

MEETING MINUTES

MEETING

Audit Committee

DATE: Monday 23rd April 2018 TIME: 10.00 – 11.20

VENUE: NCHSR, 2, Lister Street,
Birmingham, B7 4AG CHAIRED BY: Naomi Connell

MINUTE/ACTION
TAKER: Sally Brook Shanahan,
Clerk to the Corporation
& Legal Officer

ATTENDEES

1. Naomi Connell (NC)	2. Alex Stephenson (AS)	3. Jon Binner (JB)
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APOLOGIES: None

IN ATTENDANCE: Deb Barker (DB) (Finance Manager), Sally Brook Shanahan (SBS), Miranda Coles (MC) (Head of Commercial Finance), Jonathan Creed (JC) (Icca), Clair Mowbray (CM) (Chief Executive) and Martin Owen (MO) (Commercial Finance Director)

TOPIC	WHO	WHEN
<p>1. Declarations of Interests</p> <p>None beyond those already recorded in the Register of Interests.</p>		
<p>2. Election of Committee Chair</p> <p>NC was re-elected unanimously as the Committee Chair.</p>		
<p>3. Minutes of the meeting held on 22nd January 2018 and matters arising</p> <p>The minutes of the meeting held on 22nd January 2018 were agreed and signed by the Committee Chair as a true record.</p>		
<p>4. Actions Log from the Meeting held on 22nd January 2018</p>		

Actions from the meeting held on 22nd January 2018

- (i) **ACT98:** Minute 5(i), Page 3 of 8 - **Internal Audit Reports, Risk Management and Board Assurance.** CM confirmed the operation of the Risk Framework will be included as an item for discussion at the next Board Away Day. The Action was closed.
- (ii) **ACT99:** Minute 5(ii), Page 4 of 8 - **Internal Audit Reports, Major Contracting, Procurement Controls & Compliance.** MO confirmed the detailed Procurement Regulations and Processes would be approved by the SMT and not the Board. The Action was closed.

Actions from the meeting held on 5th December 2017

- (iii) **ACT91:** Minute 6, Page 4/5 of 8 - **Report and Financial Statements for the College for the year ended 31st July 2017.** It was noted that this Action, to ensure the process around the transfer of the buildings to the College is effectively tracked and the risks of the transfer managed, would be completed as part of the preparation of the 2017/18 accounts in December 2018.

Actions from the meeting held on 23rd June 2017

- (iv) **ACT80:** Minute 11, Page 8 of 9, Risk Register. It was agreed that the Action to bring the new format Risk Register to the next Board Away Day had already been included within ACT98, above, and so this Action was closed.

5. Internal Audit Report – GDPR Readiness

JC introduced the Report and confirmed its conclusions were that both the Design and Application/Compliance were Adequate, with an overall Reasonable Assurance, that was confirmed to be a positive assessment.

JC outlined the approach that had been taken to the Audit in which he referred to the checklist and the long list that described the coverage of the Report. The Executive Summary referred to Seven Recommendations as set out below in response to each of which a Management Response had been provided:

- The College Risk Register should be updated to effectively articulate the current risk and profile of the College’s ability to comply with the GDPR. This will ensure the Audit Committee (and Board) are fully aware of the management of the

