

COLLEGE BOARD OF GOVERNORS

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 21 JUNE 2016

PART I

PRESENT:

C Partridge	Governor (Chair)
M Wesson	Governor (staff)
A Milanec	Co-opted member
D Shepherd	Governor

IN ATTENDANCE:

A J Oaks (Clerk to the Board)
T Johnson (VP Corporate Services)
L Lawton (VP Finance)
V Dalton (VP Funding, Data & Compliance)
D Harding (VP Curriculum)
Y Koursis (Deputy Principal)
G Nunns (GT UK)
D Watson (GT UK)
M Ashton-Blanksby (ICCA ETS)

APOLOGIES

16.37 Apologies were received from S Turton.

DECLARATION OF INTERESTS IN ANY AGENDA ITEM

16.38 The Chair reminded members of the requirement to declare any financial or personal interests in any agenda items. C Partridge's standing declaration in respect of KPMGs provision of audit services to other colleges in the region was noted.

MINUTES

16.39 The Minutes of the meeting Part I, held on 7 April 2016 were agreed as a true and accurate record and were signed by the Chair.

MATTERS ARISING

16.40 The Committee received a list of actions arising from previous meetings. In terms of the advisory points raised in the review of Corporate Governance, the Chair suggested these would be superseded by the outcome of the Area Review process and could therefore be closed. The Board Assurance Framework had been presented to the Board in May and due to there being no further amendments the Chair had agreed it was not necessary for the Committee to review it until the Autumn.

REVIEW OF FRAUD POLICIES

Anti-Bribery Policy, Anti Fraud Policy and Fraud Response Plan

16.41 The Committee received a report from the VP Finance highlighting amendments to the policies following annual review. The Fraud Response Plan had been updated to ensure compliance with the Police and Criminal Evidence Act 1984 (PACE) in cases of suspected fraud which was significant and likely to be passed to the Police. The Chair invited comments from members with regard to the Policies and Fraud Response Plan.

16.42 Following comment from D Shepherd regarding potential blackmail, fraud and coercion, discussion took place regarding the application of the policies in the college setting. The Deputy Principal commented that the policies were inward looking in terms of setting policy

and were therefore appropriate for College staff. However management could, if the Committee felt it appropriate, incorporate further clarity regarding potential malicious activity. The Chair proposed the Policies remain as presented given the likelihood of potential changes being made as a result of implementing the outcome of the area review process.

- 16.43 Members sought clarification around the extent of training for staff to raise awareness of potential fraud and bribery. The VP Corporate Services stated that staff had not received any formal training, and that staff involved in applying the procedures were more familiar with the process. The Chair requested management make appropriate arrangements to raise awareness amongst staff and bring a report to the next meeting to provide assurance to the Committee that this would be addressed. Grant Thornton remarked that should their services be required in terms of staff training, they would be pleased to assist.
- 16.44 The Chair referred to management's decision to restrict staff access to the Fraud Response Plan, stating that she had some real concerns with this due to the requirement to conduct business openly and transparently in terms of the College's intentions relating to fraud and bribery which, if necessary would include independent forensic investigation. ICCA commented that they had advised management on this aspect as it highlighted the process to staff. Members were in agreement that visibility of the FR Plan would act as a deterrent to staff and management concerns regarding the Plan should not be an issue given the process was transparent and robust. Asked for their view, Grant Thornton concurred with members' views in that its visibility was a deterrent and provided transparency around the ethics of the College's intent in this regard. It was therefore agreed that the FR Plan be made available on the intranet.

RESOLVED 16.45.1 to recommend the Anti Fraud and Anti Bribery Policies be approved;

RESOLVED 16.45.2 to recommend the Fraud Response Plan be approved and that it be made available on the staff intranet

RESOLVED 16.45.3 that management make arrangements for staff training relating to whistleblowing, fraud and bribery and report this to the Committee at the next meeting.

FINANCIAL REGULATIONS

- 16.46 The Committee received the Financial Regulations which had been amended following annual review to reflect changes to existing roles and responsibilities, the addition of further instructions relating to the security of cash, Accounting Policies under FRS102 transition and authorisation required for payment runs. Following consideration of the amendments members were content to recommend the revised regulations for approval.

