

## COLLEGE BOARD OF GOVERNORS

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

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<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)	
	C Webb (Principal)	
	Y Koursis (Deputy Principal)	
	T Johnson (VP Corporate Services)	
	L Lawton (VP Finance)	
	V Dalton (VP Funding, Data & Compliance)	
	D Watson, K Gordon, M Liskiewicz L(GT UK)	
	M Ashton-Blanksby (ICCA ETS)	

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#### APOLOGIES

17.93 There were no apologies.

#### PROCUREMENT FOR AUDIT SERVICES

This item is confidential and recorded separately. – Minutes 17.94 to 17.99 refer.

#### MINUTES

17.100 The Minutes of the meeting held on 28 September 2017, Parts IIA and IIB were agreed as a true and accurate record and were signed by the Chair.

*Members attending from Grant Thornton and ICCA joined the meeting.*

#### DECLARATION OF INTERESTS IN ANY AGENDA ITEM

17.101 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. Governors reserved the right to declare interests as they arose.

#### MINUTES

17.102 The Minutes of the meeting held on 28 September 2017, Part I were agreed as a true and accurate record and were signed by the Chair.

#### MATTERS ARISING

17.103 The Committee received a list of actions arising from previous meetings. The Chair noted the presentation of a free benchmarking report from ICCA had been carried forward. The VP Finance stated that due the data being publicly available via the Finance record, the report could be produced by management and that she would prefer ICCA to carry out an alternative piece of value added work. This was accepted by ICCA who concurred that the data was publicly available to the college and that they would look at an alternative in terms of benchmarking and best practice.

## **INTERNAL AUDIT REPORTS**

### **IT Data and Cyber Security**

- 17.104 The Committee received the report following the review of IT Data and Cyber security which had received a substantial assurance opinion with two low and two medium recommendations and one advisory point, all of which had been accepted by management. The advisory point had been completed. ICCA summarised the recommendations relating to security and responsibility for information management data, commenting that the role of the Information Security Manager had been split across IT Engineers, based on their specialism and depth of knowledge to apply the required security controls and principles.
- 17.105 Consequently, there was insufficient oversight at a managerial level to ensure a coordinated approach and that the medium-term vision is maintained. Summarising remaining points, the Committee noted the College had sound procedures in place which included regular testing, and that a new Disaster Recovery Plan had been implemented which was found to be fit for purpose. He added that this should be formally tested. The VP FD&C responded to the points raised around internal doors and combustible waste. The Chair commented that she was pleased to see the recommendation around security governance had been accepted and that the IT manager was now taking responsibility in this area. In response to a follow up question it was confirmed that the VP F,D&C had overall responsibility.

The Report was noted and received.

### **ISO27001**

- 17.106 The Committee received the report following the review of ISO27001, which had received a substantial assurance opinion with no recommendations. The review had been undertaken to provide management and the Committee with an independent assurance opinion that the College was complying with the first four standards of ISO/27001. ICCA reported that the review demonstrated good compliance in the four areas tested, and that all recommendations in previous reports had been implemented.

The Committee noted and received the report.

### **GDPR Readiness (Advisory)**

- 17.107 The Committee received a report following an advisory review of the College's readiness for the introduction of the General Data Protection Regulations (GDPR). From 25 May 2018, all Colleges would need to be compliant with the GDPR, the new legal framework being implemented across the EU. In line with the agreed timetable detailed within the 2017/18 internal audit plan, ICCA had carried out an advisory review with a view to supporting the College in taking the necessary steps to ensure compliance with the GDPR from 25 May 2018. The review had been conducted as advisory because it was deemed too early to give assurance in this area at this stage. Thirteen recommendations had been made which were summarised by ICCA.
- 17.108 ICCA advised that many Colleges would be in a similar position in terms of an action plan to ensure compliance. In respect of the recommendations, M Ashton-Blanksby referred to the guidance provided by the Information Commissioner regarding the Data Protection Officer's role and responsibility in respect of GDPR, which was being viewed as an independent and senior role, reporting directly to the Board. He emphasised the need for the person responsible to have sufficient resource for what was a significant task and to act independently without any conflict of interest. In response to a question from the Chair regarding actions being taken now, the VP F,D&C advised the Committee that the Director for Quality, who was a member of the senior management team and had no responsibility for data within the College, had been appointed DPO for GDPR. As he already acted as DPO for Freedom of Information requests and complaints, and was not conflicted, he was ideally placed due to his organisational skills and thorough work practices. He added that the College was already working towards implementing the recommendations.

