

COLLEGE BOARD OF GOVERNORS

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 1 DECEMBER 2015

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 Governors)
- T Johnson (VP Corporate Services)
- L Miah (VP Finance)
- V Dalton (VP Funding, Data & Compliance)
- D Harding (VP Quality and Adults)
- D Watson (GT UK)
- M Watson (GT UK)
- J Creed (ICCA)

The Committee held a confidential session without management present prior to the commencement of formal business.

Members of the F&R Committee joined the Audit Committee to consider the Auditors Report and Financial Statements.

The Chair welcomed A Milanec and D Shepherd to the meeting and formal introductions were made.

APOLOGIES

15.93 Apologies were received from S Turton.

DECLARATION OF INTERESTS IN ANY AGENDA ITEM

15.94 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

15.95 The Minutes of the meeting held on 22 September 2015 were agreed as a true and accurate record and were signed by the Chair.

MATTERS ARISING

15.96 The Committee received a list of actions arising from previous meetings. Referring to Minute 15.37 and action point around college data, the VP FDC advised members that a report would be presented to the next meeting identifying key sources of data from various agencies to provide assurance to the Committee of the validation processes. The Chair explained that under the JACOP there was now a specific requirement on the Committee to receive assurance over the processing of all data within the college.

15.97 With regard to 15.68, J Creed proposed the Committee begin consideration of the Annual internal audit plan for 2016/17 in the spring to identify areas of highest risk and how the audits can be scoped to measure impact. This would inform the planning stages undertaken with SMT prior to the formulation of a draft audit plan and for significant input from Committee members. The Chair believed this approach to be appropriate and looked forward to further discussions at the next meeting.

15.98 With regard to the BAF, the action point had not been taken forward due to the changeover of Chair of the Board. The Chair commented that she believed further work was required on the BAF to produce a less complex framework and that further to discussion with ICCA, further examples would be brought forward for the committee's consideration. JC confirmed that 3 days were left in the Plan for this work to be completed and that he would provide templates that were less complex than the one presented previously. In response to a question from A Milanec of its effectiveness, JC assured members that they would ensure the BAF was no less effective and would seek to identify relevant gaps. Due to her experience, A Milanec offered to assist with the development of the BAF, which gave a level of comfort to the committee.

ANNUAL REPORT ON FRAUD

15.99 The VP Finance presented the Annual Report and fraud register for 2014/15. It was reported that one incident had taken place during the year involving the disappearance of some tip money from the restaurant. The college had followed due procedure and undertaken an internal investigation, led by a member of staff appointed by the Fraud Response group. Both the Chair of Audit and Chair of the Board were notified of the incident at the time. Whilst the cash was never retrieved the college had implemented additional controls in the restaurant to reduce the risk of theft. The Committee and Auditors were content that the additional controls were adequate.

The Report was received.

RISK MANAGEMENT ANNUAL REPORT

15.100 The Committee received the Annual report on Risk Management. At the start of the year, eleven top risks were identified and had been monitored throughout the year by the Committee. At the mid-year review one risk was removed and three new risks added: servicing of debt and financial stability, heating and ventilation case and changes to grant funding. The Committee's approach to risk management had been reflected in the revised Risk Management Policy, approved by the Board in October 2015 together with the top level Risk Register. Further to questions from new members on the process and accessibility to the risk register, the VP explained the process of identifying and monitoring risk from departmental level through to the Board.

15.101 Further questions were raised with regard to responsibility for scoring risks, to which the VP stated that the scoring was determined at SMT level prior to the Risk register being presented to the Audit committee for consideration. In terms of providing the appropriate level of assurance that risks were appropriately identified and scored, the Chair sought to assure the committee that the process was helpful to management. The VP confirmed this was the case, and that awareness of actions being taken and those responsible for the actions provided greater clarity over accountability and responsibility at an operational level.

The Report was noted and received.

INTERNAL AUDIT REPORTS 2015/16

Corporate Governance: Board Effectiveness

15.102 The Committee received the report which provided substantial assurance with no recommendations. Three advisory points had been made, which included the potential to consider moving towards a policy governance model in the future. A Milanec referred to the current governance model and asked if committee members were aware of the difference between the two models. Whilst no governors were aware of the policy governance model, the Clerk confirmed that she was familiar with the model and had experience of working within a similar model. The Committee noted the response to the recommendation and agreed that this would be a matter for discussion with the whole Board possibly post-ABR, when the outcomes were more certain and consideration may need to be given to the governance structure. The Clerk undertook to take the points forward and inform the Chair of the Board.

The Report was noted and received.

