

**Minutes of the meeting held at 5.00pm on 16 June 2015**

**Present:**                **K Golding (Chair)**                                **A Maltpress**  
                                 **W Burrlock**    **N Roberts**

**In Attendance:**    **S Jones, Vice Principal Finance and Resources**  
                                 **P Ewan, Head of Finance**  
                                 **P Goddard, Scrutton Bland**  
                                 **H Catchpool, Baker Tilly**  
                                 **J Smith, Baker Tilly**  
                                 **S Gerber, Technical Support Manager**  
                                 **J Bridges, Clerk to the Corporation**

No interests relevant to items on the agenda were declared by members.

**1 Apologies for absence**

Apologies for absence were received from C Manning, C Sutherland of Baker Tilly and S Gravener of Scrutton Bland.

**2 Minutes of the meeting held on 3 March 2015**

The minutes of the meeting were agreed as a correct record subject to amending '2015' to read '2014' in the header of item 2, amending the year ending as '31' July, not '1' July at the top of page 2, changing '2015' to '2014' under item 10 on page 2 and changing '2014' to '2015' in the date of the next meeting on page 5.

**3 Matters Arising**

From the minutes of the meeting held on 3 March 2015:

**2 Minutes of the meeting held on 25 November 2015**

The minutes have been amended as suggested.

**4 Internal Audit Recommendation Tracking Report**

The Corporation received an update at the 18 March 2015 meeting concerning progress against appraisal completion; at that time appraisal completion was at 75%. Completion is now 100% as reported under item 4 of this meeting.

**5.i IT Backup Arrangements and Primary Document Retention**

S Gerber has been invited to attend the meeting to report back concerning progress against the recommendations arising from the internal audit work. He attends the meeting in his capacity as Technical Support Manager not as Staff governor.

The Committee received the College's data retention and archiving schedule. The College Secretary confirmed that health and safety training records are to be kept for 40 years. The Data Protection policy (01.21.01) will be updated.

**7 Risk Management Update**

Comparable heat maps are provided in item 10 of this meeting. The College Secretary was asked to provide these so that members are able to see at a

**Action**

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glance where risks have moved into high risk 'Red' zones or from residual areas on the grid into higher zones.

At the suggestion of the Committee the Deputy Principal did talk to the Senior Management Team about including a risk on the register about effectively managing and bringing about a cultural change and how this can impact the workforce. Lots of work has been completed in the year to improve communication, accountability and empowerment. This is not an area considered to be a risk required on the register.

#### **4 Internal Audit Recommendation Tracking Report**

At the request of the Committee the Technical Support Manager, S Gerber, has been invited to attend the meeting to report back concerning progress made against the recommendations arising from the IT Backup and Document Retention internal audit work.

The first recommendation to append an IT Disaster Recovery Plan to the College Business Continuity Plan is in progress and a first draft submitted to the Senior Management Team for comment. The draft document will be provided to the Vice Principal, Finance and Resources, who has inherited line management responsibility from the former Deputy Principal. The Business Continuity Plan (12.17.01) has been in place for a number of years and documents the procedure to follow in the event of a range of disruptions to services; fire, flood, loss of utilities, communications, network and server infrastructures etc. The internal audit work recommendation is to add a second layer plan to document roles, responsibilities, levels of authority etc specific to recovery of IT related systems. The plan will be revisited and progress reported against the recommendation to the first meeting of the Committee in the new academic year.

SGerber

SJones

The second recommendation to provide a formal report following an IT disaster has been agreed and will be part of the recovery plan procedure discussed above. The College has completed the third recommendation to enhance IT backup processes by splitting the backup environment set between Suffolk House and the Gateway. All backups are now managed via Microsoft DPM (Data Protection Management) 2012 and a third layer data protection server is also planned to be put in place. Details of which will then be included in the IT disaster recovery plan.

The Committee asked if the plan had considered the close proximity of Green Duck, external IT support, to the College and if they are too close. It was agreed that the distance between locations was significant enough that a disruption at the College and vice versa was unlikely to impact both.

