

Governing Body
AUDIT AND RISK MANAGEMENT COMMITTEE

Minutes of the meeting held at 5.00pm on 21 February 2017

Present: **J Gazzard (Chair)** **N Roberts (Vice Chair)**
 A Maltpress **K Heathcote**
 H Nydam

In Attendance: **S Jones, Vice Principal Finance and Resources**
 P Ewan, Head of Finance
 L Keayne, Scrutton Bland
 P Goddard, Scrutton Bland
 J Bridges, Clerk to the Corporation

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

Action

1 Apologies for absence
Apologies for absence were received from C Sutherland and J Smith of RSM.

2 Minutes of the meeting held on 22 November 2016
The minutes of the meeting were agreed as a correct record.

3 Matters Arising
From the minutes of the meeting held on 22 November 2016:

1 Election of Chair
The Corporation approved the appointment of J Gazzard as a full member and Chair of the Audit and Risk Management Committee at the meeting held on 15 December 2016. The appointment of N Roberts as Vice Chair of the Committee was also approved by the Corporation.

3 Minutes of the meeting held on 11 October 2016
The minutes were amended as requested concerning the internal audit work of Maths and English.

8.ii Matters Arising – Data Security
The Clerk has added a note in the footer of her emails to explain the disposal process for any correspondence between Governors.

5 Internal Audit Recommendation Tracking Report
The Committee asked to be kept informed of progress concerning the IT options appraisal. The tracking report keeps a record of the progress of all recommendation arising from internal audit work.

6 Draft Committee Annual Report 2015/16
The Corporation approve the annual report at the meeting held on 15 December 2016.

The JACOP requires the annual report to make reference to the opinion of the framework of governance, risk management and control, and its processes for securing economy, efficiency and effectiveness. This was included in the annual report of the Committee but no reference is required to be made in the Risk Management procedure.

7 Assessment of Internal Control Systems (FMCE)

The actual audit assurances were stated in the assessment as requested and the Corporation approved the assessment at the meeting held on 15 December 2016.

8 Regularity Audit Self-Assessment Questionnaire

This has been added as an agenda item for the 20 June 2017 meeting of the Committee as requested.

10 External Audit Findings Report

The letters of representation were signed at the 15 December 2016 meeting of the Corporation.

Due to the recent change of the Secretary of State the letter of engagement reissued by Auditors was signed by the Chair of the Corporation and returned to the Auditors in December 2016.

12 Progress Report

The Risk Management training session delivered by Scrutton Bland in November 2016 was well received. The session was delivered by P Goddard of Scrutton Bland. Approximately 25 managers attended the session. The workshop was held in two parts; part I was an overview of the College procedure and part II was an interactive session for managers to write and understand their own departmental risk registers.

4 Internal Audit Recommendation Tracking Report

One of the four recommendations arising from internal audit work have been completed since the last report to the Committee in November 2016. The status of the three other recommendations continue to be work in progress and the Committee will be updated with progress made throughout the year. It was noted that the IT Options Appraisal recommendation will be part of the operational planning process that the College is currently working through.

5 Internal Audit Reports

i. Key Financial Controls

The internal audit work covered two elements; Cash Handling and Debtors. The audit objectives were to ensure that the controls in place for the receipt, recording, reconciliation, handling and storage of monies within the College are appropriate and operating in practice; and to confirm that debts owed to the College are recovered in a timely manner. An assurance opinion of Reasonable (yellow status) was awarded to the element of Cash Handling and Strong assurance (green status) for debtors. A total of nine recommendations were made in the report (four medium and five low). The Committee focussed its discussion on the four medium recommendations arising from the audit work.

The first medium recommendation (1) detailed in the report asks that the College investigates the feasibility of sending bankings from the cashing-up departments directly to the bank without the sealed bags being opened by the Finance Department. Current practice is that the cash is collected, counted, documentation filled in, then sent to the Finance Department, who then open it, recount it, reseal it and then send onto the bank. The recommendation suggests that the process is streamlined which the College expects can be resolved by introducing more electronic means of collecting money rather than handling physical cash. The proposal is to introduce two card machines in the

Bistro and Catering areas which will not only improve customer (student) satisfaction but will provide a quicker payment method and should reduce the physical cash handling by about 30%. The Committee will receive an update on progress against this recommendation as part of the Internal Audit Recommendation Tracking Report at the meeting to be held in June 2016.

The second medium recommendation (3) raised suggests that a review of the banking process is undertaken and management have confirmed that this will be undertaken with a view to simplify the paperwork, and tighten security of the system. The paperwork currently used works well for the Cashier but could be made easier to understand for people not familiar with the role. The system for banking College fund banking into the College bank was used previously but the current system is considered to be better. Records are kept of any College fund bankings.