RESOLVED 16.46 To recommend the revised Financial Regulations for 2016/17 be approved.

INTERNAL AUDIT STRATEGY/PLAN FOR 2016/17

- 16.47 The Committee received the proposed Audit Plan for 2016/17 covering 50 days with proposed fees of £22,450 plus VAT. ICCA explained that the coverage of the Plan was mainly risk based, with two areas on non-risk which were Follow ups. The Chair was content with the Plan and recognised that as the College moved into the implementation of the area review process some areas may be superseded, which she had discussed with the Deputy Principal and Clerk prior to the meeting. ICCA had undertaken their own risk assessment to inform the Plan. D Shepherd commented that it was pleasing to note the shift towards areas of high strategic risk, as a result of the Committee's previous discussions and input.
- 16.48 Discussion took place with regard to the areas of coverage and number of days. The Chair recognised that the Due Diligence being undertaken as part of the area review process may

cover some aspects proposed within the Plan therefore there was scope to use the days for alternative high risk areas if required. Asking if management were content with the Plan in terms of coverage, the Deputy Principal commented that the Follow up on ISO 27001 would be moved to Term 1 together with a review of KIS. He added that he would work with SLT leads to agree the scope and communicate any changes to the Chair via the Clerk once agreed with ICCA. The Chair emphasised that in terms of improving internal controls going forward she hoped management would take a mature approach to highlighting areas of risk to the Internal Auditors to bring about sound improvements and greater assurance to the Committee on internal controls and governance processes.

RESOLVED 16.49 **to recommend the Annual Internal Audit Plan 2016/17 be approved.**

INTERNAL AUDIT REPORTS

Cash Handling Part 1 – Design

16.50 The Committee received the report which provided a Good assurance opinion. Two recommendations of low priority had been made and agreed by management, with implementation dates of July 2016. No issues of concern were identified and ICCA were satisfied with the revised framework that had been put in place. The Committee noted the findings and received the report.

Cash Handling Part 2 – Compliance

16.51 The second part of the review covered compliance and provided Reasonable assurance. One medium and two low priority recommendations had been made and agreed by management. These were summarised by ICCA. ICCA commented that given the review was undertaken early into the revised process the findings demonstrated good compliance. The Committee discussed the recommendations and management responses, noting the pragmatic approach taken by management with regard to lone working. The Report was noted and received.

Post Implementation Review – Agresso Finance System

16.52 The Committee received the report which provided a Reasonable assurance opinion. Three medium priority recommendations had been made with management actions agreed for implementation in July and September 2016. Implementation issues regarding the migration to the new Agresso system had arisen which were detailed in the report. This had been unfortunate and had led to further work being required in order to fully implement the system satisfactorily. The Chair raised several questions regarding the migration and support required to overcome the delay. Following a question from A Milanec regarding achieving the implementation date for updating the user guides for staff, the VP Finance provided assurance to the Committee that she was confident that all recommendations would be implemented by the due dates. The Chair asked if the external auditors were content with the approach outlined in the responses, to which G Nunns indicated that it would be helpful to them if the department's procedures were written and revised by the due dates before they commenced field work.

The report was noted and received.

Final Advisory Report – Mock Funding Audit – Apprenticeships

16.53 The Committee received the report following a mock funding audit on Apprenticeships which had been undertaken as advisory work and therefore no opinion had been provided in terms of assurance. This followed the internal audit review of learner records and funding undertaken in February 2016 when issues had been identified around evidence of continued participation for all learning aims reported in the ILR and the timely recording of withdrawal dates for apprentices. This had led to an error rate of 5.35% which was above the SFA's tolerance. A larger sample of apprentices across all departments had been selected for the

review with an additional 50 selected from four specific departments. As a result of the findings, one high and three medium priority recommendations had been made.

- 16.54 The Chair welcomed the report and was encouraged by the management actions to implement the recommendations immediately, and by 1 August in respect of the high priority recommendation. Due to the error rate being above the 5% threshold, there was a risk of funding clawback which the VP Funding, Data and Compliance indicated could be in the region of £150,000. The Chair referred to the advisory report, commenting that this being an area of high risk she would consider it the same as any other internal audit review and would seek assurance that management actions had been addressed in a timely manner.
- 16.55 G Nunns commented that he was disappointed with the findings in what was a large key risk area for the College and sought further information from management as to the reason for the errors. Following explanation from the VP FDC, it was acknowledged that the findings were from an in-depth review into an area where issues had been identified and therefore should be taken into perspective. Members were assured that the errors were in the main housekeeping issues that would be addressed through the implementation of more rigorous controls. He added that the findings had assisted management to allocate appropriate resources at the right level to the departments where it was needed.