The Technical Support team is currently putting a schedule in place for restore testing to achieve the fourth recommendation made. The backup regime has been changed to provide 20TB of backup. Weekly student data restore procedures are in place and we're working with Sicon to support financial data backup and restore tests of Sage. The last test to restore Unit-e (student) data took place on 21 May 2015 successfully.

The team has also changed to a bonded paired firewall which provides the College increased protection against virus and network access across the College is managed far tighter than in previous years with restrictions on all type of equipment to prevent users from adding software applications or devices.

The Chair advised that he should be informed of any instance of disruption invoking the IT disaster recovery or business continuity plans. The Vice Principal, Finance and Resources confirmed that he and the Technical Support Manager meet formally every two to three weeks and have informal meetings in between. Monthly IT status reports are presented to the Senior Management Team to raise awareness of issues and immediate conversations held and any disruption preventing continuity of business would immediately be reported.

S Gerber left the meeting at 5.30pm

Members reviewed the progress against the remaining recommendations made in the report and were pleased to learn, having tasked the senior management team at the previous meeting to resolve the issue, that staff appraisals were now 100% complete.

The College Secretary confirmed that all recommendations assigned to the Deputy Principal would be reassigned to the Vice Principal, Finance and Resources to action.

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## 5 Membership

### i. Renewal of co-opted membership; Nick Roberts

Membership of this Committee, under the Terms of Reference, is able to include up to two members who are not members of the Corporation. Co-opted membership to the Audit and Risk Management Committee is subject to annual review rather than an appointment to serve a three year term of office. N Roberts has expressed keen interest to serve for another year. The Committee agreed that his contribution to the Committee is valuable and agreed to put forward a recommendation to the Corporation to approve the appointment at the 17 July 2015 meeting. **Proposed** by K Golding and **seconded** by A Maltpress.

KGolding

## 6 Internal Audit Reports

### i. CRM System Implementation

The scope of the audit was to review the success of the implementation of the CRM system, evaluate the level to which original project objectives had been met and to what degree the system is being utilised by staff. Initial findings of the audit work found that the CRM system (Microsoft Dynamics CRM) went live in January 2014; is currently used by the Business Development, Work Based Learning and Marketing departments and the total cost to implement the system in 2013/14 was approximately £57K with recurring annual costs at £11K.

The audit opinion of this work provided reasonable assurance (3 of 5), yellow status, that the material risks reviewed are managed effectively but there are some areas where the adequacy of operation of controls in practice need to be significantly improved. The work found that an effective Project Initiation document had been developed to provide clear guidance on how the system should be implemented but this was not comprehensively followed during the implementation of the CRM system. It was also noted from the report that the College is investigating the possibility of rolling the CRM system out to academic departments to ensure that all correspondence with businesses is centrally recorded in a consistent manner and members raised concern of the reputational risks we could create if this is not managed effectively and employer relationships are not protected. They asked the Clerk to invite the Deputy Principal, M Wagner, to attend the next meeting of the Committee and

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to provide a report that details specifically how the recommendations (one medium and two low) are to be met. The Deputy Principal is to work with the Vice Principal, Finance and Resources to complete a detailed assessment of whether the CRM system is to be rolled out beyond the areas of Business Development, Work Based Learning and Marketing teams.

MWagner  
SJones

## ii. Examinations Department

The audit work looked at the systems and processes in place to support timely and accurate entry of learners for their exams, the efficiency of systems utilised and the approaches taken to combat the possibility of late exam fees.

The work concluded significant (2 of 5, green status) assurance that the material risks reviewed are being managed effectively. There are some areas where the adequacy or operation of controls in practice should be improved further and three low recommendations made as a consequence.

At the request of the Committee the audit report will be shared with the Standards and Excellence Committee. Members were surprised to learn that students were not able to undertake GCSE English and Maths resits in November 2014 due to a clash of dates/time of awarding bodies plus it appears that a high proportion (41%) of students registered for Functional Skill exams between September 2014 and January 2015 failed to attend and members wanted to ensure that such issues had been brought to the attention of the Standards and Excellence Committee and to give opportunity to them to comment.

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It was noted that the actions being taken by the College's Quality Manager to improve IV (Internal Verification) processes and ensure compliance, are adequate; therefore a recommendation has not be raised regarding areas of non-compliance.

