

COLLEGE BOARD OF GOVERNORS

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON
28 SEPTEMBER 2016

PRESENT: C Partridge Governor (Chair)
S Turton Governor
D Shepherd Governor

IN ATTENDANCE: A J Oaks (Clerk to the Board)
Y Koursis (Deputy Principal)
T Johnson (VP Corporate Services)
L Lawton (VP Finance)
V Dalton (VP Funding, Data & Compliance)
D Watson (GT UK)
J Creed (ICCA ETS)
P Clarkson (staff Governor)

APOLOGIES

16.71 Apologies were received from A Milanec.

DECLARATION OF INTERESTS IN ANY AGENDA ITEM

16.72 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

16.73 The Minutes of the meeting Part I and II, held on 21 June 2016 were agreed as a true and accurate record and were signed by the Chair.

MATTERS ARISING

16.74 The Committee received a list of actions arising from previous meetings. The Chair referred to the action point regarding management judgements and key audit findings, particularly in relation to FRS102 and sought confirmation from the VP Finance that a paper would be presented to the next meeting to enable the Committee to give due consideration to management judgements. GT UK confirmed that they would expect to receive this at the next meeting. The Chair proposed the action point relating to Anti Fraud and Anti Bribery policies be removed from the list as this would no longer be applicable in the current year.

16.75 ICCA confirmed that a Benchmarking report would be presented to the Committee at some point during the year when data became publicly available, which was likely to be in the spring term. With regard to staff training for Whistleblowing, the VP Corporate Services informed members that a programme of training had commenced for all staff, with separate sessions for academic and support staff, HODs, and a bespoke session for SMT/SLT. Following a question from the Chair regarding training for new employees, the VP CS explained that it was compulsory for all new staff to attend induction, which covered all college policies. Part of the induction included staff attending a series of training sessions in-year which would include whistleblowing.

16.76 The VP Finance advised that it was the intention to engage an external consultant to deliver the Anti Fraud and Anti Bribery training for staff and that it would comprise separate sessions for HoDs and SMT/SLT.

16.77 The Chair noted that the action point from the last meeting to present a report to the Committee had been deferred to March. The VP Funding, Data and Compliance explained

that a decision had been made to schedule an audit of QA procedures at the end of November/ early December which would take some time to validate. Members expressed some concern at the delay and sought to understand the reason for undertaking a whole college audit rather than focusing on Construction as identified initially. The VP F,D&C **acknowledged members' concerns, stating that a decision had been taken by management** to review procedures across college where 50% of grades awarded were derived from internal assessment. SFC and GCSE would therefore be excluded from the review. The Chair acknowledged the decision, commenting that the Committee was keen not only to see the findings but the risk based approach being implemented going forwards across college.

COMMITTEE EFFECTIVENESS

16.78 Members of the Committee had completed a short survey at the end of the summer. The Chair referred to the analysis and invited governors to comment. In terms of taking actions forward it was agreed that with such a low return it would be more productive for the committee to discuss the findings in a separate session and determine appropriate action points. It was agreed to convene immediately prior to the next meeting.

COMMITTEE TERMS OF REFERENCE

16.79 The Committee Terms of Reference were presented, having been reviewed by the Clerk and with a proposed minor amendment. The Chair was keen to ensure that the Committee received all audit reports for assurance purposes, particularly SFA and EFA reports when conducted. The VP FDC commented that there had been no SFA/EFA audits undertaken this year. subject to minor amendments as discussed, the Terms of Reference were accepted as fit for purpose.

RESOLVED 16.80 to amend the Terms of Reference and recommend for approval.