The third medium recommendation (5) raised asks that the Finance Department ceases using an 'open till drawer' for petty cash expense claims. The Head of Finance confirmed that the petty cash system has recently been changed so that all petty cash requests are authorised on line via the Folio system and then collected from main reception. There is no longer a need for petty cash to be paid from Finance other than to reimburse a petty cash float which can be done at a prearranged time. The system has therefore been changed and an 'open till drawer' removed from practice.

The fourth medium recommendation (6) made in the report concerned the use of Z readings during cash-up practice and it appears that over time these have not been consistently used by till operators and practice has slipped. The Head of Finance confirmed that Z readings will be checked and it will be ensured that the readings are sequential, with any gaps investigated. All outlets at the College and at the Milburn Centre will be banked daily during term time and outstations are banked directly to the bank. Z readings are to be applied consistently across the College and training for till handlers will be undertaken.

The Committee were satisfied with the management responses to the recommendations.

ii. **Data Security**

The objective of the audit work was to provide assurance that the College is complying with the Data Protection Act 1998, that controls in place represent best practice and that the College's network is adequately protected against unauthorised access. Reasonable assurance (yellow status) was attached to the findings of the audit work). There are some areas for improvement regarding the College's data security framework however auditors considered that the physical security controls in place regarding paper-based data are appropriate and members of staff demonstrated a good understanding of the College's Data Protection policy.

The report has raised seven recommendations (three medium and four low) for the management team to take forward. It is the intention of the College in response to the first recommendation to insist that passwords are a minimum of 8 characters with both upper and lower case letters plus numbers or special characters with 90 day change and lockout processes.

In response to the second recommendation where it is appropriate to "stealth" or "close" ports then this will be undertaken. External penetration testing and

a quotation to do this work is currently being assessed and an update on progress will be brought back to the Committee at the next meeting to be held in June 2017.

A report has been run to identify the staff (96) that are required to undertake the College's online Data Protection training through Cylix and the PD (Professional Development) team are chasing these down to ensure a compliance rate of 100%.

The fourth and sixth recommendations in the report concerning review and update of the College's Data Protection Policy in respect of roles and responsibilities, training arrangements, references to associated IT policies, and the retention schedule for appropriate storage and disposal of data will be undertaken in line with legislative changes concerning the GDPR (General Data Protection Regulations) that come into play as of 1 April 2018.

The fifth recommendation suggests that encryption software for portable storage devices is to be installed on all staff machines as soon as possible and it was confirmed that it is the intention of the College to roll this out for April 2017.

The last recommendation concerning the safe destruction of data in storage has been agreed by management and it appears that the data that was due for destruction at the time of the audit had been deliberately delayed in an attempt to achieve better value for money by waiting for more archived data to reach their destruction dates before arranging for safe disposal.

iii. **Health and Safety**

The objective of the audit work was to ensure that the College has adequate health and safety management practices in place to provide a safe working and learning environment, compliant with Health and Safety legislation. Reasonable assurance (yellow status) was attached to the findings of the audit work and three recommendations (all medium) were made.

The audit work confirmed that the College has an up to date Health and Safety Policy in place which includes a general statement signed by the Principal. A Health and Safety Committee is also established, which meets on a regular basis to discuss and review health and safety matters throughout the College. In addition, an equipment maintenance register is in place, which was found to be up to date and demonstrates that the maintenance of all equipment is being completed in a timely manner.

It was agreed that the first recommendation of the report will be subject to continual action as the Health and Safety Manager will include sample checks of risk assessments within each department as part of his regular inspection regime. The Committee agreed therefore that the action can be closed but asked that the Health and Safety Committee receive an update from the Health and Safety Manager on his sample checks of risk assessments in areas as part of his regular report to that Committee.

The second recommendation of the audit work is to be actioned by the Vice Principal Curriculum and Quality and the Vice Principal Employer Engagement to ensure that where staff have students on work related experience, health and safety checks of the employers are completed prior to the work placement commencing. The audit work exposed that in a number of areas in the College

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work placement checks of employers were not being carried out or evidence could not be shown that checks of the employers where students were on placement existed. It also appears that there is no correlation between the data and hours of work related experience completed by students that is held on the ILR and the records kept in the corresponding departments but the staff governor, who is the Director of Quality and Professional Development, confirmed that a process is to be formalised this week as part of the work of the Curriculum Forum. An update on progress will be brought back to the Committee at the next meeting to be held in June 2017.