<p>risk and the gaps in control. JC confirmed a positive response had been received.</p> <ul style="list-style-type: none"> • The College should review and update its policies and procedures to address the requirements of the General Data Protection Regulations. JC drew attention to the list of policies upon which the key ones that needed to be addresses were highlighted. • The College should progress the use of a certification scheme such as 'Cyber Essentials', to monitor compliance of data security in line with international best practice. JC clarified this was an advisory point. MO confirmed the College was implementing the Scheme which NC pointed out was also of wider benefit beyond GDPR. • The College must ensure that all staff attend the mandatory GDPR training. The College should consider the introduction of an online training module as a method of evidencing compliance. JC emphasised the value of online training in addition to the awareness training that was currently planned. • Given the sensitivities and potential risks associated with sharing large amounts of data, the College should produce a Data Sharing Agreement or amendment to the contract in place with each individual third party, where data is transferred, • The Job Description of the Clerk to the Corporation/ Legal Officer should be amended to ensure it covers the DPO's minimum tasks as defined in Article 39. • The College must ensure that a privacy notice is created to address the requirements set out by the GDPR. <p>Overall JC said he expected the College to be able to fulfil the Recommendations by going through the process as none was too difficult.</p> <p>MO drew attention to the regular meetings of the GDPR Working Group whose remit was to deliver the Action Plan and which reported progress to every SMT meeting.</p> <p>JC said the College's position was not dissimilar to many other Colleges. Whilst a small number had done everything to prepare</p>		
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<p>for GDPR and expended significant resources to achieve that position, a small number of others had done nothing at all. It was clear to him that the College was not at either end of these extremes.</p> <p>AS asked what the real risks were likely to be. In reply MO said there had been a data breach since the Report when an attachment that contained some student personal data was accidentally sent to the wrong email address. He confirmed the circumstances had been investigated fully and the College’s systems updated to prevent a recurrence. Workshops are also being run for staff to alert them to the risks of data breaches and how to avoid them. The Data Protection Officer (“DPO”) had decided not to report the breach to the Information Commissioner’s Officer as all parties affected by the breach had been informed, the College’s response had been quick and effective and the breach did not have a significant impact on the data subjects.</p> <p>A further breach had occurred when an email was accidentally sent to an external recipient. It had been reported to the DPO immediately and prompt action taken which resulted in the external recipient confirming the email had been fully deleted.</p> <p>A discussion followed in which NC described her company’s arrangements to protect sensitive attachments with the password to open them then being sent separately by text. CM said lessons had been learned and she had issued instructions to all staff to use secure mechanisms to share personal data and other sensitive information. NC asked if there were any matters that impacted on the Board. CM noted the need for Board Members to have training about how they can use Power BI as the College’s data matures. It was agreed appropriate information would be communicated to Members, especially around the drill down feature to avoid the identification of individual learners (ACT104).</p>	<p>CM</p>	<p>When Power BI is rolled out</p>
<p>6. Progress with Internal Audit Report – Learner Records and Funding</p> <p>MO introduced the Report and acknowledged it had always been recognised the College would be behind in view of the compressed timetable but the audit had proceeded to show the issues were taken seriously.</p> <p>JC said it was important to note the context of the Audit included the College being new, the recent introduction of the Apprenticeship Levy and the zero tolerance in the ESFA’s approach that meant every error was reportable. JC drew attention to the Executive Summary at Section 2 of the Report that set out the findings from the substantive testing undertaken on the sample selected from the College’s most recent ILR in 2017/18 and summarised the areas tested and the College’s compliance with the current funding requirements.</p>		

JC explained that where errors were deemed to be systematic, this was indicative of a significant failure in the control framework which would need to be addressed to prevent further occurrences. Random errors may be down to an isolated breakdown in the control but could become systematic if ignored. JC said following testing, a number of systematic errors were identified, each of which were 'funding errors', leading to potential recovery of ESFA funds.

The first recommendation in the Report related to the accuracy of source data, including written agreements and Commitment Statements that were the fundamentals of the Apprenticeship Agreement and need to be signed in triplicate before any learning commenced. MO pointed out the College could never be compliant in this respect as it took in apprentices before the Funding Band was agreed. Both the DfE and ESFA were aware of that and the efforts being made to correct the backlog and ensure the College was compliant moving forward. MO said he felt the likelihood of a funding audit in 2017/18 was slim but if one took place it would have to be managed viz a viz this historic issue whilst going forward apprenticeship sign ups would all be completed in terms of the required methodology. In this respect MC confirmed all those signed up during the year had now completed the paperwork.

