

## COLLEGE BOARD OF GOVERNORS

### MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 28 MARCH 2017

---

<b>PRESENT:</b>	C Partridge	Governor (Chair)
	S Turton	Governor
	D Shepherd	Governor
	S Brian	Governor
	P Clarkson	Governor

<b>IN ATTENDANCE:</b>	A J Oaks (Clerk to the Board)
	Y Koursis (Deputy Principal)
	T Johnson (VP Corporate Services)
	L Lawton (VP Finance)
	V Dalton (VP Funding, Data & Compliance)
	M Redfern (GT UK)
	D Watson (GT UK)
	M Ashton-Blanksby (ICCA ETS)

---

Prior to the start of formal business the Committee received a briefing from ICCA focusing on the Committee's role in identifying and assessing risk and obtaining the assurances required to support the Board. The presentation also covered regulatory requirements set out within the Post 16 Audit Code of Practice. Following the briefing, the Chair commented that the presentation described the journey the Committee had been on over the last couple of years and that in terms of monitoring and challenge, the development of the Board Assurance Framework had been a significant step forward. In response to a question relating to good practice in the sector, ICCA commented that in general, Board assurance frameworks were not yet fully embedded in the sector and the work undertaken by the College in terms of its proactive approach in developing the BAF was therefore very good.

#### APOLOGIES

17.01 Apologies were received from A Milanec.

The Chair welcomed Mike Redfern from Grant Thornton to the meeting and introductions were made.

#### DECLARATION OF INTERESTS IN ANY AGENDA ITEM

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

#### MINUTES

17.03 The Minutes of the meeting held on 29 November 2016 were agreed as a true and accurate record and were signed by the Chair.

#### MATTERS ARISING

17.04 The Committee received a list of actions arising from previous meetings. ICCA reported that the SFA would be publishing their success rate data shortly and they hoped to be able to provide a benchmarking report to the next meeting.

#### INTERNAL AUDIT REPORTS

##### Quality Assurance – Internal Verification

17.05 The Committee received the report following a review of the QA IV procedures, which had received a substantial assurance opinion. No recommendations had been made as a result

of the review which had been undertaken to provide the College with assurance over the current QA control framework in operation and to establish whether the internal verification process across all curriculum areas was consistently applied. Following a question from the Chair, ICCA confirmed that there were no issues of concern with regard to process and controls as a result of the review. The Chair stated that it was a good clear report around a key area and that she would like management to pass on the Committee's complimentary remarks to the manager responsible.

The Report was noted and received.

### **Financial Planning and Budgetary Control**

- 17.06 The Committee received the report following a review of Financial Planning and Budgetary control, which received a substantial assurance opinion. One low priority recommendation had been made relating to the circulation of management account information to Governors. ICCA had also commented that Board members who were not members of F&RC were not fully aware of the overall financial position against budget and forecast other than via the Chair of F&R's report to the Board at termly meetings.
- 17.07 The Committee discussed the findings and recommendation and recognised that it was important for the Board to have oversight of the financial position and that this was a collective responsibility. In response to a question from D Shepherd relating to the level of accountability and transparency compared to other colleges in the sector, ICCA confirmed that they had tested both assumptions and sensitivities within the financial plan as part of the review which had been undertaken by J Creed from ICCA. ICCA commented that the dual budget system was unusual in the sector, however the internal performance review process and accountability was impressive. Discussion followed in respect of the SFA financial health grade agreed by the Board in line with its financial strategy, and the SFA's views regarding the trajectory for growth and growth assumptions, noted in the report and based upon the College's Financial Plan 2016/17 to 2018/19. The Chair recognised that an SFA financial health grade of satisfactory gave FE College regulators some concern, and asked if the auditors could provide an opinion as to whether they believed this presented an increased risk or perceived risk for the College, and if it would be prudent for the Board to review its position.
- 17.08 The Deputy Principal referred to the Board's decision to approve the SFA health grade and the rationale behind it, which was acknowledged by the Committee. Both ICCA and Grant Thornton believed there could be an external perception that finances were not as strong as they could be, however due to the College's clear and transparent performance management process they believed there was no urgency to review it imminently, and suggested that the College may need to revisit the position within the next five years or as policy changes arose. The Chair proposed the subject be discussed further at F&R Committee.