The Staff Governor, also confirmed that the third recommendation arising from the report concerning health and safety induction and refresher training has been put in place to ensure that all new staff receive the induction and that Health and Safety refresher training is identified and offered to all staff. An update on progress will be brought back to the Committee at the next meeting to be held in June 2017.

6 Unaccounted Cash Investigation Report

Further to an incidence of suspected theft from the safe detected in December 2016 internal auditors were invited to conduct a cash investigation in the hope that this would expose a culprit and/or explain the unaccounted for cash loss. There were two sums of money that went missing £60 and £85; one was from a change float kept permanently in the safe and the other was from the till kept in the safe and on a desk used for banking.

The audit investigation found that a further unaccounted for loss of £35 occurred in October. This loss had not been reported up to the Head of Finance and therefore had not been investigated at the time it was identified. The total loss of unaccounted for cash therefore totalled £180 across three separate instances.

The separate Key Financial Controls Internal Audit (reported upon above under item 5.i) included a focus on cash handling controls and a number of control weaknesses were identified as detailed above. Members of the Committee asked the College Secretary to check the College insurance schedule to establish if there is a requirement under our insurance arrangements to notify insurers of the suspected theft.

7 Subcontracting SFA External Controls Assurance

The objective of this audit work was to provide external assurance in respect of the SFAs prescribed External Audit Assurance Subcontracting Framework, noting that the 2015/16 External Assurance Subcontracting requirements were followed, aligned to the 2016/17 funding rules, in the absence of specific 2016/17 subcontracting guidance at the time of the audit. It was noted that should the 2016/17 guidance become available there may be a need to revisit the audit work to confirm audit compliance. The audit work completed confirmed that the governance, risk management and control arrangements provide significant assurance (green status) that the material risks reviewed are managed effectively but there are some areas where the adequacy or operation of controls in practice should be improved further. The report identified four recommendations for the management team to take forward (one medium and three low).

The Programme Manager for Partner Relationships has worked with the College Secretary to ensure that the procedure for contractual arrangements

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is revised in a timely fashion to accommodate a suitable timeline for the procurement of subcontractors and the subsequent issuing of contracts in order to ensure that all future contracts are in place before the start of the new delivery period (recommendation 1).

The due diligence process (recommendation 2) has been strengthened as recommended and this will be in place by June 2017. The actual fees and charges (recommendation 3) have already been updated for the current academic year and the Supply Chain Fees and Charges Policy has been added as an agenda item for the Resources Committee to approve to ensure that this SFA Funding Guidance is met.

In order to facilitate early departure of the Internal Auditors item 9 preceded item 8.

8 Adult Skills Budget and 16-18 Apprenticeships and Traineeships

The audit is undertaken annually but not every College is in scope to undertake the work. The SFA looks at the high risk Colleges and also determines others to come into scope by random selection. The requirement of the SFA for the College to undertake this work was by random selection this year.

KPMG undertook the audit work and a number of recommendations have been made. A number of minimal adjustments to our practice are required and these recommendations are being actioned. The Committee agreed that as only minimal adjustments were required there was no need for management to track the progress against the recommendations and report back to the Committee. They were assured from the report that only minimal changes were needed and therefore the College was not exposed to a material risk.

9 Internal Audit Progress Report

The Progress Report confirmed that the Risk Management Training for the College Management Team had been undertaken in November and was well received. The Maths and English internal audit work has now concluded and the Committee will receive the report at the meeting to be held in June 2017. The Learner Recruitment internal audit work is scheduled to be undertaken in March 2017 and the Apprenticeship Recruitment and Employment Engagement Report will also come back to the June 2017 meeting of the Committee.

P Goddard and L Keane left the meeting at 6.20pm.

10 Internal Audit Services Tender

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

11 Risk Management Update

It was noted that risk R063 has increased in overall score and the Committee asked why this has happened. The College Secretary confirmed that as a recommendation had arisen concerning the checks of Employers for students on Work Related Experience this was a factor plus there is some work to do around obtaining the evidence of work related experience hours that students have completed in order to secure funding hence the level of risk increasing.

Since the last report to the Committee, one risk (R090) has been removed from the register and three new risks (R098, R099 and R100) have emerged. The College Secretary also confirmed that the Board Assurance Map has

been reviewed and updated and noted that the risk register no longer includes any grey cell that may suggest that no assurance source exists to manage a risk.

12 Committee Meeting Times

The Clerk will look to convene meetings of the Committee in the 2017/18 academic year on a Tuesday at 5.00pm.

13 Any other business

None.

Date of next meeting

Tuesday 20 June 2017 at 5.00pm. Room TG1.16

The meeting closed at 6.45pm

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