

COLLEGE BOARD OF GOVERNORS

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 19 JUNE 2017

PRESENT:

C Partridge	Governor (Chair)
S Turton	Governor
D Shepherd	Governor
S Brian	Governor
P Clarkson	Governor

IN ATTENDANCE:

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

Prior to the start of formal business the Committee received a briefing from Grant Thornton which focused on the role of the external auditor in relation to the year-end audit of the college's accounts, their relationship with the internal auditors in this respect and the role of the Committee in terms of financial statements and auditors report/management letter. D Watson from GT emphasised the added value the external auditors provided in terms of highlighting areas for improvement in systems and controls, reporting processes and KPIs, providing insight from their expertise, independency, sharing best practice and assisting in focusing management on risk areas and in directing the internal audit provision. GT signposted Governors to a new report issued by GT, Board Effectiveness: Creating and Protecting Value which could be helpful for Governors.

APOLOGIES

17.36 Apologies were received from A Milanec.

The Chair welcomed Kelly Gordon, Assistant Manager from Grant Thornton to the meeting and introductions were made.

DECLARATION OF INTERESTS IN ANY AGENDA ITEM

17.37 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

17.38 The Minutes of the meeting held on 28 March 2017 were agreed as a true and accurate record and were signed by the Chair.

MATTERS ARISING

17.39 The Committee received a list of actions arising from previous meetings. With regard to the Free Benchmarking report, ICCA reported that this could be made available for the next meeting and that the scope could be reviewed to ensure it would be appropriate for the Committee. The Deputy Principal would liaise with ICCA with regard to the content and timing.

INTERNAL AUDIT REPORTS

Information Learning Technology (ILT) and IT Strategy

- 17.40 The Committee received a report following a review of ILT and IT Strategy which had received substantial audit assurance. There were no recommendations. ICCA commented that in respect of reviews undertaken elsewhere in the sector, this was an excellent report demonstrating robust controls. Good progress had been made with regard to year one of the plan, with clear improvements in the IT/ILT infrastructure, which was on track for completion in September 2017. D Shepherd referred to the positive comments in the report which appeared to be contrary to reports governors had received directly from students at the seminar in February. ICCA assured members of the Committee that the evidence for the improvements was derived from conversations with students at learner forums, and directly with staff and other students in the college. The VP Funding, Data and Compliance stated that significant progress had been made since the seminar, with an analysis of the Wifi and sufficient upgrades to address 95% of students' needs. The remaining 5% involved media and art files which were very large and further time was required to address these aspects. He added that the outcome of the most recent performance review at Period 9 was very positive, with much fewer complaints received. ICCA added that it was very clear the college had recognised the need to invest to improve its IT/ILT and this was demonstrated by the very positive report.
- 17.41 The Chair commented that she was delighted to see that the College was well on its journey with the IT Strategy and had made good strides delivering against it, however she recognised that further work was required and that this had been recognised as a key priority by management. The Committee were pleased to receive such a positive report and to provide assurance to the Board of the excellent progress made in respect of the IT Strategy.

The Report was noted and received.

Follow up of Post Implementation Review of Agresso

- 17.42 The Committee received the report of the follow up review of the implementation of the Agresso finance system. The Report provided substantial assurance and contained one low priority recommendation in respect of the provision of Unit 4 reconciliation reports between QLS and Agresso to ensure all student fee income was invoiced and received. Management had accepted the recommendation with an implementation date of September 2017 subject to the supplier's delivery. It was noted by the Committee that management had identified this as a risk and had been processing manual reconciliations in the interim as a control, which was confirmed by ICCA.

The Report was noted and received.