ISO27001 Healthcheck/Compliance report

- 15.103 The Committee received the report which provided a 'reasonable' assurance opinion. Six recommendations had been made, five medium priority and one low. The report showed that all recommendations had been addressed promptly by management. J Creed took the committee through each of the findings in detail, following which Governors expressed their concerns with regard to the number of weaknesses identified in the report. The Chair of Audit agreed with the points raised by DS and proposed that further discussion regarding the findings and recommendations take place outside of the meeting. A post meeting note is appended.

GOING CONCERN

- 15.104 The VP Finance presented the report highlighting that it was of particular importance in the sector due to the heightened level of uncertainty around the outcome of the spending review and Area based review. The report was being presented as best practice to clarify matters that had been carefully considered by the college. A review of the college's forecast assumptions for 2015/16 and 2016/17 had been undertaken which confirmed these as valid and that this would not change as a result of the spending review. Implications around increased funding cuts were prudent in the context of the spending review and expenditure included pay increase, increased pension and NI costs, and rise to national minimum wage for Apprentices.
- 15.105 The VP assured the Committee that she was confident the Three year plan would be delivered, backed up by a robust performance review and business planning system whereby expenditure would continue to be carefully managed in order to achieve income targets.
- 15.106 In order to provide further assurance to the committee, two scenarios had been calculated based on the college not realising the income from asset sales. This demonstrated that the college was able to afford a short term loan and meet existing banking covenants. The forecast supported the immediate continuation of the college until at least December 2016. Grant Thornton confirmed this view, recognising the risks and uncertainty arising from the spending review, and assured the committee that the VP Finance's sensitivity analysis was sound and that as external auditors they were satisfied with the level of disclosures made in the Financial Statements and the policy on going concern.

The Report was noted and received.

ANNUAL REPORT OF THE COMMITTEE TO THE BOARD AND ACCOUNTING OFFICER

- 15.107 The Committee received the draft Report of the Committee to the Board and Accounting Officer covering the period 1 September 2015 to 1 December 2015. 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, governance and additional assurance.
- 15.108 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 amended 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 assurances 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 the adequate and effective governance processes were in place. The Regularity Audit raised no issues of concern.
- 15.109 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, 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.

RESOLVED 15.109 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

- 15.110 The Committee received the Auditors Report and management findings for year ended 3/7/2015. An unqualified opinion had been issued on the Regularity audit. The SFA reconciliation was yet to be finalised and was expected within the week. A number of risks had been identified which were referred to within the report and summarised for Governors' information. D Watson referred to the key areas and management judgements, where the work in respect of Skills 4 Jobs remained outstanding. In respect of the heating and ventilation issue, this had been treated correctly with no accrual for legal fees. Questions were raised around the review of impairment risk to the estate, the committee noting the risks particularly in respect of Eastgate. Grant Thornton had confirmed they were satisfied that no impairment provision other than £102k write down of equipment, fixtures and fittings was required. Representation from the Board would be sought to confirm impairment charges were not required in 2014/15.
- 15.111 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 due to its net liabilities of £75k at the year end.
- 15.112 D Watson thanked the VP Finance for the quality of the accounts provided which had helped them to produce the first set of financial statements and management findings.
- 15.113 M Watson referred the committee to the assessment of internal controls and recommendations made in this regard. The external auditors were content with management's responses and that adequate controls had been implemented to mitigate risk. He added the new finance system would also help to resolve the issues identified.
- 15.114 To conclude, Grant Thornton were able to confirm their independence in respect of auditing and producing the Financial Statements for the College and its subsidiaries.

The Chair thanked Grant Thornton for attending to present the report.

Grant Thornton left the meeting.

- 15.115 The Audit committee observed the Finance & Resources Committee consideration of the Financial Statements before declaring the meeting closed. A joint recommendation to approve the Auditors report and financial statements would be made to the Board.

DATE AND TIME OF NEXT MEETING

The next meeting would be held on Wednesday 2 March 2016 at 4.00 pm

Signed _____

Date _____

Post meeting note:

ICCA report on ISO27001

The Chair of Audit, D Shepherd and A Milanec reconvened on 1 December 2015 at 5.15 pm to discuss the internal audit report on ISO 27001. The VP Funding, Data and Compliance was in attendance. DS raised concerns that on reading the report it highlighted a number of key weaknesses and therefore could not take assurance that the College was in line with ISO 27001 requirements for the skills for jobs services. In addition this raised wider concern over data security controls within the college – with particular concerns raised on backups and staff training. This view was supported by the audit committee members. The audit committee members shared concerns that this report was at best adequate assurance and actually indicate areas of limited assurance.

The VP provided an update that specific actions in all areas including back-ups and training had now taken place or were in progress across the college. The independent ISO27001 audit took place in November with a follow up due in December with indications that the College would meet the requirements for the Skills for Jobs area.

The Chair requested that management provide further assurance for the March meeting of the Committee and that the report should set out the College's approach to data security and assurance.