CM said there was a level of understanding about the past position, particularly around the fact sign ups were a high resource activity and sometimes slow to complete. JB pointed out it was the learners who suffered and said the College needed to find a mechanism to ensure each stage in the process was completed in a timely manner. CM emphasised the newness and volume of the paperwork involved. She said going forward the College was in a better position because it was educating employers. However, an ongoing concern remained resources in the team. MO said the College had a template Employer Apprenticeship Agreement but many companies wanted to use their own versions which added a layer of complexity. JC observed the different attitudes displayed to the Apprenticeship Levy with some employers treating it as a tax not using it. He said that some Colleges that offered Apprenticeships pre-Levy may have a better approach but when dealing with employers who are multi-nationals it was to be expected they would not just sign the College's Agreement. Whilst noting this observation NC urged the team to discourage variations from the template.

The second recommendation was about the Digital Apprenticeship System ("DAS") where JC said there was a need to ensure claims for full funding were supported by appropriate evidence and that the ILR was correctly coded to identify those Apprentices who were co and fully funded. Two apprentices were paid for but should not have been and another, although employed by a non-Levy payer, was on the DAS. It was clear there were issues around the DAS

that were not all down to the College and so MC indicated the implementation date of 31st May 2018 for the recommendations to be actioned might be over optimistic in this context. JB enquired whether the College could talk with other colleges who have had a Funding Audit. CM explained the challenge for the College was that its circumstances did not compare with others. JC said his firm was due back in the College in mid-May 2018 to carry out an Apprenticeship Levy Audit but would rather defer it until the processes are in place. MO confirmed additional resources had been agreed to support the Business Development Manager as time to invest and embed was required.

The third recommendation related to the requirement to ensure that Apprentices had been initially assessed in Maths and English prior to entry and that the level of the qualification offered/ or worked towards was consistent with the outcome of their initial assessment. In response to a point made by MC, JC said the College needed to be able to evidence a diagnostic had taken place. MO confirmed a BKSB tool was now in place to do this. In reply to a question from NC, MC said she was satisfied the testing was in place going forward. MO added that even without a test, the Curriculum Team was able to pick up on needs and give support to learners where required. CM noted some companies say they do this themselves and where that was the case the College would need to confirm by obtaining evidence.

The fourth recommendation related to attendance where there was the need to ensure evidence of continued participation for all learning aims from the start date was available, and that the start date of each learning aim was consistent with what was recorded in the ILR. MO confirmed the College was seeking evidence to substantiate the 20% of time required to be spent on off-the-job training. He said the issue appeared to primarily relate to sub-contracts the College held with other learning providers. These providers are required to maintain these records as part of the contractual arrangements and so they had now received written requests to provide them. JB asked about information regarding on-the-job training with employers. MO said the College did not normally receive information about that unless, for example, there was a disciplinary issue with the apprentice. In reply to a question from NC, CM clarified the 20% off-the-job training could take place at the sub-contractor's premises or at the College and that currently all apprentices were coming to the College.

The final recommendation related to the need for the College to ensure the College is frequently running Provider Data Self-Assessment Toolkits ("PDSAT") reports and taking appropriate corrective action to address the errors identified. MO confirmed the College was now running its reports through this process to identify errors.

<p>NC concluded the appropriate timeframe in which to follow-up on the recommendations was October 2018. AS agreed, noting that by then the major September recruitment would have taken place. JC said the Internal Audit Plan could be varied to re-schedule the follow-up report and it was agreed that he would revert with a proposal (ACT105).</p>	<p>JC</p>	<p>2.7.2018</p>
<p>7. Internal Audit Follow up on previous recommendations</p> <p>MC introduced the first Follow-up Report which from now onwards would come to all future Committee meetings. The Report covered the first two Internal Audit Reports in which a total of thirteen recommendations were made and in which it was highlighted where the actions were complete.</p> <p>NC noted the commentary on a number of the Actions recorded progress as being “on track” but with the end of April in sight she sought and received assurance there were no problems envisaged to meet the deadlines.</p>		
<p>8. External Review by the ESFA’s Provider Risk Assurance Team</p> <p>MO introduced the Report following the recent visit largely covering the Loan Agreement with HS2 Limited. He explained the visit had been commissioned by HS2 Limited as part of their own assurance arrangements against the background of the company’s qualified audit last year. The reporting team was largely content with the College’s controls with its main concern expressed as being around learner numbers in September when a tenfold increase to 640 was projected.</p> <p>CM said it was important to note the Finance & Resources Committee had not yet scrutinised the Report and it was important it should have the opportunity to do so and also to consider the strategic opportunities (ACT106).</p> <p>AS commented on the break even point in 2023 noting this might not be achieved. CM reported on meetings with the DfE that included conversations about additional funding needed by the College. MO confirmed the College was already looking at other opportunities it could pursue including the Capital Loan draw down, a £1.5m European Social Fund bid for the Birmingham City Region the outcome of which was expected soon and another potential opportunity in the North-West region. Meanwhile the College was adhering to its “High Speed Rail” remit and ensuring significant effort was put into recruitment to ensure high quality teaching provision.</p>	<p>CM/ SBS</p>	<p>11.7.2018</p>
<p>9. Risk and Opportunities – Process and Approach</p> <p>MC introduced the item and described the process that had been</p>		