- 17.109 D Shepherd, acknowledging the significance of the role for the Director of Quality, sought further confirmation of management capacity. The Chair also commented, stating that the DPO in this instance was an informed and independent role and one which usually sat at Executive level. Noting that at SMT level the Director currently had no direct reporting line to the Board, she asked if this was something that could be facilitated. It was also suggested this might be an area for management to consider, and that it may be helpful in the future to nominate a link governor for GDPR. Regarding reporting to the Board, the Chair asked if management could explain the mechanism for this, particularly for any potential issues. ICCA commented on the robustness of the ISO27001 systems and procedures, stating that the college had managed the project well, therefore it was possible to follow a similar process with respect to GDPR.
- 17.110 The Chair was mindful of the implications involved for the College if compliance was not achieved and invited the Committee to consider whether a report should be presented to the Board in December. The Deputy Principal agreed with the principle of the Board receiving the report and questioned whether it was timely to present to the December Board or to the next meeting of the Committee which was in March 2018. Discussion took place regarding the appropriateness of a report outlining the College's action plan for compliance with GDPR and whether this should be a verbal or written report. The Chair referred back to the internal audit report, stating that currently there was no assurance around this, and therefore it was important the Board were apprised of the position and that awareness was raised of the action plan being put in place to ultimately provide the assurance. The Principal commented that he would prefer the Board to receive a written report from the VP F,D&C, rather than a verbal. Following confirmation from the Clerk that the Agenda for the Board had already been agreed with the Chair, the Clerk agreed to inform the Chair of the Committee's request.
- 17.111 The Chair invited members to comment on the individual action points within the report. Following discussion, and in response to a question from the Chair regarding the risks associated with non compliance, the VP Corporate Services assured the Committee that all risks would be added to the Board Assurance Framework which would be considered by the Committee next in March 2018.

**RESOLVED 17.112      That a report setting out management's Action Plan for compliance with GDPR be presented to the Board in December 2017.**

#### **H&S, Wellbeing & Incident Management**

- 17.113 The Committee received the report following the review of H&S, Wellbeing and Incident management which had received a substantial assurance opinion with one medium recommendation that had been accepted by management. The scope of the review had been to provide management and the Audit Committee with an independent assurance opinion that the College had established adequate and effective systems, processes, and controls regarding Health and Safety, Wellbeing and Mental Health and Incident Management.
- 17.114 ICCA advised the Committee that this was a clean audit and that the one medium priority recommendation related to two elements. The College's Disaster Recovery Plan (DRP) incorporated a Business Impact Assessment (BIA), however, this had yet to be fully rolled out across College. Service Department meetings were to be the forum to introduce this and once fully implemented would be monitored on an ongoing basis by the Head of Health & Safety. In addition, the College had yet to test its Lockdown Procedure and it had been acknowledged that the College was seeking input into the process from the local Counter Terrorism Security Advisors before doing so. D Shepherd referred to the action point and development of a software system being rolled out to wider staff, stating that this was a thorough approach, which was appropriate and whilst acknowledging it as a work in progress it had given the committee some comfort to know it was taking place.

The Report was noted and received.

### **Progress report**

- 17.115 ICCA presented a Progress report for information, which summarised work undertaken to date against the Plan including assurance opinions and number of recommendations.

The report was noted and received.

*M Ashton-Blanksby left the meeting.*

### **MONITORING OF AUDIT RECOMMENDATIONS**

- 17.116 The Committee received the Clerk's report which summarised progress against implementation of audit recommendations from 2016/17 and to date in 2017/18. The Clerk's report indicated that two recommendations from 2016/17 were still to be implemented; the first related to the review of Key Information systems, which was being undertaken in December and would be presented to the Committee in March. The second referred to a refresh of the Marketing strategy following the review of Apprenticeship reforms. The Deputy Principal stated that this remained a work in progress and should be completed around Christmas. The Chair suggested that it remain as outstanding/ 'work in progress' until the update in March. One further item not yet implemented had a future implementation date of 2018. Of the reviews undertaken to date in 2017/18, five recommendations had been made in total, one of which had been completed. Following an observation by D Watson of Grant Thornton, the Clerk advised that the recommendations arising from the external audit of the financial statements would be included in the March report.

