

## COLLEGE BOARD OF GOVERNORS

### MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 3 December 2014

#### PART I

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<b>PRESENT:</b>	M Taylor	Governor
	P Helm	Governor
	P Bird	Governor (staff)
	M Wesson	Governor (staff)
	C Partridge	Governor

<b>IN ATTENDANCE:</b>	A J Oaks (Clerk to the Governors)
	T Johnson (VP Corporate Services)
	L Miah (Director of Finance)
	G Nunns (Grant Thornton)
	D Watson (GT UK)
	J Creed (ICCA)

The Chair welcomed Clare Partridge to the meeting and introductions were made. The Chair informed members that Ms Partridge would take over as Chair to the Committee from January 2015.

#### APOLOGIES

14.103 Apologies were received from G Vaughton.

#### DECLARATION OF INTERESTS IN ANY AGENDA ITEM

14.104 The Chair reminded members of the requirement to declare any financial or personal interests in any agenda items. C Partridge asked that a standing declaration be noted in respect of KPMGs provision of audit services to other colleges in the region.

#### MINUTES

14.105 The Minutes of the meeting held on 15 October 2014 (Part I) were agreed as a true and accurate record and were signed by the Chair.

#### MATTERS ARISING

14.106 A paper on key performance indicators was an agenda item. The Clerk advised that the executive summary on Targeted savings had been deferred to the next meeting. The Director of Finance confirmed there was nothing to report in terms of the standing action point relating to financial regulations.

#### ANNUAL REPORT ON FRAUD

14.107 The Committee received a report and fraud register for 2013/14. The register detailed all reported allegations and/or identified instances of fraud and response/ actions that had been taken in each case. In June 2014 the Audit and the F&R Committee had been informed about the potential claw back of capital grant funding by the SFA outside of the qualifying period in relation to the Wigfield Farm project. The SFA had been notified but to date the College had not received a response. The concerns were first identified within the Think Development

performance review meeting. The situation had been fully investigated and a review undertaken by the IAS which had resulted in several recommendations which had been agreed by management. The report had been discussed fully by the Committee at its last meeting and feedback had been provided to the Board that Governors were satisfied with the actions being taken by management to improve internal control systems.

- 14.108 The VP commented that while a risk existed that £258k of clawback could be made by the SFA, the College believed the risk to be very low. Following questions from C Partridge regarding the low number of incidents of fraud, the VP confirmed that there had been no cases reported under the Whistleblowing procedure in the year, and that whilst there were no cases of fraud reported this year other than the Wigfield farm issue, there had been three incidents in the previous year, demonstrating good controls.

#### **ANNUAL REPORT ON RISK MANAGEMENT**

- 14.109 The Committee received the Annual report on risk management. At the start of the year, eleven top risks had been identified and had been monitored throughout the year. All had retained their significant inherent value. At the mid-year point the risk related to the AMRC project had been removed, as the project represented reputational risk. This had been reported to the Committee.

- 14.110 The committee had considered the risk register twice during the last year. The VP stated that risk management continued to be managed at departmental level via the performance review process, which some Governors had observed. The system was fully embedded with budget holders taking responsibility for monitoring risks within their own area throughout the year and being challenged on content and rationale. At an operational level the Head of Health and Safety had invested time to developing and lead on the risk management system. The risk management policy was due for review in 2015 and would be presented to the committee during the year.

The Report was noted and received.

*D Watson joined the meeting.*

#### **INTERNAL AUDIT REPORT**

##### **Contracts Management**

- 14.111 An advisory review of Contracts Management had been undertaken in November. J Creed advised the Committee that the review had been requested by the College to review how systems and procedures could be streamlined. The report resulted in three advisory points which had been agreed by the Director of Finance for implementation during 2015. The findings revealed a number of inconsistencies and an overlap in procedures which were mainly housekeeping issues. Governors asked questions regarding the implementation dates. C Partridge observed the review had been advisory to look at procedures, rather than a full review with an assurance opinion and questioned whether the Committee were satisfied the college was receiving value for money from contracts. It was agreed that this should form a piece of work within the plan for next year.

**RESOLVED 14.110 To consider undertaking a value for money review of Contracts in 2015/16**

#### **CLERKS REPORT ON AUDIT RECOMMENDATIONS**

- 14.112 The Committee received a report highlighting progress against the implementation of audit recommendations. Of the reviews undertaken 2013/14, one remained

outstanding with a deadline of January 2015. Of reviews undertaken to date in this term, 7 recommendations had been made, 3 of which were advisory. 2 had been fully implemented, 2 were work in progress and three had future deadlines. Overall the report reflected excellent progress of action taken by management to improve internal controls. No issues were raised.