Follow Up report

- 17.43 The Committee received the Follow Up report covering all previous internal audit recommendations. The report provided substantial assurance. In addition to reviewing implementation of recommendations in the College in line with agreed actions and timeframes, ICCA had also reviewed the accuracy of reporting on the status of implementation of recommendations in-year. As a result of the work undertaken, ICCA were able to confirm that 100% of recommendations had been implemented and that the college had been fully compliant in respect of reporting on status in-year. The Chair reiterated ICCA's statement that tracking of audit recommendations was a fundamental role of management and the Committee and that the Clerk's report was therefore key in terms of reporting progress against recommendations throughout the year.

The Report was noted and received.

EXTERNAL AUDIT PLAN FOR YEAR ENDING 31 JULY 2017

- 17.44 Grant Thornton presented the Audit Plan which had been produced following an audit planning meeting with key staff to gain an insight into the key events and context for their work. The Plan set out principal business issues, sector updates and the overall impact on their audit approach including regularity, which D Watson summarised in detail. Fees of £26,130 plus VAT were proposed for the College and subsidiary work reflecting a 2.7% inflationary uplift.
- 17.45 In response to a question from the Chair regarding the expected figures in relation to materiality, GT advised that this would be between 1% and 3% of revenue costs, subject to risk association. Significant risks had been identified, which were summarised, members noting that not all were college specific. As part of the audit, GT would review going concern throughout, and based on the current assessment, advised that Think Barnsley Limited may require a letter of support from the College to ensure it could meet its net liabilities and continue operating. Of interest to members was the LGPS pension scheme valuation and impact on the balance sheet, the nature of the valuation requiring a number of assumptions and judgements to be made thereby increasing audit risk. D Watson commented that this work would be undertaken by their in-house actuarial team.
- 17.46 In response to the Chair's observation around fees, the VP Finance confirmed that the increase was within the range contained in the original tender. Discussion took place around the audit approach to accounting for the Apprenticeship levy, and whether this should be treated as an asset or an expense. The VP Finance commented that she planned for expensing, which the Chair was comfortable with.

The Committee were content to accept the External Audit Plan.

MONITORING OF AUDIT RECOMMENDATIONS

- 17.47 The Clerk presented a report highlighting the status of implementation of recommendations. It was reported that in 2015/16, 21 recommendations had been made, all of which had been fully implemented, which had been confirmed by ICCA within their formal Follow Up report. In the current year, 17 recommendations had been made to date, 10 of which had been fully implemented as confirmed by management. The remaining seven had future dates for implementation in 2017. The Clerk confirmed that the one outstanding recommendation from the previous year's external audit had been completed. The Chair commented that it was very pleasing to see rapid progress being made by management to improve control processes.

The Report was noted and received.

DRAFT INTERNAL AUDIT PLAN FOR 2017/18 and UPDATED STRATEGY

- 17.48 The Committee received a draft Internal Audit Plan from ICCA, which had been developed following completion of an Annual Organisation Assessment and using a detailed planning approach to inform the proposed assurance coverage and inform their view of the college's high level risks. A plan of 50 days was proposed, covering four risk based areas and eight non-risk based, with a contingency of 3 days added should the College be selected for a Funding audit. Four new audits had been added to the strategy for 2017/18. Proposed fees were £22,950 plus VAT, which the VP Finance confirmed were in line with the original tender.
- 17.49 In response to a question raised by D Shepherd around security, discussion followed with regard to the recent cyber and malware attacks in the UK in the context of governors seeking assurance the College had the relevant controls in place should its systems be affected. Examples were provided of the costs involved to organisations where cyber-attacks had identified patching issues and governors sought assurance from management to satisfy themselves that the College had the necessary controls and resources in place to avoid such issues. ICCA confirmed that data security was covered in this year's draft Plan, however ISO 27001 did not cover this aspect. The VP Funding, Data and Compliance

reported that Zurich had tested the college disaster recovery and business continuity systems recently and found these to be robust. The Chair agreed that the question was very valid, and stated that members would be content to accept a report from management to demonstrate assurance at a future meeting.

