

## COLLEGE BOARD OF GOVERNORS

### MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 29 NOVEMBER 2016

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<b>PRESENT:</b>	C Partridge	Governor (Chair)
	S Turton	Governor
	D Shepherd	Governor
	S Brian	Governor
	A Milanec	Co-opted member
	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)
	P Briscoe (VP Quality) to minute 16.110
	G Nunns (GT UK)
	D Watson (GT UK)
	K Gordon (GT UK)
	M Ashton-Blanksby (ICCA ETS)

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The Chair welcomed new attendees and members to the meeting and introductions were made.

#### APOLOGIES

16.99 There were no apologies.

#### DECLARATION OF INTERESTS IN ANY AGENDA ITEM

16.100 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. The Chair also asked that the Committee note her interest in agenda item 9.

#### MINUTES

16.101 The Minutes of the meeting held on 28 September 2016 were agreed as a true and accurate record and were signed by the Chair.

#### MATTERS ARISING

16.102 The Committee received a list of actions arising from previous meetings. The Chair referred to the action points and confirmed for the Minutes that the Committee had met prior to the meeting to evaluate the effectiveness of the Committee following the survey undertaken at the end of 2015/16. The Committee had concluded it would benefit from briefing sessions from both internal and external auditors to provide greater understanding of the committee's role with regard to risk and assurance, the external audit process and relationship between internal and external audit. This would be particularly helpful for newer members. It was proposed that ICCA make a presentation at the March 2017 meeting, and Grant Thornton to the meeting in June 2017 when presenting the external audit strategy for year ending accounts. Both briefings would be incorporated into the cycle of business.

16.103 With regard to the Whistleblowing policy, the VP Corporate Services confirmed that a flow chart had been appended to the Policy which was available on the intranet.

## **ANNUAL REPORT ON FRAUD**

- 16.104 The Committee received the annual report of Fraud which summarised incidents that had arisen during 2015/16 and the actions taken. There had been three incidents, all of which had been reported to the Committee in-year. It was agreed that the summary should be anonymised for the formal record.

The Report was noted and received.

## **ANNUAL REPORT ON RISK MANAGEMENT**

- 16.105 The Committee received the annual report summarising the College's risk management processes and outcomes during the year. The paper detailed the transitional changes in moving from a top level risk register to a Board Assurance Framework (BAF), which had been approved by the Board in May 2016. The Audit committee had received the top level risk register and the BAF twice in 2015/16. It had been agreed that the Board should have oversight twice each year.
- 16.106 The VP Corporate Services spoke to the paper, explaining the rationale for the movement in residual risk scores. The Committee were informed that risk management continued to be monitored at departmental level through the Performance review (PR) process, which was firmly embedded and robust. The online risk management software had been updated to implement a new system which staff had received training on. In response to questions from S Turton and A Milanec, the VP Corporate Services provided a more in-depth explanation of the risk management process within the college, in particular the link between the departmental risk register and the strategic top level one, which generated further discussion about the top-down bottom-up process with strategic oversight at PR meetings, with several examples given.
- 16.107 The Chair observed that the increase in number of risks to 16 was substantial in terms of the capacity to manage mitigating actions and that she would not wish to see this increase. This was noted by management. D Shepherd commented on the outcome of the Heating and Ventilation legal case which would reduce the level of risk significantly and was assured by the BAF being focused on the appropriate areas of high level risk during the year. He added that the ABR may yet bring further risk in relation to the management of potential intervention going forward and that it would be prudent to continue to monitor the position.

The Report was noted and received.

## **INTERNAL AUDIT REPORTS**

### **English and Maths Strategy Part I**

- 16.108 The Committee received the report following a review of the English and Maths strategy which received a reasonable assurance opinion. Two medium priority recommendations had been made relating to initial assessment and capturing qualifications, and monitoring attendance/intervention and support. Both had been accepted by management with implementation dates of 21 November 2016. ICCA provided an overview of the scope and objectives, which centred around the cross college strategies that had been implemented, including recentralising the management of English and maths GCSE into one centre and retaining functional skills within the remit of the individual departments. In addition the College's policy had been changed in respect of the criteria for resits.
- 16.109 ICCA commented that whilst the objective to provide an assurance opinion that the strategy for English and maths was effectively supported by robust systems, processes and controls enabling compliance with EFA funding regulations, it was a little too early to form an opinion on compliance until such time as the intervention strategy had progressed further. It had been agreed to undertake the review in two phases, the second being undertaken later in the year when the intervention process had been fully implemented and attendance was being consistently monitored.

- 16.110 The VP Quality commented on the report, supporting the recommendations and opinion given and agreeing that attendance was an area of continued focus. Whilst the report represented a snapshot, he anticipated all learners would be enrolled and attendance monitoring embedded within the new departments when the second phase of the review was undertaken. Governors commented on the trend analysis that had been included within the report, noting the data had been an area of focus for the Q&S committee, and the Board in terms of its strategic action plan. Further to discussion the Committee concluded that the recommendations should continue to be monitored and noted as partially implemented within the Clerk's report to align with the audit findings.

