

**Minutes of the Audit Committee Meeting
of the Corporation held at the College at 4.15pm on
Tuesday 23 May 2017**

Members Present: Ms L Burt
Dr L Carter
Mr M Lawther (Chair)
Mr A Minter
Mr D Roberts
Mrs S Ward

In Attendance: Mr J Cox - Group Finance Director
Ms P Schweitzer - Clerk to the Corporation

Apologies: Mr R Tonge

M i n u t e s

Part 1 – Standing Items

844 Apologies for Absence

Mr Tonge sent his apologies.

845 Membership

The Clerk noted this was Mr Lawther and Dr Carter's last Audit Committee meeting and informed members that Mr Davies had resigned as Governor.

846 Declaration of Interest

There were no declarations of interest.

847 Minutes

The minutes of the meeting held on 07 March 2017 were **Agreed** as an accurate record and signed by the Chair.

848 Matters Arising

There were no matters arising.

Part 2 - Matters for Decision

There were no Matters for Decision.

Part 3 - Matters for Discussion

849 Meeting with Auditors without senior managers present

This item was deferred to the next meeting.

850 Presentation: Overview of Role of Audit Committee & Auditors

This item was deferred to the next meeting.

851 Internal Audit Report – Spring Term 2017

The Group Finance Director presented Paper 2277/17/A setting out the internal audit spring term 2017 report.

The audit covered three business areas: international students, safeguarding and learner numbers system. International students and safeguarding received substantial assurance, with no management actions. Learner numbers system received adequate assurance with one management action which had already been completed. No significant issues were raised with regard to any the three areas.

The Group Finance Director noted that this was a very clean audit and was particularly good with regard to the learner numbers system as this was the one area where there were usually recommendations. The Chair concurred with this view. In response to a question, the Group Finance Director stated that there were approximately 30 EU students and 60 international students. He noted that the international office had worked hard and the number of international students was growing.

The Internal Audit Report – Spring Term 2017 was **Noted**.

852 Review of Outstanding Items

The Group Finance Director presented Paper 2278/17/A setting out the current position on outstanding items as agreed by management from previous audit recommendations.

The report identified actions in a number of areas including IT general controls, student accommodation and governance (arising from the external audit carried out in response to issues raised by the former Staff Governor). The Group Finance Director noted that the majority of actions had been or would shortly be completed, with the exception of actions arising from IT general controls. This was due to the fact that a new IT manager had been appointed and it was considered prudent that he had a period to better understand the current IT infrastructure and requirements of the business before undertaking further work on the IT strategy. The action to complete the 2017-19 IT strategy had therefore been put back to July 2017.

There was a discussion about the College's backup & disaster recovery plan and the ongoing work to ensure that the current vulnerability with regards to one set of servers was resolved. One member referred to the recent NHS IT security issue and asked if the College would be OK in a similar situation.

The Group Finance Director stated that the College would be able to recover data that had been backed up and stored elsewhere, with the exception of one set of servers that didn't have an obvious back up and in the event of an incident would require the vendor returning to the College to resolve the issue. The College was investigating three or four solutions, including a daily snapshot saved off site which could be retrieved. One member asked how these back-up systems were tested, to which the Group Finance Director stated that the College tested the back up of data to ensure the databases worked but that testing of the actual recovery of the system itself (ie the servers) was required and was scheduled to take place.

In response to a question concerning subcontracting controls assurance, the Group Finance Director confirmed that IBM was performing and paying as per the contractual agreement, but it had not been signed off. The College continued to pursue IBM for the contract.

The Review of Outstanding Audit Items was **Noted**.

853 Risk Management Monitoring

The Director Research & Development presented Paper 2279/17/A setting out progress made in relation to the Strategic Risk Reduction Plan for 2017.

Committee members confirmed that the new cover report was helpful.

The plan included an overview of the change in movement of the strategic risks identified on the Strategic Risk Register for inclusion in the Strategic Risk Reduction Plan as well as a commentary and updated action plans. Whilst no additional strategic risks had been identified from the 23 on the Strategic Register, two risks had been upgraded and were now included in the Strategic Risk Reduction Plan. This meant that 15 strategic risks were being monitored through the Strategic Risk Reduction Plan. Of these 15 risks, six had changes to report with the remaining nine having no changes to report. Some risks had been renumbered for clarity.