The Report was noted and received.

*Members of the senior management team and the Finance & Resources Committee joined the meeting.*

#### **EXTERNAL AUDITOR'S REPORT AND FINANCIAL STATEMENTS FOR YEAR ENDING 31 JULY 2014**

- 14.113 Grant Thornton presented the Audit findings for 2014/15 to the Committee. An unqualified opinion had been issued on the Regularity audit. The SFA reconciliation, post balance sheet and going concern were yet to be finalised. A number of risks had been identified which were referred to within the report and summarised for Governors' information. The only adjustment posted related to the final funding reconciliations on apprenticeships, where revenue had been reduced by £78,000 to reflect a claw back for under delivery against targets.

*G McSkimming joined the meeting.*

- 14.114 DW took governors through 'matters identified' the first of which related to OML Heating and ventilation issues. As noted, the mediation process in relation to the dispute between the College and the main contractors was not concluded and it was likely the College would take legal action for losses incurred to date. The options available to the College to resolve the issues were due to be discussed at Board level therefore with no decision yet taken, there was no requirement to accrue for additional legal costs. Members acknowledged the position in respect of outstanding liabilities. Other matters included a review of depreciation estimates on land and buildings, skills for Jobs income costs, compliance with finding body grant terms (Wigfield Farm) and a review of impairment risk to the estates. Governors sought further clarification of these matters from the Director of Finance.

*N Bowen joined the meeting.*

- 14.115 The Audit findings indicated that in respect of Think Barnsley Limited the College should sign a letter of support to confirm the company as a going concern. Systems and controls impacting directly on the financial statements had been reviewed and three issues identified as a risk of significant misstatement. Management responses had been made accepting these points which were noted by the Committee.

- 14.116 The Chair thanked Grant Thornton for the report.

**RESOLVED 14.116 to recommend the financial statements and auditors report for year ending 31 July 2014 to the Board for approval**

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

- 14.117 The Committee received the draft Report of the Committee to the Board and Accounting Officer covering the period ending 31 July 2014. The report, presented by the Chair, summarised the work undertaken by the Committee during the year, including memberships, meetings, internal audit opinion, regularity audit, risk management and governance.

- 14.118 Grant Thornton reminded members of the changes under the JACOP and 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 amended in March 2014 to reflect the provisions of the JACOP. G Nunns commented that the report could be expanded to include more detail of the regularity work undertaken.

- 14.119 C Partridge observed that the report did not reflect the more recent internal audit work undertaken and that in order to provide an opinion to the Board on the assurance framework, all work should be summarised within the report up to the date of signing off of the financial statements. Of note was the issue related to potential clawback of funding related to the Wigfield Farm project which was also identified within the subsidiary audit findings. The Clerk undertook to address these points and present a revised report to the Board.
- 14.120 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 included the SFA provider financial assurance funding audit report, which had demonstrated a very high level of assurance over controls, the outcome of quality reviews undertaken by external moderator/verifier visits, and from the QAA review of HE provision. Learner surveys and learner voice had also demonstrated significant levels of satisfaction.
- 14.121 The internal auditors had concluded that they were satisfied that sufficient internal audit work had been undertaken to allow them to state the adequate and effective governance processes were in place.
- 14.122 The Committee were satisfied that on the basis of the external Auditor's report and additional sources of evidence providing assurance to the Committee of the assurance framework, and subject to the agreed amendments and additions to the report, it would 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 opinion supported the Corporate governance statement contained within the Financial statements on pages 15 – 18.

**RESOLVED 14.123 That subject to amendment as discussed, the Annual Report of the Committee to the Board and Accounting Officer be recommended for approval.**

#### **KEY PERFORMANCE INDICATORS**

- 14.124 In terms of monitoring and reporting on the performance of internal and external auditors prior to annual appointment, key performance indicators had been produced for consideration. It was the intention to review performance in March each year. Grant Thornton suggested the College might wish to consider ways in which the impact of their work could be measured.

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

- 14.125 The next meeting would be held on Tuesday 24 March 2014 at 4.00 pm
- The June meeting was moved from Tuesday 23 June to Wednesday 24 June 2015 at 4.30 pm

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

Date \_\_\_\_\_