The Report was noted and received. The VP Quality left the meeting.

#### **ISO27001 Compliance – Follow up**

- 16.111 The Committee received the report on the follow up of ISO27001 which provided a reasonable assurance opinion. The review had been undertaken both as a follow up and to support preparation for re-certification by ISO, as an assurance opinion was required. Three recommendations had been made, two of low priority and one of medium. Discussion took place with regard to the original findings and the findings of the follow up, the Committee concluding that whilst management were content to have obtained the standard, it wished to continue to monitor the recommendations going forwards to ensure the compliance was being maintained.

The Report was noted and received.

#### **HEFCE Key Information Set (KIS)**

- 16.112 The Committee received the report following a review of KIS undertaken in October 2016. The report provided a substantial assurance opinion, with one medium priority recommendation that had been accepted by management, to ensure management and governors were fully informed of KIS matters in-year. ICCA commented that in terms of following its own policy, it was essential for management to be kept informed of developments in this area via regular reports to SMT meetings and to facilitate early intervention if necessary. Following a question from the Clerk regarding timeliness of reporting to the Committee, it was agreed to ensure the KIS was included on the cycle of business each September.

The Report was noted and received.

#### **Progress Report**

- 16.113 ICCA presented a Progress Report to the Committee covering the period to date against the agreed Internal Audit Plan for 2016/17. Three audits had been completed, with one substantial and two reasonable assurance opinions issued. No systematic control weaknesses had been identified that might impact the end of year audit opinion. Performance against key service delivery indicators had been met and were noted. ICCA commented that scopes had been issued for the January audit reviews, reports from which would be presented to the Committee in March 2016. Following a question from the Chair regarding the Quality Assurance – Internal Verification review which had been undertaken, ICCA stated that there were no significant issues arising from the report, and that the delay in presenting the report was due to the QA lead not being available to provide management responses to allow the report to be finalised. This would be presented to the next meeting.

The Report was noted and received.

#### **MONITORING OF AUDIT RECOMMENDATIONS**

- 16.114 The Clerk presented the updated report, summarising progress against implementation of recommendations from 2015/16 and 2016/17, based on management's responses. One recommendation arising from the internal audit review of Post Implementation of the Agresso finance system remained partially implemented, with minor issues relating to the

direct debit functionality still to be addressed. One recommendation made as a result of the external Audit process from year ending 2014/15 relating to authorisation of journal entries was expected to be fully implemented by the end of January 2017. The recommendations arising from the audit of the financial statements year ending 31/7/16 would be added to the monitoring report for the March meeting. Governors noted the outstanding actions and were assured by management that these would be implemented fully by the end of January 2017.

- 16.115 In respect of the current year's audit plan, three reviews had been undertaken with a total of six recommendations made. On the basis of management's responses, it was reported that five recommendations had been fully implemented and one had a deadline of September 2017. Further to discussions regarding the status of implementation of recommendations regarding English and Maths and ISO 27001 compliance, the Clerk proposed and the Committee agreed to rate these as amber rather than green to align with audit findings, given the Committee had agreed to continue to monitor the actions until it was satisfied recommendations to improve controls were fully implemented.

The Report was noted and received.

### **GOING CONCERN AND KEY MANAGEMENT JUDGEMENTS**

- 16.116 The Committee received a report from the VP Finance setting out the College's assessment of its position as a going concern, and providing information on the key management judgements made in relation to the 2015/16 financial statements, the disclosure of which was a requirement of FRS102. A review of the College's forecast assumptions for 2016/17 and 2017/18 had been undertaken by management. The report was comprehensive and summarised all aspects that had been considered in terms of reviewing assumptions. Future changes in respect of risks, including devolution and the apprenticeship levy, had been considered, in addition to future cost of pensions. A review of college cashflow for the next three years demonstrated sufficient cash available, with the overdraft facility of £2m forecast to be used minimally for short periods of time.
- 16.117 The assumptions also included a [REDACTED] settlement compensation from the heating and ventilation legal case which had been included in the accounts for BCDC as the company would carry out the remedial works under their obligation to Barnsley College in the OML design and build agreement. The works were expected to take around two years to complete, with provision made for costs. Whilst costs incurred in the case had not been agreed for reimbursement from the defendants, an estimate of the cost recovery had been included in the accounts of the College based on advice from the legal team following assessment of the costs of the claim and their eligibility for recovery.
- 16.118 The Chair advised that in future years the Committee would consider the Report on going concern and management judgements at its September meeting. Following comments from Grant Thornton regarding the appropriateness of the pension valuation in the covenant, the Chair was keen for Barclays to review the matter and believed that the F&R Committee should also consider this aspect.
- 16.119 In line with FRS102, details were provided of the key management judgements relating to the presentation of the audited financial statements. The Statement of Corporate Governance and Internal Control would state that the Corporation considered the college to have adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

The Report was noted and received.