The College Leadership Team was confident that existing controls for the nine risks assessed as remaining at the same status were effective. The Director Research & Development outlined the other six risks.

Risk 23(b): *Failure to manage the NWT subsidiary and / or insufficient demand for the activities and / or cost base is too high may lead to non-achievement of performance targets.* This risk had been upgraded from acceptable to high as the likelihood had increased as NWT was not currently achieving its planned performance targets. An action plan had been developed to mitigate this risk and a detailed project plan was in place.

Risk 23(c): *Insufficient student demand to achieve long term growth.* This remained a high priority due to increased competition eg the opening of the Portsmouth UTC in September 2017 and new providers operating under the new apprenticeship system. Curriculum and business plans were being reviewed to ensure they had a strong focus on growth and a new marketing strategy was being developed.

Risk 23(d): *Failure to properly manage the Government's reform of apprenticeship provision may lead to loss of funding for the College on a significant scale.* The Group Finance Director was the strategic lead for apprenticeships and a new structure to manage provision had been established, with a strategy and action plan nearing completion. The movement in net risk score remained as 'upwards' as there was a need to keep this area under close review.

Risk 6: *Non-compliance with Health & Safety, Safeguarding, Equalities legislation and other legal requirements may lead to legal action against the College, poor regulatory body judgements, unplanned costs, and damage to reputation.* This risk was associated with Risk 13(b) below and was included due to the legislative implications of non-compliance.

Risk 20: *New and existing providers entering or expanding into the market may cause a loss in market share.* The Government's reform of apprenticeship provision continued to set much of the strategic agenda in skills education and this risk continued to be assessed as significant. The action plan had been updated to reflect, for example, recent developments in the Communications and Marketing Strategy and uncertainties around the final outcomes of the Government's Apprenticeship Register. The Director Research & Development noted that part of the energised approach in the marketing strategy was to emphasise that the College had a long and distinguished tradition in apprenticeships and to give parents confidence that these were good career pathways.

Risk 13(b): *Safeguarding is weak or inadequate leading to failure to safeguard students.* Recent Ofsted reports highlighted the increasing emphasis on colleges being able to account for the physical presence of everyone on their sites. This was a particular challenge for the College due to its open nature (the Director Research & Development noted that some London colleges had turnstiles and bouncers at their entrances). Student ID badges were introduced in 2016 and were monitored but they had limitations as they did not operate as access badges or record students' physical presence. This risk had therefore been upgraded from acceptable to high. This issue was being clarified directly with Ofsted and an audit of all College sites was being undertaken to inform an action plan which would be drawn up on a risk based approach. Members briefly discussed the complexity of the issue, noting that the College was a public institution and that increased security could create problems and impact negatively on students' perception of the College.

One member asked about **Risk 4** (*Failure to achieve funding body recruitment targets may lead to significant reductions in funding, failure to achieve financial targets, loss of sustainability, and failure to achieve the College's strategic objectives and priorities*), in particular whether the drop-out rate since Christmas was the same as the year before. The Director Research & Development stated that the College had instigated a 'swop not drop' week and agreed to report back in this area for the previous three years.

In response to a question, the Director Research & Development stated that the College had a number of growth areas but that apprenticeships were a priority in terms of funded government policy.

A member asked a question about safeguarding and compliance and in particular the completion of off-site visit paperwork, as there had been an incident when paperwork had not been completed properly. The Group Finance Director stated that this area still required improvement as some paperwork was only completed after the visit. This was often due to the fact that placements were found late and paperwork could not be completed in time. He stated that all staff needed to understand that placements could not take place unless paperwork was completed, even if this meant delaying or losing a placement. The Staff Governor stated that as an Accounts Executive working employers, she and her colleagues were working with employers to ensure paperwork was kept updated all year round. The Group Finance Director confirmed that the College was required to check health and safety paperwork for all work placements (with employers providing their own documentation in many instances) but this was not as cumbersome as it might appear as it was done on a risk approach with, for example, paperwork for an office placement remaining valid for three years.

The Risk Management Monitoring Report was **Noted**.

Minute 854 was confidential.

Date of Next Meeting

Tuesday 21 November 2017 @ 4.15 pm
The meeting ended at 5.05 pm