All three low recommendations made have been agreed by management. The first recommendation is to enhance the exams system to send automated emails to students to inform them of the date and time of their exam to help increase likelihood of attendance. The Committee asked the Vice Principal, Finance and Resources to complete further investigations into the actual cost for late exam fees. Members need to understand the extent of the cost and if late fees pertain to Functional Skills, maths and English only or if the issue is more widespread. The third recommendation to update procedures will be completed once new processes are fully operational.

SJones

## iii. Management Information (OneFile)

The scope of the work was to evaluate if output reporting from OneFile is being used effectively, is timely and if the information provided is in an appropriate format. The work concluded significant (2 of 5, green status) assurance that the material risks reviewed are managed effectively but there are some areas where the adequacy of operation of controls in practice should be improved further. Three low recommendations were made.

It is considered that the OneFile system offers a high quality means through which a learner's progression against their apprenticeship framework can be captured and monitored. However, the key performance indicators in use through OneFile are considered to be useful guides although two key indicators, 'Learner Progress' and 'Assessor Caseloads' cannot be accurately assessed without additional information needed to provide context.

The records for 190 learners enrolled within the School of Engineering and Built Environment are yet to be input to OneFile in detail. It was noted that this was a much bigger number of students in previous reports so progress has been however as registration per learner costs £30 this cost has been made but registration to the system is of no benefit to the students until all legacy student records have been input. Data entry is targeted to be completed by September 2015.

Management has agreed the three low recommendations made. The Committee suggested that clarification is provided as to whether there is an intention to develop the performance measure of WBL staff utilisation or not as the management response to the third recommendation does not confirm either way.

SJones

## **7 Progress Report**

The report shows the progress made against the 2014/15 internal audit plan. All planned work has now been completed and the remaining Cost Control report will be presented to the first meeting in the new academic year.

Scrutton  
Bland

## **8 2015/16 Draft Audit Plan**

H Catchpool is working as audit partner in the absence of C Sutherland, who is currently on maternity leave.

The Financial Statements audit approach will focus on the areas of the College's activities that are considered significant to the results for the period and the position at the balance sheet date. The focus of the regularity assurance is to obtain understanding of the basis on which the College has made their Statement on Regularity, Propriety and Compliance and the evidence to support it including the College's Self-Assessment of Compliance. Auditors advised the College Secretary not to complete the assessment until the SFA has confirmed whether this will be a reasonable or limiting assurance assessment.

Audit work will be undertaken in October 2015 in preparation to report to the Committee in November 2015 and seek approval by the Corporation in December 2015. Dates of meetings will be confirmed by the Clerk to the Auditors.

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The key areas of the audit focus and risk include funding, pension scheme liabilities, going concern, management override of controls, accommodation strategy and relationships with Suffolk Academies Trust/Suffolk ONE. The likelihood of the pension scheme liability increasing again was noted; not the full actuarial statement but just for FRS17 purposes (i.e. this is not a short term liability that is likely to crystallise). Part of the audit work is to incorporate an assessment of whether pension levels provided for are reasonable. Members advised the auditors that the College is also part of the Special Educational Needs and Disabilities Academy Trust (SENDAT) together with the Priory School. The related party disclosure interest with regard to SENDAT is to be explored by auditors and included in the final audit plan. Audit work will also consider the current situation with regard to the claim raised by ISG, the LEP grant funding of £7m for a new engineering facility and if levels of provision are reasonable for repair/maintenance of the Barrack Wall.

HCatchpool  
JSmith

Audit fees are in line with previous years and regularity fees are to be confirmed once the revised assurance framework has been finalised. The matters arising from the previous year (Bank Covenants and Taxable Income) will be revisited to establish their relevance, if any, in this accounting period.

HCatchpool  
JSmith

In accordance with the requirements of ISA (UK and Ireland) 240, auditors will consider the susceptibility of the College to fraud. The Committee and management confirmed that there are no reported cases of fraud in this academic year. It was noted that auditor independence has been maintained in accordance with ISA (UK and Ireland) 260.

