

**BARNSELY COLLEGE BOARD OF GOVERNORS**  
**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE**  
**HELD ON 19<sup>th</sup> JUNE 2018**

**PART I**

**Agenda Item 10.1**

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<b>PRESENT</b>	C Partridge D Shepherd S Brian P Clarkson	Governor (Chair) Governor Governor Governor (staff)
<b>IN ATTENDANCE</b>	M Bagshaw – Interim Clerk to the Board Y Koursis – Deputy Principal V Dalton – VP Funding, Data and Compliance T Johnson – VP Corporate Services K Stott – ICCA ETS R Barnett – RSM L Smith – RSM D Watson – Grant Thornton UK LLP K Gordon – Grant Thornton UK LLP	

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**APOLOGIES FOR ABSENCE**

- 18.18 Apologies were received from Sara Turton and Laila Lawton. Round table introductions were made. The Chair advised that the Board were currently undertaking a review of governance and therefore encouraged everyone present to comment on committee governance arrangements as the meeting progresses.

**DECLARATIONS OF INTEREST IN AGENDA ITEMS**

- 18.19 The Chair reminded members of the requirement to declare any financial or personal interest 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**

- 18.20 The minutes of the meeting held on 13 March 2018 (Part 1) were agreed as a true and accurate record and were signed by the Chair.

**MATTERS ARISING**

- 18.21 The Committee considered the list of actions arising from previous minutes and an update was noted on the following;
- Line 1 – this has been completed and is confirmed as having been completed in the follow up report scheduled later on the agenda from ICCA.
  - Line 2 – the suggestion that this Committee have an opportunity for a deep dive in to the top four key risks in the BAF is part and parcel of the Governance Task and Finish Group discussions.
  - Line 3 – an updated GDPR action plan was presented, as requested, to the Board in March and in addition there is a further update on this agenda later in the meeting.

## INTERNAL AUDIT REPORTS

- 18.22 ICCA Education Training and Skills presented a number of reports which complete their 17/18 programme.

### Apprenticeship Delivery

It was confirmed that the audit field work undertaken shows that the design of controls in this area is good, application and compliance are adequate and an overall substantial assurance opinion has been provided. She confirmed that the college does have some really good controls in place and field work identified just two improvement recommendations, one of which is a low priority and one of which is medium.

The committees' attention was drawn to page 18 of the pack which sets out the low recommendation made in relation to apprentice employer agreements. It was explained that an agreement for one apprentice in the sample was not available for review. This was an agreement with Leeds City Council and the apprentice started in October 2017. Further discussions with the College confirmed that there are seven other apprentices with this employer. In addition to this, auditors further identified three enrolment forms where the form did not indicate whether the apprentice was with a levy or a non-levy employer. It was explained that this recommendation is in reality a 'housekeeping matter'. It was confirmed that there has been a positive response from the College and the data manager is progressing this. He explained that the issue to resolve is the level of seniority of employee at the local authority who needs to sign the agreement. This is likely to continue to be a challenge, although assurance was given that the College is managing this.

Auditors acknowledge that this is a relatively common problem when dealing with local authorities and levy payers. The senior team provided assurance that they were aware of the delay and made the decision to start learners without a signed contract, however there was a commitment statement in place. The Committee questioned whether this issue will continue to be a problem and be repeated in subsequent years. It was explained that Leeds City Council are not the only organisation who struggle to complete and sign the paperwork quickly and it has to be accepted that the new forms involve a longer process than was the case before. It was confirmed that it is all about finding the right person to sign the form. Auditors confirmed that their recommendation relates to a purely administrative function and would not lead to a funding error.

The Committee questioned whether the College receives funding for these learners. It was confirmed that the College will through the DAS.

The second recommendation made is detailed on page 19. This is a medium recommendation regarding the requirement to provide and evidence 20% off the job training. Auditors explained that four of the twenty apprentices sampled, who attend College for day release, had a register in place, however a 20% off the job apprenticeship training log was not in place to capture off the job activities undertaken in the workplace. Furthermore one of the apprentices sampled did not have 20% off the job apprentice training log and was not on the one file system and another apprentices off the job activities had not been flagged in the one file system, therefore there was no time counted to date.

It was noted that the implementation date for this action was 20 February 2018. The Committee was given assurance that the improvements have been actioned and will remain as an ongoing requirement for all apprentices. Assurance was given that if this area were audited next year then this issue will not reoccur as the College moves on to the one file system. The committee were advised that there are plans in place to undertake internal spot checks. It was acknowledged by the committee that 20% off the job training is a fundamental part of the apprenticeship reforms and will remain a key driver and therefore this really needs to be addressed, although it was accepted that it is a challenge for colleges to put robust tracking in place.