The Report was noted and received.

Follow Up

- 16.56 The Follow up Report summarised work undertaken by ICCA in 2014/15 with the exception of advisory reviews. A substantial assurance opinion had been provided. A total of 22 recommendations had been made overall, 20 of which had been fully implemented. Two recommendations made in relation to the review of Think Development and International Student provision had been superseded. The Committee noted that only two of the recommendations had been of high priority. The Committee were pleased to receive the positive report.

MONITORING OF AUDIT RECOMMENDATIONS

- 16.57 The Committee received the Clerk's report highlighting progress against recommendations made in 2014/15 and 2015/16. All recommendations made in 2014/15 were fully implemented, including advisory points. In respect of recommendations made in the current year, at the time the report had been written 16 recommendations had been made, 12 of which had been fully implemented by the due date. Three advisory points relating to the Corporate Governance audit review were deemed to be superseded by implementation of the outcomes of the area review process and would therefore be closed off as report under matters arising. Progress against the recommendations made in the report presented to the Committee at the meeting had not been included. With regard to the one amber rated external audit recommendation, the VP finance reported this was work in progress that would be examined by Grant Thornton as part of the financial statements audit for the year end.

The Report was received.

TRANSACTIONS WITH COMPANIES LISTED IN THE REGISTER OF INTERESTS

- 16.58 The Committee received a report summarising transactions with companies listed in the register of interests for governors, senior staff, budget holders and procurement team staff. Significant income had been received from Springwell Special School, Wellspring Academy Trust and Horizon Community College. The VP Finance assured the Committee that there were no issues of concern relating to the transactions. Significant spend was attributed to Think Barnsley Limited and BCDC, the College's subsidiaries. The VP Property Development had been managing design and build contracts on behalf of the College via BCDC and had since left the College. The Committee raised no concerns with regard to the report and content to receive it.

EXTERNAL AUDIT PLAN YEAR ENDING 31 JULY 2016

- 16.59 Grant Thornton presented the Audit Plan summarising the high risk areas to be covered. Fees of £24,750 plus VAT were proposed for the College and subsidiary work. In respect of the FRS102 transition, a fee of between £5,000 and £8,000 was proposed, Grant Thornton being unable to determine the extent of the work required to perform on transition until audit work was completed. It was noted that a Letter of Support from the College would be required for Think Barnsley Limited. Following an observation, the Chair sought further information from Grant Thornton of their interpretation of materiality in the context of adjustments within the accounts. D Shepherd believed that further information within the Accounts in respect of S278 works would provide additional transparency and be helpful to Governors. Further to a question from the Chair regarding the FRS102 transition fee, G Nunns indicated that it was difficult to ascertain, however, should all work go smoothly he would envisage fees being nearer the lower end of the range. He added that the audit findings would demonstrate the level of work expended on preparing and auditing the financial statements commensurate with the final fee charged.

The Committee noted and received the External Audit Plan.

CALENDAR OF MEETINGS AND CYCLE OF BUSINESS 2016/17

- 16.60 The Clerk presented a Calendar of meetings and cycle of core business for consideration. Four meetings would take place during the year with associated business as set out in the paper. An amendment was made to reflect the decision to present the Board Assurance Framework to two meetings in the year – September and March. Any additional items or amendments to the Agenda for a meeting would require the Chair's approval.

OTHER BUSINESS

- 16.61 The Chair noted that the review of the Higher Education Strategy had been completed and that the report had not been presented for consideration. ICCA reported that due to the sickness absence of the VP FD&C the management responses had not been made in time to finalise the report. However, they were able to report that it had received a substantial assurance opinion with one recommendation of low priority awaiting responses. The Chair was satisfied with the verbal report from ICCA and looked forward to receiving the formal report in September.

End of Part I

Signed _____ Chair

Date _____