**RESOLVED 17.09.01 to refer matters relating to the oversight of financial performance by the Board to the F&R Committee and the Board for consideration, and**

**RESOLVED 17.09.02 to refer matters relating to the SFA financial health grade of satisfactory to the F&R Committee for further consideration.**

### **Apprenticeship Reforms**

- 17.10 The Committee received the report following a review of Apprenticeship Reforms, specifically the college's strategy and response. The review had been undertaken to provide assurance that the college was well placed to respond and maximise the opportunities available to it as a result of the introduction of the Apprenticeship levy in May 2017, and to mitigate the associated risks likely to arise from the significant change in funding methodology and approach. The review resulted in a substantial assurance opinion with two low priority recommendations made in relation to design. Management had accepted the recommendations for implementation by April and July 2017 in relation to refreshing the strategy and revising its marketing strategy.

- 17.11 ICCA informed the Committee that the College had undertaken a significant amount of work around the financial impact of the levy and had a detailed action plan in place. In response to a question from the Chair regarding the College's readiness in comparison to other colleges in the sector, ICCA reported that the College's proactive approach in planning and preparing very early on, including implementing a sound management structure, had had positive benefits over and above other colleges and had enabled it to address any perceived risks at an early stage. This had given auditors sufficient and robust evidence to provide a substantial audit opinion. The Deputy Principal commented that given the uncertainty over the levy the College was delighted that the report qualified the work undertaken and agreed that the next year was crucial in terms of embedding the action plan. Grant Thornton commented on the risks associated with employers' response times and other issues around geography and autonomy. The Chair was keen to see Apprenticeship reforms on the internal audit plan for next year due the opportunity for revenue growth and to test the Action plan.

The report was noted and received.

#### **Active Dynamic – Data Dashboard**

- 17.12 The Committee received the report following a review of Management Information and Reporting including Active Dynamics Data Dashboard which had been undertaken to provide assurance to the Committee that management were providing accurate, timely and relevant information against approved targets set out within the College Development Plan and Master Target file. The review had resulted in a substantial assurance opinion with one advisory point made suggesting that the reporting template for Governors includes an explicit reference to the relevant target that the report relates to.
- 17.13 The Chair commented that she agreed with the recommendation and referred to the amount of data received by the Board and the level of uncertainty around KPIs which had been discussed recently at Board. S Turton commented that the current data dashboard was not easily interpreted by way of performance against headline strategic targets and that it was difficult to understand how it cross referenced to the master targets in the Development Plan. She commented that she had experience of data dashboards in other organisations she had worked with, and in, and had seen how an effective dashboard could provide a top level snapshot of performance across the organisation. Other Governors agreed, commenting that whilst Committees and the Board received the information required to discharge their duties, they believed it was possible for a high level dashboard to be produced that allowed strategic monitoring by Board to take place. Following a lengthy discussion around the detail, the Chair suggested that management discuss it outside of the meeting, taking into account governors' views. ICCA undertook to provide some examples of data dashboards for SLT to consider.

The Report was noted and received.

#### **Mock Funding Audit – Apprenticeship Follow up**

- 17.14 The Committee received the report following a review of the Mock Funding Audit – Apprenticeship follow up, which had been undertaken to review compliance with SFA funding rules and the college's own internal procedures. This was follow up work to confirm issues identified in 2015/16 had been resolved. The review resulted in a substantial assurance opinion. One low, one medium and one advisory point had been made in relation to application/compliance with implementation dates of June 2017, October 2017 and June 2017 respectively.
- 17.15 ICCA reported no significant concerns and that the report was more positive than the previous year's with clear improvement made over management controls. The Chair welcomed the recommended actions which she believed were valid and helpful, particularly the advisory point regarding streamlining the apprenticeship process. The VP Funding, Data and Compliance commented that it was helpful and would allow management to reduce the administrative burden by moving to an electronic system.

The report was noted and received.

## **Progress report**

- 17.16 The Committee received a Progress Report from ICCA. A total of eight reviews had been undertaken to date, six had received a substantial assurance opinion, and two reasonable. In relation to reviews still to be undertaken, the Chair referred to the recent Ofsted good practice visit in English and Maths which had resulted in extremely positive outcomes and ask if there would be any duplication of work during the second phase of the audit review of English and Maths. The Deputy Principal believed that completing the review would be beneficial as Ofsted had only reviewed teaching and learning best practice, whereas the internal audit would cover the compliance element and conditions of funding. ICCA proposed the scope of the visit be reviewed to ensure there would be no duplication of work and should fewer days be required, these could be used elsewhere in agreement with management. Management and the Committee were content with this proposal.