In terms of an overview auditors confirmed that the design of the apprenticeship programme is very good and that what they have identified are minor compliance points.

**AGREED: to note the content of the report provided.**

#### **Learner Records and Funding**

Auditors confirmed that, again this is a good report with the design of controls deemed to be good, application of compliance good and a substantial assurance opinion provided. The Committees' attention was drawn to page 28 which sets out the one low recommendation. One minor point was identified which was in fact an under claim. The Committee questioned whether this was an isolated incident and were provided with assurance that it was. It was described as an error by a member of staff and assurance was given that this member of staff now clearly knows how planned hours are to be recorded.

**AGREED: to note the content of the report provided.**

#### **Fundamental Financial Accounting Controls**

Auditors confirmed that this was an excellent report with no recommendations made whatsoever. All agreed that the Vice Principal Finance 'runs a very tight ship'.

**AGREED: to note the content of the report provided.**

#### **Operational Management of Estates and IT**

Auditors confirmed that the design of the Colleges activities is good, application and compliance good and a substantial assurance opinion provided. The committees' attention was drawn to page 45 and 46 where there are two recommendations made, both of which are low. In relation to budget management there was a debate between the College and auditors as to what 'real time' information consists of, that being said the college has made a commitment to ensure that all budget holders have access to the most up to date financial commitment information available.

In terms of the context for this audit it was explained that estates and IT are significant spend areas for the College. All agreed in those circumstances that it was pleasing to see such a positive report.

**AGREED: to note the content of the update provided.**

#### **Follow Up of Previous Recommendations**

Auditors confirmed that all recommendations have been completed and a substantial assurance opinion provided. Auditors confirmed that they test completion and ask for evidence. They consider it as part of their scope to check on implementation.

**AGREED: to note the content of the report provided.**

#### **Internal Audit Progress Report**

Auditors confirmed that the content of this report is very similar to that which will be provided in the annual report which will be submitted to the college and this committee in the autumn term. It was agreed that ICCA would provide their annual report for 2017/18 but would not be required to attend the autumn meeting to present.

**AGREED: to note the content of the update provided.**

## MONITORING OF AUDIT RECOMMENDATIONS

18.23 The interim Clerk to the Board presented this report and the progress updates were considered;

- 1) Internal audit 2016/17 appendix 1A – the Committees' attention was drawn to the one action still to be completed, this is set out on line 17. It was agreed to amend the implementation date to April 2019.
- 2) Internal audit for 2017/18 (appendix 1B) – there is only one action outstanding, this is on line 5. A new implementation date was agreed as October 2018 and a request was made to leave this as an amber RAG rating rather than green until the action is concluded.
- 3) Internal Audit 2018 GDPR Advisory Review (appendix 2) – there is only one action still to be completed and this is detailed in section 3.6. It was confirmed that the implementation date for this is July 2018.
- 4) External audit (appendix 3) – the Committee considered the two actions partially implemented and still to be progressed and commented that the September 2018 target date for completion is quite close. The committee questioned whether the College was going to be able to hit this target as it was a significant task to be undertaken. It was agreed that Grant Thornton would pick up any outstanding issues in their summer planning meetings with the College.

**AGREED: to note the content of the updates provided.**

## EXTERNAL AUDIT PLAN FOR THE YEAR ENDING 31 JULY 2018

18.24 Grant Thornton introduced their first plan following their recent appointment to the College. They reminded the Committee that as part of the tender process they had offered to provide training to this committee and wider governors as required. They took the opportunity to confirm that they were incredibly pleased to have been appointed and are keen to bring in efficiency regarding the audit process. They intend to use analytics as part of their processes. They have made a commitment to pick audit samples well in advance to give as much time as possible for the internal college team to respond.

In terms of their plan there were a number of key matters considered:

- Page 94 – this sets out a summary of where information has been collected. In terms of financial performance there is nothing unusual. In terms of sector updates, 17/18 has been a quiet year with no significant changes. In relation to specifics, the going concern assumption is not considered to be a risk for the College, however the College is highly geared and forecasts a deficit for the current year, therefore there is a risk of bank covenants being breached. They noted that letters of support will be required for both of the Colleges subsidiaries which are Think Barnsley and Barnsley Development Company.
- Page 98 sets out the significant risks identified, these include:
  - a) The revenue cycle includes fraudulent transactions (college)
  - b) Management override of controls (all entities) – they confirmed that they have rebutted the revenue risks in relation to the subsidiary companies because of the size of activity that these organisations undertake.

In relation to revenue recognition they explained that they have split the revenue streams in to two, the first looking at funding body grant income and the second looking at tuition fee and education contracts income.

- Page 100 sets out reasonably possible risks identified and includes:
  - a) Staff costs – completeness of staff costs
  - b) Creditors – completeness of yearend liabilities.