The Report was noted and received.

### **FINANCIAL REGULATIONS**

- 17.117 The VP Finance presented the International Travel Policy, which had been introduced as a new policy associated with Financial Regulations. The Policy was an operational document and presented for information and completeness in respect of overall approval of Financial regulations. No questions were raised with regard to the Policy, which was noted and received.

### **ANNUAL REPORT ON FRAUD**

- 17.118 The Committee received the Annual Report on Fraud, noting the reference to one incident during the year which had been reported to the Committee and the external Auditors at the time. Following a question from D Shepherd, the VP Finance confirmed that the monies had been recovered.

The Report was noted and received.

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

- 17.119 The Committee received the Annual Risk Management report for consideration. The VP Corporate Services introduced the report, which summarised the college's risk management processes and outcomes for the year. The report sought to provide assurance to Governors that college risks were being effectively managed. The BAF had been presented to the Audit Committee twice in-year, and once to the Board in May. The BAF summarised the major risks facing the college based upon risk level in terms of finance, reputation and impact on students and was based upon a scoring system that logged residual risk scores, controls, inherent risk scores and actions needed to be taken to further mitigate risks. Adequacy of the risk controls, Board assurance measures (internal and external) and direction of travel of changes to the residual risk score were also included. Where relevant, each risk is linked to a college strategic goal.

- 17.120 The Report summarised how members of SMT owned and were responsible for risks in the risk register and that regular review of the corporate risks was undertaken via performance review and SMT meetings, leading to amendments to the BAF. During the year only minor changes had been made to the Risk Management Policy.

The Report was noted and received.

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

- 17.121 The VP Finance presented the report, which provided a summary of the college's assessment of its position as a going concern including information on the key managements judgements made in relation to the 2016/17 financial statements. In preparing financial statements the College was required to consider the assumption that the college would continue to operate as a going concern. In terms of the Going Concern assessment the college had reviewed the forecasts for 2017/18 and 2018/19. Whilst funding for the former was known, recruitment in 2017/18 had been good which provided security for income 2018/19. The VP Finance explained that the college would fall short of the HE target by £230k and by £165k on Work Based Learning budget for 2017/18, but the income shortfalls would be offset by expenditure reductions. The college has already seen some savings in expenditure in the management accounts. The college therefore remained comfortable in delivering the overall financial position in the latest financial plan.
- 17.122 A review of college cash flow for the next three years demonstrated the college had sufficient cash available. The College's overdraft facility of £2m was forecast to be used minimally for short periods of time and the VP Finance was confident that the College had sufficient headroom on this facility. The going concern assessment supported the immediate continuation of the College until at least December 2018.
- 17.123 Reference was made to the appendix which detailed the Going Concern disclosures, which featured in the Statement of Corporate Governance and Internal Control report in the financial statements and also in note one under Accounting Policies. Further detail on each judgement was provided for Committee's information.
- 17.124 In relation to Impairment, the use of the estate had been reviewed, with the conclusion that no building impairment was required. Whilst the current use of Belle Vue and the Fleets presented a risk of impairment, management believed the assets would continue to have future benefit to the college. The college sought to ensure its balance sheet showed a true and fair position of the LGPS Pension deficit. The assumptions underpinning the pension valuation had been reviewed by management and were judged as being appropriate in the context of the college and its workforce and operating environment. The assumptions include salary growth of 2% and applying a mortality rate lower than the rest of the country.
- 17.125 The VP Finance informed members that at this point the College had not yet tendered for the OML remedial works which would be carried out by Barnsley College Development Company Ltd under their obligation to Barnsley College in the Old Mill Lane design and build development agreement. A provision had been made in the accounts based on the Directors' best estimate of the costs expected to be incurred. The cost reimbursement from the OML legal claim which had been settled was reflected in the financial statements. However the college had not reached an agreement with the defendants in relation to whether VAT was payable, and the outcome of this was still unknown and subject to how the college progressed. The financial statements did not include any recovery or additional liability in this respect. Governors raised questions and discussed the anticipated outcome. In response to the Chair's question as to whether the Committee was comfortable the college had met the treatment requirement in this respect, Grant Thornton believed the basis of the provision to be satisfactory.

