

Meeting Minutes of the Audit Committee

Held on Tuesday 4th December 2018 at 4.00 pm
at Barnsley College, Old Mill Lane, Acklam Room (A1.33)

Present: Clare Partridge (Chair)
David Shepherd (Governor)
Sara Turton (Governor)

In attendance: Shazia Nazir (Clerk to the Board)
Yiannis Kouris (Deputy Principal)
Laila Lawton (Vice Principal – Finance)
Tony Johnson (Vice Principal – Corporate Services)
Vince Dalton (Vice Principal – Funding, Data and Compliance)
Phil Briscoe (Vice Principal – Quality & Student Experience)
Monika Liskiewicz – Grant Thornton UK LLP
Lisa Smith – RSM

PART I – For Publishing

BUSINESS MATTERS

A.18/020	<p>Quoracy</p> <p>The meeting was quorate.</p>
A.18/021	<p>Apologies for Absence</p> <p>Apologies were received from:</p> <ul style="list-style-type: none"> - Simon Taylor (Governor) - Simon Brian (Governor) - Deborah Watson (Grant Thornton LLP)
A.18/022	<p>Declarations of Interest</p> <p>There were no declarations of interest.</p>
A.18/023	<p>HE Annual Monitoring Report 2018</p> <p>Phil Briscoe gave a brief overview of a report which was the substantive item of an extra-ordinary meeting held on 26th Nov 2018.</p> <p>It was RESOLVED to approve the report</p> <p><i>Phil Briscoe left the meeting.</i></p>
A.18/024	<p>Minutes of the last meetings on 19th June 2018 and 18th September 2018 (Part I and II)</p>

	<p>The decisions taken at the last meeting held on 18th September 2018 were approved. The minutes of the meetings held on 19th June 2018 and 18th September 2018 (Part I and II) were approved as an accurate record.</p> <p>It was RESOLVED to approve both sets of minutes.</p> <p>Both sets of minutes were signed by the chair.</p>
A.18/025	<p>Matters arising</p> <p>There were no matters arising.</p>
A.18/026	<p>Rolling Action List</p> <p>The Board considered the list of actions.</p> <p>A.18/006 Rolling Action List – recommend to board to close the outstanding item regarding the GDPR advisory review action plan which was covered on the agenda of the audit committee meeting on 18.9.2018.</p> <p>This item is expected to go to the board meeting 18.12.2018.</p> <p>It was RESOLVED to leave this item open.</p> <p>A.18/004 Minutes of the last meeting on 19th June 2018 (part I and II) – approve the minutes at the next audit committee meeting in December 2018.</p> <p>This was covered under agenda item 4 – refer to A.18/024.</p> <p>It was RESOLVED to close this item.</p> <p>A.18/010 Board Assurance Framework – speak to chair of the board regarding a deep dive / scrutiny group for maths and English.</p> <p>Clare informed the meeting, she had spoken to Simon Perryman about a deep dive/scrutiny group for maths and English.</p> <p>It was RESOLVED to close this item.</p> <p>A.18/016 GDPR Action Plan – present to board and consider closing the action plan.</p> <p>This item would be going to the board meeting 18.12.2018.</p> <p>It was RESOLVED to leave this item open.</p> <p>A.18/017 Audit Committee Self-Assessment; – defer until the next audit committee meeting on 04.12.2018.</p> <p>This was covered under agenda item 19 – refer to A.18/038.</p> <p>It was RESOLVED to close this item.</p> <p>A.18/012 ESFA Audit Outcome – Present the report to the audit committee when it is available.</p> <p>A report was circulated, which the chair advised she had sight of the shortly before the committee meeting. She felt there was no major areas of concern, rather that the stated actions were largely administrative items. Vince Dalton advised he was</p>

	<p>pleased with the report overall, but acknowledged there was some areas of improvements, including a section regarding sub-contracting.</p> <p>It was suggested adding the actions to the audit monitoring tracker. Vince Dalton advised the follow-up work would be undertaken in February 2019 and presented to the audit committee in March 2019.</p> <p>It was RESOLVED to include as part of the internal audit schedule for the current year.</p>
A.18/027	<p>Notification of items of any other business</p> <p>There were no other items of business.</p>