The Report was noted and received.

## **EXTERNAL ASSURANCE OF SUB CONTRACTING CONTROLS**

- 17.17 The Committee received the report following an external advisory review of Sub Contracting controls by ICCA which had been undertaken to comply with SFA rules as the College's sub-contracting activity exceeded £100,000. As a result of the review the internal auditor was required to submit a certificate to the SFA confirming the report provided satisfactory assurance over the controls in operation. The report findings indicated that three areas were partially compliant and low priority recommendations had been made which had been accepted by management and implemented. ICCA confirmed that the Certificate would be submitted to the SFA by 31 May 2017.

The Report was noted and received.

## **REPORT ON QA INTERNAL VERIFICATION PROCEDURES**

- 17.18 At the request of the Committee in June 2016, a report was presented by the VP Funding, Data and Compliance to provide the Committee with an overview of the internal verification and moderation audits. With the increased focus on the current quality level of internal verification (IV) and moderation, the Quality and Performance team had undertaken 13 audits across the college on the quality of internal verification/moderation of assessor/learner work which were classed as 'green'. Construction had made particular progress in this area of work, where historically the department had focused heavily on portfolio checks rather than assessment decisions. A significant improvement had been made following staff updating and training. The VP DF&C provided an explanation of how IV was carried out, providing assurance to the Committee of the transparency of the process and that there were sufficient assessors in place to ensure the College met the predetermined standards required by the relevant Awarding bodies.

The Report was noted and received.

## **MONITORING OF AUDIT RECOMMENDATIONS**

- 17.19 The Board received a report highlighting progress against implementation of internal and external audit recommendations. The Clerk reported that all recommendations made in 2015/16 had been fully implemented. Of the eleven recommendations made to date under the current internal Audit plan, seven had been fully implemented, one was work in progress and the remainder had future deadlines. The Clerk referred to the outstanding action relating to the review of English and Maths which had a revised implementation date of July 2017. Whilst the Chair stated she was not overly concerned with the revised date, she anticipated that implementation would align with the outcome of the second phase of English and maths review in the next term.
- 17.20 In terms of external audit recommendations, the Committee noted that all had been implemented with the exception of one which was work in progress. The VP Finance

commented that setting up a new nominal code for each bank account was being effected and that this point would be completed in due course.

The Report was noted and received.

## **BOARD ASSURANCE FRAMEWORK**

- 17.21 The Committee received an update on the College's Board Assurance Framework which highlighted top college risks, current level of residual risk after mitigation and the methods by which the Board could gain assurance that the risks were being managed appropriately. At the request of the Committee at the last meeting, the BAF incorporated a direction of travel indicator on the residual risk score. All were unchanged except the risk related to industrial action where the residual risk score had reduced. Members were informed that the BAF was reviewed as part of the Leadership and Management performance review (PR) process, where risks were identified and aligned to the college's strategic priorities and the development plan. Top risks were owned and managed by members of SMT and new risks were identified by senior managers via the PR process.
- 17.22 The VP CS provided a summary of the changes to the BAF since it was last discussed by the Audit Committee, remarking that no new risks had been added. Two risks had been removed, these being the Heating & Ventilation legal case and elements of the HE risk moving to Student Recruitment. Further actions had been taken to residual scores which were detailed in the paper. S Turton observed that whilst the controls had changed, the residual risk score associated with Apprenticeship reforms had remained the same. Given the discussion earlier regarding the need to monitor and assess the robustness of the action plan, she sought fellow members' views on whether the Committee was comfortable with the score. The VP FD&C provided an overview of the expected income from Apprenticeships and advised members that the risk would be lower in the transition year than it would be subsequently. The Deputy Principal reiterated this, commenting that at this stage there was no indication that the risk would increase but concluded that it was a valid point with so much uncertainty around the levy.
- 17.23 The Chair was mindful that the Board, having responsibility and ownership of the Assurance framework would need to take a view on the residual scores and determine whether it was comfortable overall. It was therefore proposed that management review the scores again associated with Apprenticeship reforms, and if following review, the residual score was unchanged, this would be discussed at Board level.

