 Audit Report: Cyber-Security

Advisory in nature, members were advised that the purpose of the review was to provide assurance over the controls and support mechanisms in place for the College to mitigate risk from common internet-based threats.

With the CESG (the Information Security arm of GCHQ) publication, the 10 Steps to Cyber Security Framework (the Framework), forming the basis of the review it was reported that:

- It was considered that 21 of the 34 requirements for the five Cyber Essentials controls were established, 1 was not applicable and of the remaining 12 requirements, 7 were acknowledged as “not fully implemented”, there were 3 where ‘evidence did not fully support the self-assessment score’, and 2 where work had ‘Not Started’;
- In respect of recommendations, two ‘Medium’ priority and 5 ‘Low’ priority management actions had been proposed. It was noted that of the “Low rated actions, one had not been accepted by Management on the basis that it could not be fully addressed with plans instead for the continued monitoring of the risk.

Considering further the report findings, there was discussion with the IAS and Management of the rationale for the differing views regarding the management of passwords and the College’s retention of its current system noting that the management action proposed was contrary to the industry standard that the College had in place.

Following consideration, the report was noted.

641.1.4 Audit Follow-up Report

As part of the approved internal audit periodic plan for 2017/18, a report was received outlining the findings of the follow-up review of progress made by the College in the implementation of the previously agreed management actions.

Members were advised that it was the opinion of the IAS that the College had demonstrated reasonable progress in implementing the agreed management actions, with 12 of the 27 management actions fully implemented. In respect of the remaining 13 actions, it was reported that:

- Six had been superseded due either to different mitigating actions being undertaken or a change in circumstances

- Of the remaining nine actions, five were found to be outstanding medium priority actions, although one was re-categorised to low priority action due to the progress which has been made.

The report was noted.

641.2 External Audit Reports

A report was received from the External Audit Service, MacIntyre Hudson regarding the proposed arrangements for the audit of the year-end 31 July 2018 Financial Statements:

641.2.1 External Audit: Financial Statements Audit Plan

A report was presented by the College's External (Financial Statements) Auditors (EAS) outlining the proposed approach to and timetable for the audit for the year ended 31 July 2018.

After outlining the timescales for the fieldwork to allow for presentation in advance of formal submission of the Financial Statements, the proposed arrangements for the financial year-end were summarised highlighting:

- A 5% materiality threshold for report of misstatements found in excess of £10,600 and misstatements below this threshold if considered to be material by nature.
- The risks based audit approach noting those of particular focus.
- The timescales for the audit to ensure presentation and submission in-line with ESFA deadlines.

There was consideration of the Plan and reflecting further on the confirmation of reporting on the significant audit issues and any systems and control weaknesses identification during the audit, the inclusion was requested of assurance on the extent to which reliance would be place on college budgetary controls, including comparison with prior years.

After discussion, and subject to the one amendment requested, the Plan was endorsed.

643.3 Other In-Year Reviews & Audit Matters

Reports were received updating members on other in-year reviews and audit matters comprising:

643.3.1 Risk Management Report and Risk Register Update.

The risk management report and risk register update were received.

After acknowledging the discussion that had taken place elsewhere on the agenda (Minute 641.1.2 refers), members were advised that there was little significant change since the previous report.

After consideration, the update was noted.

642 ACADEMIC YEAR 2018/19

642.1 Audit Arrangements

Reports were received proposing arrangements for 2018/19 comprising:

642.1.1 Audit Service Arrangements

Further to discussion at the previous meeting, an oral report was received updating members on progress in the preparations for the market testing of the Audit Services.

Members were advised that with the need to prioritise attention on other in-year business critical matters market-testing was now proposed to take place during 2018/19 with the Internal Audit Service to be undertaken as the priority.

The update was noted.

642.1.2 Internal Audit Strategy & Plan

The Internal Audit Strategy and Audit Plan for 2018/19 were presented.

Summarising the coverage proposed within the Plan for the year, there was consideration of the areas prioritised for review and the planned allocation of activity for the year:

- Acknowledging the priority placed on a review to provide assurance of compliance with the new General Data Protection Regulations and embedding within the College.
- Noting the rationale for the seven risk driven audits
- Concurring with the rationale for the proposed rescheduling of the Estates Management review to bring forward a review of Examinations in order for assurance to be provided regarding its systems and controls.
- Noting the audit fee and the increased number of audit days and proposed timings contained within the Plan for the year, with the fee remained capped to that stated with allocation of resources and timing of reviews to be agreed with management and to be determined according to the nature of the review.

Reviewing the proposed Plan for the year, there was discussion with Management:

- Acknowledging the need to remain mindful of Programmes of Study, but exploring the potential for a review to look at the timetabling and planning for apprenticeships sharing anecdotal information about feedback in this regard raised elsewhere.
- Of the possible audits identified for consideration in future years, observing the priority placed on English and maths and exploring capacity for ensuring assurance that College students have met the English and Maths condition of funding.

It was agreed that these could be accommodated potentially through inclusion in the scope of the Business Efficiency (including Curriculum planning) and/or Learner Numbers reviews.

After consideration, it was **RESOLVED** to **RECOMMEND** for the Corporation to:

- **APPROVE** the Internal Audit Strategy and Plan for 2018/19, subject to the amendments requested.

643 OTHER BUSINESS & NEXT MEETING

643.1 Any Other Business

There was no other business.

643.2 Date of the next Meeting.

Friday 30 November 2018

Signed:  (Chair) Date: 30/11/2018