Appendix E, Emerging Issues highlighted a number of challenges affecting the sector and auditors provided a summary handout. This detailed three sections; top left, the financial challenges; top right, the governance and compliance challenges; and the bottom section showing the expectations and challenges facing the sector. Auditors will share the March FE Commissioners letter with the Clerk for circulation to governors, as appropriate. The Committee asked for the challenges handout to be reissued with a key to explain the acronyms used. Auditors confirmed that Colleges are encouraged to adopt the Good Governance Code from 1 August 2015. The Statement of Corporate Governance and Internal Control in the Report and Financial Statements for the year ending 31 July 2015 therefore will still reference that it takes full account of the English Colleges' Foundation Code of Governance, which it formally adopted at its meeting in May 2012 but may need to reference its intention with regard to the new Good Governance Code. The Clerk will agree wording with the auditors.

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Auditors highlighted the impact of the revised FE HE SORP (Statement of Recommended Practice) and transition of FRS102 to the College, which appear to impact in two ways; 1) how annual leave is accrued for; and 2) the treatment of capital grants in the accounts. It was further noted that Baker Tilly is to rebrand on 26 October 2015 as RSM. Following the merger between Baker Tilly and RSM Tenon in autumn 2013, the decision has been made to change from the Baker Tilly international network and join the RSM international network that has stronger presence and provides opportunity for the business to globally develop. The rebrand has no substantive impact on the College.

## 9 2015/16 Strategy for Internal Audit

Scrutton Bland met with the Chair of the Committee, the former Deputy Principal, Vice Principal, Finance and Resources and the Clerk to discuss the potential internal audit coverage for 2014/15. This is detailed on pages 11 and 12 (appendix A).

Audit work provides opinions on risk management, governance, control, economy, efficiency and effectiveness. It was noted that a new opinion based on data will be introduced going forward.

An overview of prior internal audit coverage and assurance is detailed on pages 8 through to 10.

Planned internal audit work has been aligned to the risk register and therefore in 2015/16 is planned to focus on Maths and English, study programmes and work related experience plus estates management. Learner retention, budget setting, governance and risk management will also be subject to internal audit.

Members agreed to set two days aside in the plan to complete internal audit work in the year to look at one of three areas; apprenticeship recruitment, a OneFile follow-up or review of computer control environment. This work is to be agreed at a later date. Members agreed that the total number of days contracted is appropriate and in line with previous years. In order for the Budget Setting internal audit work to commence in September 2015 the scoping document will be circulated to members electronically during the summer weeks for agreement so that audit work can be carried out as planned. The Clerk will co-ordinate this with the auditors.

#### **10 Risk Management Update**

The Senior Management Team has reviewed the Risk Register to ensure that the key risks for the 2014/15 academic year remain appropriate. It was noted that as a result of this review four new risks had appeared on the register. The paper provided a heat map comparison between the last report in March and current June report. At a glance members could see that the number of risks with a high likelihood of occurrence has increased from 3 to 6 but there is a fall in the number of risks within the medium likelihood and more risks dropped into the low likelihood range.

The Board Assurance map has also been updated and has been subject to scrutiny by Scrutton Bland with the College Secretary to challenge the assumptions of assurance made. Members were encouraged to look at red/yellow and yellow cells in particular as these indicate lower levels of assurance in place than yellow/green or green cells. Members should also consider where there are blocks of grey cells as this indicates that no assurance can be found to support that the risk is being managed.

#### **11 Risk Management Procedure Review**

The Risk Management procedure is subject to an annual review by the Committee and the Corporation. Other than the change to the footer details there are no changes proposed to the current procedure. Members agreed to put forward a recommendation to the Corporation to approve the document at the 17 July 2015 meeting.

KGolding

H Catchpool, J Smith and P Goddard left the meeting at 7.35pm

#### **12 Internal and External Audit Services**

*Confidential item under paragraph 18(2) of the Instrument and Articles of Government*

#### **13 Any other business**

An informal discussion was held in relation to the level of risk exposed to the College with regard to the creation of Suffolk Academies Trust. All members are invited to attend the Task and Finish Group meeting to be held on 23 June at 4.00pm.

#### **Date of next meeting**

Tuesday 6 October 2015 at 5.00pm. Room TG1.16

The meeting closed at 7.50pm