**RESOLVED 17.24**      **That subject to a further review of the residual score associated with apprenticeship reforms, the Board Assurance Framework be recommended for approval.**

## **BUSINESS CONTINUITY/DISASTER RECOVERY PLAN**

- 17.25 The Committee received a report on the Disaster Recovery / Business Continuity Plan, together with the Disaster Recovery and Business Continuity Policy which was reviewed biennially. The Disaster Recovery Plan, a comprehensive and detailed document outlining the process of response to an incident had been circulated to Governors separately.
- 17.26 The VP CS explained that the DRP aimed to minimise the impact of an incident, secure all aspects of the college's assets and resources including buildings, staff, business records and systems, students and student records and secure a return to full operational activity as soon as is practically possible. Details were provided of the range of activities undertaken to reduce the likelihood of a critical incident occurring and, whilst it was not possible to prevent all types of incidents occurring, it was noted that preventative measures could have an impact. The college also maintained a pro-active working relationship with its insurers (Zurich) and acted on recommendations that were made by them. Related policies were in place such as the Bomb Threat Policy and Procedure, which had been reviewed in 2017 and forwarded to South Yorkshire Counter-terrorism who reviewed the document and found it to be "very

comprehensive". Bomb Threat training had been undertaken with Fire Marshalls in the Sixth Form and was currently being carried out with front of house staff. All departments were planned to be in receipt of this training during the current academic year. A Lockdown Procedure was also being formulated and once approved would form part of the Disaster Recovery Plan.

- 17.27 The VP CS also provided details of the comprehensive fire safety process, including evaluation of regular evacuations, number of Fire Marshalls in place, fire alarm testing, and fire risk assessments which were carried out every two years on all buildings. Familiarisations were carried out by South Yorkshire Fire Service upon request and in the last two years seven had been completed. The Committee were assured that estates maintenance including fixed wire testing and PAT testing in line with HSE guidelines, pressure vessel testing (undertaken by Zurich) and lift safety (twice per year) and various other statutory and non-statutory buildings and equipment checks.
- 17.28 The VP CS stated that staff roles were clearly set out within the Plan including named officers, key staff and responsibilities. The Plan was extremely comprehensive and included a list of all safes, key holders and code holders as well as banking arrangements. Key contacts were included such as local and regional broadcasters, building and utility services, emergency services, key agencies and hotels and contact details for key internal staff. In addition a review of accommodation for the purposes of erecting temporary class and staff rooms was incorporated. In response to questions, the VP CS explained that all departments detailed their own requirements in the event of an incident to enable them to continue to provide their services and that these were included in the plan, including accommodation and equipment requirements.
- 17.29 The Committee were also provided with details of training that had taken place in 2016 in relation to disaster recovery, this had been provided to senior managers by Eversheds and was scenario based to test how the college would respond in the event of a major incident relating to students. In November 2016 anti-terrorism officers delivered training which focussed on a terrorist event at the college. This session also covered the response to an armed intruder. Further training on a mock disaster to test senior management's response in line with the Disaster Recovery Plan is scheduled for 2017/18. This would be a desktop exercise. Directing safely was scheduled for June 2017 for senior managers. The Committee were impressed and greatly assured at the level of scenario based training undertaken to ensure the college was fully prepared and to refine systems accordingly.
- 17.30 The Committee noted that Failure of Information Services and Loss of Data was also covered in the IT Disaster Recovery Plan which was reviewed biennially and that back-up systems were fully established. The IT Disaster Recovery Plan had been audited and tested via ISO 270001 and an action plan was currently in place as noted by the Committee in previous reports. In response to questions from the Chair in relation to other likely scenarios the Committee obtained a high level of assurance and confidence from management.
- 17.31 In terms of further reporting in this area, the Chair commented that she would expect to see this area included as part of the Internal Audit Strategy at some point in the future. The Report was noted and received.

#### **POST 16 AUDIT CODE OF PRACTICE AND COMMITTEE TERMS OF REFERENCE**

- 17.32 The Committee noted and received the revised Post 16 Audit Code of Practice effective from 1 August 2016, which had been covered earlier in the meeting by ICCA. With the announcement earlier in the day that the EFA and SFA were to merge, it was anticipated that a revised ACOP would be issued in due course.

#### **AUDIT COMMITTEE TERMS OF REFERENCE**

- 17.33 The Clerk advised that to reflect the revised Audit Code of Practice some minor amendments were proposed to the Committee's Terms of Reference. These had been appended and were accepted by the Committee.

**RESOLVED 17.34 To recommend the Terms of Reference be approved.**

**DATE AND TIME OF NEXT MEETING**

- 17.35 The next meeting would be held on Monday 19 June 2017 at 4.00 pm, to include a briefing from Grant Thornton.

Signed \_\_\_\_\_ Chair

Dated \_\_\_\_\_