MATTERS FOR CONSIDERATION / DECISION

A.18/028	<p>Audit Committee Induction / refresher training</p> <p>Handouts were given to all members and Lisa Smith took the committee through a presentation, covering the following:</p> <ul style="list-style-type: none"> • UK governance code • HM Treasury ARA committee handbook 2016 • The role of the non-executive director (including the Higgs Report 2003) • Nolan's Principles of Public Life • Sector Requirements – conditions of funding agreement and Post 16 Audit Code of Practice • Letter to College Accounting Officers in April 2017 • Ofsted • Board Assurance Framework (covering the internal, external and the funding audit). <p>The presentation summarise the key role for the committee. This was to provide an opinion on the adequacy and effectiveness of the board's assurance arrangements, framework of governance, risk management and control processes for the effective and efficient use of resources, solvency of the college and the safeguarding of its assets.</p> <p>The chair thanked Lisa Smith for the useful induction and refresher training session.</p> <p>It was RESOLVED to note the information.</p>
A.18/029	<p>Internal Audit Reports:</p> <p>10.1 I.T. Audit: ISO27001</p> <p>Lisa Smith assured governors the IT audit of ISO27001, which was undertaken by one of RSM's IT specialists was a clean review and no concerns were raised.</p> <p>The committee asked if any breaches of information security was considered as part of the audit. Vince Dalton suggested that questions had been asked about whether breaches had taken place in the last year and the auditors had asked to see evidence of the processes in place to deal with such issues. He added there had been no such breaches in the last year. Members of the committee expressed concern and were sceptical the college took this view, as an example of a clear data breach was the complaints log which had been previously presented to the board which had not been anonymised. Vince Dalton argued that this was not</p>

	<p>necessarily classed as a data breach, as the complainants received a copy of the complaints policy which indicated that governors would receive full details of the complaint. Members added that data breaches could occur through simple errors such as sending an email to the wrong person, and asked if staff were aware of procedures to follow with such incidents. The view was reinforced to the committee that there was no data breaches, and the college were open to further testing to give the necessary assurances to the committee. Senior leaders asked if there was anything the college could do that was beyond just the compliance aspect. Lisa Smith advised that the planned GDPR audit would be considering this.</p> <p>Members of the committee were confident that good processes were in place, but suggested data breaches should be approached on the same basis as health & safety and 'near misses'. This was about the organisational culture in place and this could be explored through the GDPR.</p> <p>The committee agreed no further action was necessary at this stage.</p> <p>It was RESOLVED to note and approve the I.T. Audit: ISO27001 internal audit report.</p> <p>10.2 Higher Education Framework – Competition & Markets Authority</p> <p>Lisa Smith discussed the 2 medium and 1 low action priority outlined within the report. She noted some good practice was identified including around collaborative partnerships, and the complaints policy was developed in line with best practice guidance.</p> <p>Following a query from a committee member, a discussion took place on the name 'university campus', and Yiannis Koursis advised the college would be proceeding with re-branding, but it was no part of the internal audit.</p> <p>In response to a question on the format of the reports, the committee agreed that exception reporting was acceptable.</p> <p>It was RESOLVED to note and approve the Higher Education Framework – Competition & Markets Authority internal audit report.</p> <p>10.3 Progress Report</p> <p>Lisa Smith provided an overview of progress to date.</p> <p>A change to the sub-contracting audit in the audit plan was noted. This would be removed and a separate piece of work would be undertaken due to the requirement for a separate engagement letter. The fee would remain unchanged.</p> <p>The committee asked that the separate engagement letter is circulated to the board.</p> <p>It was RESOLVED to note the progress report.</p>
A.18/030	<p>Annual Risk Management</p> <p>Tony Johnson presented a brief report to the committee and highlighted the following information:</p> <ul style="list-style-type: none"> • The BAF had been presented to the board 4 times in the last year and to the Audit committee on 2 separate occasions. • From the BAF 2 of the risks had been removed around IT/ILT and industrial action.

	<ul style="list-style-type: none"> • The residual risk had changed for GCSE maths and English as had the risk pertaining to tertiary status. • An incident response procedure had been introduced which included training and a thumb turn system in all sites. • Business impact analysis had been introduced which considers department reliance on IT etc. The risk section includes disaster recovery, succession plan and actual performance risk plan. <p>It was questioned how the risk was being used to informed discussions at board in terms of the 'deep dives' and the balance score card. Tony Johnson responded by suggesting the audit committee would consider the risks, and the decision to establish deep dive / scrutiny groups was one that rested with the board. He added that the BAF allowed for greater scrutiny and the fact that it went to board 4 times (more than anticipated) was evidence of the embedded process of considering the risk and whether the needs existed to explore it further.</p> <p>Members asked why protecting tertiary status did not appear in the plan as a deep dive/scrutiny group, as the risk had increased. The committee was informed that whilst it was not possible to have a 'deep dive' with all risks, it was up to the board to evaluate the risks, and determine the need. Yiannis Kouris added that discussions on protecting tertiary status was potentially an area that could be reflected on through one of the creative sessions.</p> <p>It was RESOLVED to note and approve the annual risk management report.</p>
A.18/031	<p>Fraud Summary 2017/18</p> <p>Laila Lawton provided a summary of fraud reporting during 2017/18, noting there were no known incidents. She added, wider college training on fraud and anti-bribery was in the process of being rolled out.</p> <p>It was RESOLVED to note the Fraud Summary 2017/18.</p>
A.18/032	<p>Going Concern and Management Judgements</p> <p>Laila Lawton advised the committee she had carried out a going concern review for the college and its subsidiaries and in doing so the forecast and cash position had been included. She advised that it was her opinion that the college was a going concern.</p> <p>It was RESOLVED to note the going concern report and management judgements.</p>
A.18/033	<p>Financial Statements – Auditors report for year ending 31.07.2018</p> <p>Monika Liskiewicz presented an overview for the committee, reporting no significant risk findings. There was 1 adjustment between balances that had been raised, along with 3 control recommendations and some outstanding items.</p> <p>The committee heard that with respect to the pension scheme, the actuarial pension had been undervalued and a re-valuation had been requested. Laila Lawton advised this was an error that lay with the actuaries who had applied the same rate as salary growth. She anticipated the report being available for the board meeting, as the financial statements could not be signed off without this information.</p> <p>The committee questioned how important this was to the readers of the financial statements. They were assured that it would not affect the performance of the college or affect the covenants with the banks. The Chair advised she would look over the pension valuations and provide the necessary assurance to the board.</p>