<p>undertaken to produce the single Risk and Opportunities document that fed into the Strategic Objectives. She highlighted the need for it to incorporate SMART controls and for wide ownership. Members noted Deb Barker had been appointed as the Risk Champion and tasked to ensure these requirements are met and reported to the Corporation Board. MO confirmed bespoke software had not been purchased. NC suggested the College reviewed this decision as systems available are effective and inexpensive. JC endorsed this idea as the benefit of a system was to force risk owners to take ownership and provide updates. MO agreed to have a look at the options and assess the cost/benefits (ACT107).</p> <p>NC commended the fact that the Register included opportunities.</p>	MO	2.7.2018
<p>10. Expenses, Gifts and Hospitality</p> <p>MO said that three separate gifts received by way of apologies from Lloyds Bank were included in the Register. NC said this raised a wider concern with the bank and the need for improved service rather than gifts. CM observed the reality in the FE sector was that only two banks were supporting FE Colleges and so the College will need to persevere with its current bankers. JC spoke with the benefit of his experience in the sector and noted Lloyds reputation is that it is the more user friendly.</p> <p>A conversation followed about banking options in which it was suggested the position should improve when the College was fully open. A number of suggestions were discussed including moving to a branch where the College would be a more significant customer. MO will consider the options with the benefit of the assistance offered by NC and AS (ACT108).</p> <p>AS enquired about Expenses and MO confirmed they would continue to be scrutinised by the Finance & Resources Committee.</p> <p>A discussion followed about the “in-kind” support from Corporation Board Members. NC said her view was this should be included in the Financial Statements especially as some Members were also customers. The suggestion will be given further consideration in the context of the preparation of the 2017/18 Financial Statements (ACT109).</p>	MO	2.7.2018
<p>11. Re-appointment of External Auditors</p> <p>MO confirmed the decision related to the annual reappointment of the External Auditors who were on a three-year contract. MO gave positive feedback on their performance and that of the lead partner. Following a short discussion, the reappointment of RSM UK Audit LLP was agreed unanimously.</p>	MO	December 2018

<p>12. Financial Regulations</p> <p>In January 2018 the Committee had requested that the Financial Regulations should be amended to include an express prohibition against cash transactions as an effective control around anti-bribe changes had been made and the Financial Regulations were recommended to the Board for approval (ACT110).</p>		
<p>13. Audit Committee Annual Cycle of Business</p> <p>The Audit Committee received the initial draft of its Annual Cycle of Business at its meeting in January 2018 when suggestions were made to improve it. The ideas had been incorporated in the final draft that was discussed by the Committee and approved.</p>		
<p>14. Any other business</p> <p>One item was raised which due to its Confidential nature and the personal data involved was agreed should be the subject of a separate Confidential minute not for publication.</p>		
<p>15. Date and time of the next meeting</p> <p>It was agreed the Committee's next scheduled meeting would take on Monday 2nd July 2018 10.00 – 12.00, Birmingham Campus.</p>		

The meeting ended at 11.20am

Signed

Date