In relation to staff costs it was confirmed that they will use data analytics software to test across a number of systems. They provided assurance that no extra time will be required from College staff unless there are anomalies found that need to be investigated. The challenge from the Committee was that in terms of the anomalies there needs to be an informed discussion with the College as to what is or isn't usual or reasonable.

The Committee questioned whether there is a risk that creditors could be over stated rather than under stated. Auditors confirmed that in their experience it is more likely that they are understated to increase profitability, however they provided assurance that they will test both ways. In terms of assets they will look at both assets and liabilities.

- Page 101 sets out key estimates and judgements. In terms of the pension scheme valuation for FRS102 they indicated that they have to be comfortable that the data that has gone to the actuaries is correct as well as the actuarial assumptions made being reasonable.
- Page 103 sets out the logistics of the audit and details who the team are. It was confirmed that the final audit management letter will come to this Committee at the scheduled meeting on 4<sup>th</sup> December 2018.
- Page 105 confirms auditors' independence and also details any non-audit services provided and or planned. Auditors particularly drew members' attention to the fact that the value of non-audit work is approaching the same value as audit work. The Committee agreed that there needs to be a policy introduced for how non-audit fees are agreed. Grant Thornton were invited to put forward proposals as to what such a policy would look like. The Audit Committee Chair was provided with delegated authority to approve on behalf of the Committee.
- Page 107 - it was noted that staff Governors should not be members of an Audit Committee, this will have an impact on membership for the next academic year.

The Committee discussed whether or not they had the authority to approve the plan as presented or whether it would need to go to Board as a recommendation for final approval. It was agreed that the interim Clerk to the Corporation would assess the terms of reference for this Committee and would advise the Chair on this.

(Post meeting note – there is no delegated authority for the Audit Committee to approve either the internal or the external audit plans)

**AGREED: to recommend that the Board approve the External Audit plan for the year ending 31<sup>st</sup> July 2018 as presented.**

## **FRAUD POLICIES**

18.25 The Vice Principal Corporate Services explained that the College currently has three policies relating to fraud, these are:

- Anti Fraud Policy
- Anti Bribery Policy
- Fraud Response Plan.

He indicated that the policies have been updated with the relevant legislation and guidance considered. He confirmed that the definitions of fraud and bribery have been updated following consultation with the Colleges new internal auditors (RSM). He confirmed that internal auditors will undertake risk assessments in relation to the potential for fraud.

The Committee considered the Anti Fraud Policy and were advised that there has been the inclusion of the definition of staff malpractice and reference to malpractice and maladministration in the policy, members' attention was drawn to page 123 where it was seen that the Nolan principals have been included in the update for the sake of transparency. It was confirmed that the policy will be reviewed after any incident of fraud is found or suspected.

Members' considered the fraud response plan and were advised that references to the SFA and Joint Audit Code of Practice have been updated to Education and Funding Skills Agency and Post 16 audit Code of Practice. There has also been the removal of the requirement to comply with the Regulation of Investigatory Powers Act 2000 as it is not relevant for the College. There has been an updated definition of fraud as defined in the Post 16 Audit Code of Practice.

The Committee then considered the anti-bribery policy and were advised that there have been no significant changes made.

**AGREED: to recommend that the Board approve as presented**

- a) The Anti-Fraud Policy
- b) The Fraud response plan
- c) The Anti Bribery Policy

## **WHISTLEBLOWING POLICY**

- 18.26 Members were invited to consider the changes which are clearly marked in red. The Committee considered page 146 and challenged whether it was appropriate that a whistleblowing disclosure relating to a member of the senior management team should be raised with the Principal rather than the Board. It was explained that there are twelve members of the senior management team which should be compared with five senior post holders. One member of the committee present questioned whether, for the Whistleblowing Policy to be effective members of staff need to feel that they have a direct line to the Board. It was confirmed that this is the case in relation to senior post holders who are managed by the Board, however members of the SMT are managed by the Principal. Assurance was given that the process is the same, however for members of the SMT the disclosure is to be made to the Principal rather than the Clerk. The committee debated whether or not this would give members of staff limited protection as it is still within managements control rather than being referred to an independent panel of governors. The committee agreed that this policy's intent was to focus on the protection of the individual and that this would be achieved irrespective of whether there was a whistleblowing allegation to either the Principal or to the Clerk.

It was noted that the flow chart on page 149 has been updated.

The committee questioned how accessible the policy is and how it will be used. The Vice Principal Corporate Services explained that policies are all available on Buzz and that for these particular policies there will also be an email to all staff informing them of the changes. The committee were advised that there is an online training module specifically focusing on fraud and anti-bribery.