	<p>In response to questions about the cash flows, covenants, the committee was re-assured by the auditors of their confidence with the 12 month forecast.</p> <p>A question arose about whether the auditors considered payments in relation to alcohol at the college. Monika Liskiewicz advised the comments had derived from the ESFA conference, and allowable expenditure relating to alcohol had been examined to ascertain whether expenditure fell within the strict controls.</p> <p>The committee discussed the 3 internal control recommendations which had been rated amber. An anomaly had been discovered on the payroll master file relating to a staff member who had re-joined the college. A duplicate record had been created with different employee numbers. The auditors commented that there was an increased risk of the employee being paid twice. Laila Lawton commented that the college did not agree with the risk. The report extracted from the system was inaccurate and only one record existed for the employee upon re-joining the college, hence there was no risk of overpayment. The HR consultants had been contacted to identify the cause of the issue with the report error. She added, the other 2 control measures had been accepted, and were being addressed.</p> <p>A discussion took place on the review of all the issues raised in the previous year, including the use of suspense accounts within the fixed assets register. Laila Lawton advised that this would not be cleared down each year end as the college capital year runs from April to March and there would be items which were purchased but not installed in this account each year end. The auditors had identified a risk in relation to the fixed assets register which they deemed to not be clear enough. Senior leaders argued that a detailed register was in existence with descriptions and locations, but they acknowledged that the reporting of additions had not been sufficiently developed to allow this information to be reported effectively. The issue was complicated by the lack of availability of experienced consultants with fixed assets experience in Agresso. The committee agreed to keep the items under review for further discussion and scrutiny.</p> <p>A discussion took place concerning the governance arrangements and if these were reflected in the financial statements.</p> <p>Subject to the pension adjustment and regularity being finalised, the auditors expected the audit to be a 'clean' report.</p> <p>It was RESOLVED to note the information and to present the updated financial statements to the board.</p>
A.18/034	<p>ESFA Management Letter</p> <p>It was RESOLVED to note the information.</p>
A.18/035	<p>Annual report of the Audit Committee</p> <p>The committee considered the report, which the auditors agreed was very comprehensive.</p> <p>An error was noted in relation to staff training regarding anti bribery, and the committee asked that this be removed from the report. They also asked that the terms of reference be included, noting that staff members would no longer be eligible to serve on the committee.</p> <p>It was RESOLVED to approve the Annual Report of the Audit Committee.</p>

A.18/036	<p>Clerks Monitoring of Audit Recommendations</p> <p>The clerk provided a brief summary of the audit recommendations. It was noted there was 1 outstanding item from 2016/17 which was not due until April 2019, and 3 new risk identified in 2018/19 audits, which had been discussed earlier in the meeting.</p> <p>It was RESOLVED to note the Monitoring of Audit Recommendations information.</p> <p><i>Yiannis Koursis, Laila Lawton, Tony Johnson and Vince Dalton left the meeting.</i></p>
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MATTERS FOR INFORMATION

A.18/037	<p>Meeting of the auditors (without executive team present).</p> <p><i>This was covered in Part II of the confidential minutes.</i></p>
A.18/038	<p>Audit Committee Self-assessment (Governors only)</p> <p><i>This was covered in Part II of the confidential minutes.</i></p>

ANY OTHER BUSINESS

A.18/039	<p>Any other business</p> <p>There was no other business.</p> <p>It was RESOLVED to note the information.</p>
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FUTURE MEETING(S)

A.18/040	<p>Dates and time of future meetings:</p> <p><u>2018/19</u></p> <p>Tuesday 26th March 2019 at 4.00pm [Venue TBC] Tuesday 25th June 2019 at 4.00pm [Venue TBC]</p>
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The meeting closed at 18.33

Signed (Chair) _____ Dated _____
Clare Partridge