RESOLVED 17.49 **that a report be presented to the Committee at a future meeting to provide assurance in relation to controls around data security.**

17.50 The Chair invited comments from members with regard to the proposed Plan and discussion took place with regard to the proposed coverage. With regard to inspection readiness, the Chair believed that an educational consultancy based organisation may be better placed to conduct such a review, and also questioned whether four days was sufficient to add real value. Members discussed the pros and cons of ICCA undertaking the review as opposed to educationalists, it being argued that auditors would provide an objective view rather than a qualitative one. The Chair commented that whilst being inspection ready was a priority for the college, she noted that governance and risk was currently not included in the Plan and suggested that perhaps this could be considered instead of inspection readiness to pick up senior staff changes and team building. S Turton observed that SEN did not appear in the cycle, but acknowledged that ALS had been reviewed last in 2014/15 and was due again in 2019/20.

17.50 In respect to the proposed Health and Safety audit, the Chair asked that management ensure the scope included wellbeing and stress in the workplace, and that with regard to Operational management of Estates and IT, that this included Value for Money to demonstrate how effective controls were in relation to monitoring. Observations made by S Turton around international work were to be discussed outside of the meeting. Further to discussion the Deputy Principal agreed to liaise with ICCA to address governors' comments and send a revised draft to Committee members via the Clerk as soon as possible, to allow approval by the Board in July.

RESOLVED 17.51 **that subject to discussion between management and ICCA, the draft Plan be reissued and circulated via the Clerk to the Committee for agreement and recommendation to the Board.**

FINANCIAL REGULATIONS

17.52 The Vice Principal Finance had produced a report highlighting changes to the Financial Regulations following the annual review. In particular, changes had been made to provide clarity over authorisation and approval of overseas visits for senior staff, and to reflect the existence of an International Travel Policy which would provide additional guidance and include clear parameters. With regard to the latter, the VP Finance advised members that the policy was not fully completed and due to the need to have clarity with regard to overseas travel, it would be preferable to defer consideration of the Regulations and the associated policies to the next meeting. Governors shared their views with regard to seeking authorisation, the Chair emphasising the importance of demonstrating transparency with regard to overseas visits concerning the Principal and senior post holders and the importance of achieving an appropriate balance between transparency and levels of cover, without added bureaucracy.

17.53 The Chair made reference to Appendix B to the Financial Regulations and the table setting out delegated authorities, suggesting that actual figures be inserted for Investment of surplus funds and that the VP Finance review the monetary levels for debt write offs as they appeared to be high, if individual items. ICCA and Grant Thornton agreed to provide examples for comparison purposes. Further to discussion it was agreed the VP Finance should bring the Financial Regulations back to the Committee for consideration with the associated policies, in September 2017.

RESOLVED 17.54 **That consideration of the Financial Regulations be deferred to the next meeting of the Committee.**

TRANSACTIONS WITH COMPANIES LISTED IN THE REGISTER OF INTERESTS

17.55 The VP Finance presented a report for information highlighting transactions undertaken with organisations listed within the Register of Interests for governors and staff. The Committee noted the College delivered provision to 14-16 year olds from Horizon Community School, where the Vice Chair is the Principal. In response to a question from the Chair the VP Finance stated that this had not raised a concern in terms of conflict as he was not involved in negotiating and determining fees, but merely signed the Contract as the Head of the organisation. There were no concerns raised with regard to income and expenditure.

CALENDAR OF MEETINGS AND SCHEDULE OF BUSINESS 2017/18

17.56 The Committee received the calendar of meetings and schedule of business for 2017/18, and were asked to note the date of 13 March 2018 for audit tender presentations, at which some members of the Committee would be asked to participate on the selection panel.

COMMITTEE SELF EVALUATION

17.57 The Clerk requested members of the Committee complete the evaluation sheets at the end of the year, for analysis as part of the Board's Effectiveness framework.

There being no further business, the Chair declared the meeting closed at 5.45 pm.

Signed _____ Chair

Date _____