The Report was noted and received.

## **External Auditor's Report and Financial Statements for year ending 31 July 2017**

- 17.126 The Committee received the Auditors Report and management findings for year ended 3/7/2017, which indicated that an unqualified audit opinion would be issued on the consolidated financial statements for the College and its subsidiaries. Some outstanding items still to be completed included the receipt from Barclays loan (confirmation letter), a final review of the remaining assumption on life expectancies on the LGPS, review of Financial statements, cashflow, going concern and receipt of the final ESFA funding confirmation.
- 17.127 The principal areas of focus for the audit included risk of management override of controls and fraud, recognition and existence of all material revenues streams, completeness of creditors and of staff costs, valuation of debt balances and compliance with loan covenants. In addition, Auditors had focused on areas which were primarily management judgement, ie pension scheme valuations and disclosures, valuation of fixed assets, depreciation and impairment and provision for doubtful debts. Grant Thornton took members through the findings, summarising significant risks, possible risks and estimates and judgements and in summarising key points for information answered several questions from members.
- 17.128 The Audit findings for the subsidiaries indicated that in respect of Think Barnsley Limited, the College should produce a letter of support to Think Barnsley Limited to confirm the company as a going concern as a result of the net liability at the year end. The Chair noted that in relation to internal controls: review of issues raised in the previous year the point relating to Journals with no descriptions was to be carried forward. The Chair made reference to the report being published on the Gender Pay Gap, to which the VP Corporate advised that an analysis was being undertaken with a view to bringing a report to the Board in 2018 via F&R Committee. The F&R Committee was due to consider the Financial statements at its meeting on 7 December before the Board received them on 12 December. The Chair thanked Grant Thornton for a comprehensive and clear summary of key areas, stating that she was pleased with the anticipated unqualified audit opinion.

**RESOLVED 17.128.1      subject to final adjustments, to recommend the Financial Statements for the College and its subsidiaries for the year ended 31 July 2017 be approved.**

**RESOLVED 17.128.2      to recommend the College provide a Letter of Support to Think Barnsley Limited.**

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

- 17.129 The Committee's Report to the Board and Accounting Officer was received in accordance with the requirement of the Post 16 Audit Code of Practice. The Chair believed the report to be very comprehensive in terms of highlighting the assurance derived from a broad range of college activities which had been obtained through differing levels of depth and independence. The Chair emphasised that the Audit Committee must assess and provide the Corporation with an opinion on the adequacy and effectiveness of the Corporation's assurance arrangements, framework of governance, risk management and control processes for the effective and efficient use of resources, solvency of the institution and the safeguarding of its assets.
- 17.130 The Annual Report to the Board and Accounting officer therefore summarised the Committee's activities relating to the financial year under review and contained a statement of the Audit Committee's opinion on the level of internal controls operating within the College. These areas included the operation of robust audit processes demonstrated and confirmed by internal audit and the external financial audit, the employment of competent and highly skilled staff, assurance from senior managers in respect of the performance review process and the implementation of appropriate policies and procedures, which ensure checks and balances are effective.

The Regularity Audit raised no issues of concern. It was noted that the Report contained a reference to assurance around the HE Annual Provider Review return, which was still under challenge and scrutiny by the Quality and Standards Committee. An addendum relating to the recent Safeguarding monitoring visit by Ofsted would be incorporated into the final report for Board. Grant Thornton asked that it be noted the fee for additional services included TPS.

- 17.131 The Committee was satisfied that on the basis of the external Auditor's report and additional sources of evidence relating to the assurance framework, it was able to 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 17.132      that the Annual Report of the Committee to the Board and Accounting Officer be recommended for approval.**

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 \_\_\_\_\_ Dated \_\_\_\_\_