### **REGULARITY AUDIT SELF ASSESSMENT QUESTIONNAIRE (SAQ)**

- 16.120 In accordance with the Joint Audit Code of Practice, the external auditors were required to undertake a regularity audit as part of their engagement to inform the basis of their work. In the revised JACOP there was a requirement for the Committee and/or Board to receive

the SAQ prior to the signing off of the Financial Statements. The self assessment questionnaire had duly been completed by management to provide the evidence required. Following consideration of the document, the Committee were content for the Accounting Officer and Chair of the Board to sign off the SAQ and recommend Board approval. The Chair advised that in future years the Committee would receive the SAQ at its September meeting.

**RESOLVED 16.121**      **to recommend the approval of the Regularity SAQ and to authorise the Chair of the Board and Accounting Officer to sign it off.**

#### **ANNUAL REPORT OF THE COMMITTEE TO THE BOARD AND ACCOUNTING OFFICER**

16.122 The Committee received the draft Report of the Committee to the Board and Accounting Officer covering the period 1 September 2016 to 29 November 2016. The report, presented by the Chair, summarised the work undertaken by the Committee during the year in relation to risk management and assurance. The Chair reminded members of the need for the Committee to form its own opinion with which to advise the Board on the adequacy and effectiveness of the college's risk management, control and governance processes. The terms of reference of the Committee had been reviewed during the year to reflect the provisions of the JACOP. The level of assurance provided during the year by the internal auditors had enabled them to draw a 'reasonable' conclusion over the systems of control. Other areas of assurance were summarised within the report and demonstrated a very high level of assurance over controls. The internal auditors had concluded that they were satisfied that sufficient internal audit work had been undertaken to allow them to state that adequate and effective governance processes were in place. The Regularity Audit raised no issues of concern.

16.123 The Committee were satisfied that on the basis of the external Auditor's report and additional sources of evidence relating to the assurance framework, it could provide an opinion to the Board to confirm that the College's audit arrangements, framework of governance, risk management and control and processes were adequate to ensure the effective and efficient use of resources, the solvency of the college and the safeguarding of assets. The Committee's opinion supported the Corporate governance statement contained within the Financial statements.

**RESOLVED 16.123**      **that the Annual Report of the Committee to the Board and Accounting Officer be recommended for approval.**

#### **EXTERNAL AUDITOR'S REPORT AND FINANCIAL STATEMENTS FOR YEAR ENDING 31 JULY 2015**

16.124 The Committee received the Auditors Report and management findings for year ended 3/7/2016, which indicated that an unqualified audit opinion would be issued on the consolidated financial statements for the College and its subsidiaries. The audit had focused on areas of management judgement: pension scheme valuations and disclosures, valuation of fixed assets, depreciation and impairment; and provision for doubtful debts. The financial statements had been updated to take into account a number of adjustments that had come through late in the process. Grant Thornton took Governors through the findings, summarising significant risks, possible risks and estimates and judgements. With regard to the latter, following receipt of the FRS102 valuation report from the scheme actuaries, management had revised assumptions to ensure they were college specific, based on independent formal advice taken from KPMG. Grant Thornton's actuarial team had also reviewed the changes made to the assumptions and concluded they were reasonable.

16.125 The Chair of Audit declared an interest and asked that it be recorded for the minute that in taking advice from KPMG, she personally had had no involvement with the commissioning of the work, or its undertaking. The Clerk confirmed this was the case and that she and the Chair had been informed of the actions taken by management to seek advice.

16.126 Consideration and discussion took place with regard to the impact of the legal dispute on the 2015/16 financial statements. The Audit findings for the subsidiaries indicated that in

respect of Think Barnsley Limited, the College should sign a letter of support to Think Barnsley Limited to confirm the company as a going concern due to its net liabilities of £48k at the year end. The Committee discussed the internal control assessment, recommendations and management responses which the VP Finance was comfortable with taking forward. The Chair thanked GT for a comprehensive and clear summary of key areas and was pleased with the anticipated unqualified audit opinion.

**RESOLVED 16.127.1**      **subject to final adjustments, to recommend the Financial Statements for the College and its subsidiaries for the year ended 31 July 2016 be approved.**

**RESOLVED 16.127.2**      **to recommend the College provide a Letter of Support to Think Barnsley Limited.**

#### **APPOINTMENT OF CHAIR TO COMMITTEE**

16.128 The Clerk informed the Committee that C Partridge's term of office as Chair of the Committee would end in December. D Shepherd proposed and S Turton seconded the reappointment of C Partridge as Chair to the Committee from January 2017 for 2 years.

#### **DATE AND TIME OF NEXT MEETING**

16.129 The next meeting would be held on Tuesday 28 March 2017 at 4.00 pm.

Graham Nunns from Grant Thornton informed the Committee that he would be retiring at the end of the year and that it had been a privilege to work with Barnsley College. On behalf of the College and the Board, the Chair thanked Mr Nunns for his contribution to the work of the Committee, commenting that the extent of his experience of the College and indeed the sector had been evident in terms of managing risk. The Committee wished Mr Nunns well for the future.

Members of the senior leadership team withdrew from the meeting to allow the Committee to convene its annual confidential session with internal and external auditors, in line with the Terms of Reference.

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

Date \_\_\_\_\_