The Committee questioned whether, in terms of fraud, irregularity and whistleblowing, the SMT know their responsibilities in terms of investigation and reporting to the Board. It was confirmed that all staff have direct access to HR to seek advice, however it was acknowledged that in any whistleblowing investigation it is often a difficult issue and a difficult process.

**AGREED: to recommend that the Board approve the Whistleblowing Policy update as presented.**

## **INTERNAL AUDIT STRATEGY FOR 2018-21**

- 18.27 RSM presented their proposed plan for 18/19 and explained that, to be developed around this is a rolling three year strategy. The Committees' particular attention was drawn to a number of matters:
- Page 151 explains how auditors have developed the plan, which they described as still being in 'draft'

- Page 155 focuses on emerging risks in the sector including;
  - Apprenticeship levy as an employer
  - Apprenticeship levy as a training provider
  - Governance
- Page 156 confirms that they will continue to work closely with other external providers such as external audit to ensure that duplication is minimised and a suitable breadth of assurance obtained.
- Page 157 confirms the fees which are in line with the tender. They also confirmed that they comply with internal auditing standards. They confirmed that they have no conflict of interests and provided assurance that the Committee would be advised if this information changes.
- Page 158 sets out a number of questions for this committee in terms of their role in reviewing the plan.
- Page 159 sets out the proposed plan for 18/19. The challenge from the committee to management was whether this covers all key risks. The Vice Principal Corporate Services confirmed that, so far as management is concerned this, does and has been compiled with reference to the BAF, risk register and also aligns with other assurance mechanisms which are already in place to avoid duplication. The committee specifically indicated that as part of the audits they would wish to see the testing of data quality.

In relation to the planned work to consider the Higher Education framework the Committee questioned whether the testing will help with the HE review currently being undertaken. The Deputy Principal confirmed that the planned work is more about quality testing and getting the College ready for TEF. The committee felt that there was potentially a much broader exercise to be undertaken to align with the HE review.

In terms of the testing proposed regarding Curriculum Planning the committee questioned whether this audit will give assurance regarding alignment with employer requirements. It was explained that as currently planned this is not the case. The work planned instead is testing the college in terms of readiness for:

- a) Capacity building
- b) Increased work experience, &
- c) T Levels.

The challenge from the Committee was for the senior team to ensure that audit work undertaken leads to improvements in areas that are known to need improvement i.e. HE and the curriculum. The Deputy Principal explained that as currently planned the pieces of work do not converge. The Committee accepted this information but indicated that, if this is the case, then the Committee needs to know where any assurance gaps are and how these will be sourced/provided from elsewhere.

There was a committee question which related to a confidential matter. *Confidential matters refers.*

In considering the scope of the audit the committee felt that there were a number of key areas where deep dives would be required elsewhere, including:

- a) The Sixth Form
- b) Apprenticeship Curriculum Provision
- c) Employer requirements

A challenge from the Committee Chair is that there are a lot of days provided for in terms of funding reviews, she questioned whether the extent of time proposed was needed given the fact that the Colleges finances have never received anything other than substantial assurance through internal audit testing. She believes that a proportional approach needs to be taken in terms of testing.

Auditors confirmed that data testing will be undertaken to look at anomalies and the

possibility of duplication. They confirmed that their three year rolling programme will be refreshed each year. It was acknowledged that GDPR is still a 'hot topic' and therefore compliance testing is appropriate. In terms of the 'TBCs' it was noted that these will be populated once the plan has been approved by the Board at its July meeting.

**AGREED: to recommend that the Board approve the Internal Audit strategy for 2017/18 as presented (however it was felt that there is a broader discussion to be had regarding HE audit work).**

#### **TRANSACTIONS WITH COMPANIES REGISTERED IN THE REGISTER OF INTERESTS**

18.28 The Committee considered the report prepared by the Vice Principal Finance and acknowledged that this information provides transparency and will also be required as part of the regularity audit. They agreed that there were a number of actions to be completed to improve future reporting:

- a) An additional column to be added to clarify whether the interest disclosed relates to a member of staff or a governor
- b) D Shepherd to update his register of interests now that his remit has extended in terms of land transactions. All agreed that this was something that the Board needed to be more fully aware of
- c) On the reverse of each Board agenda for the next academic year there is to be a summary of governor interests declared, with a request to governors to confirm that the position still remains accurate as recorded.

**AGREED: to note the content of the update provided.**

#### **CALENDAR OF MEETINGS**

18.29 The Interim Clerk confirmed that Audit Committee meetings for the next academic year have been scheduled. These are to take place on:

- 18<sup>th</sup> September 2018 at 4pm
- 4<sup>th</sup> December 2018 at 4pm
- 26<sup>th</sup> March 2019 at 4pm
- 25<sup>th</sup> June 2019 at 4pm

**Part 1 of the meeting concluded.**

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