INTERNAL AUDIT REPORT – HIGHER EDUCATION GROWTH STRATEGY

16.81 The Committee received the report following a review of the HE Growth Strategy. The report provided an overall substantial audit opinion and contained one medium priority recommendation which had been agreed by management for implementation by the end of October 2016. ICCA summarised the scope and findings of the review, explaining the rationale for making the recommendation to add financial targets to the HE growth strategy/action plan to highlight the impact that a shortfall in recruitment or failure to retain students may have. ICCA confirmed that they were content with the management response and timing for implementation. Following a question from S Turton regarding **management's response**, the VP FDC commented that going forwards management **intended to include a breakdown of 'headcount' in the learner numbers and funding report** presented to the F&R Committee, to identify the number of new recruits, on programme, progression rates and impact on cash. The Deputy Principal commented that the Board, through F&R scrutiny, would be made aware of any issues and if appropriate, decisions would be taken in-year to address any shortfall. The Chair was satisfied with the management actions and observed that whilst it was a medium priority recommendation the report overall provided a substantial opinion.

The Report was noted and received.

BOARD ASSURANCE FRAMEWORK

16.82 The Committee received the detailed BAF and a covering report highlighting changes made since the last report to the Committee. The VP CS explained the rationale for the changes which included the inclusion of the new strategic priorities and associated risks. The risks associated with protection of Tertiary status and ABR had been merged. The Chair had **observed that there were two separate risks relating to the failure to deliver 'Outstanding'** at Ofsted but had recognised that the risks had different existing controls in place and were managed separately. The Deputy Principal reported that Performance Review meetings at period 12 were currently taking place and it had been brought to the attention of management that Heads of Department were keen to show on their respective risk registers

where positive changes had been made to mitigate risks, and to the point at which they could be removed from the register. It was therefore proposed to incorporate an indicator within the BAF to highlight the direction of travel with regard to residual risks. Members agreed this would be very useful. Following a question from S Turton, the Deputy Principal explained how risks were identified and discussed at PR meetings each quarter followed by a review of the BAF at SLT before being presented to the Committee. Members noted the Committee would next receive the BAF at the March 2017 meeting following which it would be recommended to the Board as agreed.

The Report was noted and received.

INTERNAL AUDIT ANNUAL REPORT 2015/16

- 16.83 The Committee received the Annual Internal Audit Report for year ending 31 July 2016. J Creed reminded the Committee that in line with the Joint Audit Code of Practice the requirement to submit the report to the SFA had been removed and replaced with the requirement for the Committee to submit its own Annual Report once approved by the **Board. The Committee's opinion on the College's internal controls would include, amongst other areas of assurance, assurances gained from the Annual Internal Audit report.**
- 16.84 Attention was drawn to the assurance opinion which stated that *'based on the work undertaken during the year and the implementation by management of previous internal audit recommendations, we can provide the Audit Committee and Corporation with reasonable assurance that Barnsley college's governance, risk management and systems of internal control were operating adequately and effectively, and that there were no instances where any breakdown of control resulted in a material discrepancy. In our opinion, the College has adequate and effective governance, risk management and systems of internal control in place to manage the achievement of its objectives and securing economy, efficiency and effectiveness'*. The Audit Committee were encouraged to review and assess the opinion as part of preparing its Annual Report to the Corporation in support of the preparation of the Statement of Corporate Governance and Internal Control within the **College's Annual Report and Accounts for 2015/16.**
- 16.85 The summary of the opinion components was also highlighted, J Creed commenting that the Committee should note the positive trend over recent years with regard to the opinions given. A total of 14 assurance reviews covering a range of key risk areas had been undertaken during the year, 2 of which had been advisory. Some areas set out in the Plan had been changed in year with the agreement of the Committee, and a total of 48 days had been expended against the agreed 50. Referring to the summary of assurance opinions, the Chair commented that it was an extremely positive report.
- 16.86 In response to a question from the Chair, ICCA believed that in comparison with other FECs in the sector, controls were extremely good, it being noted that no **'limited' assurance** opinions had been given in-year. Whilst a table within the report highlighted the number and priority of recommendations made over the last three years, due to the areas covered within the Plan this could not be used as a comparator. The Chair thanked ICCA for the work undertaken by them in producing a clean report highlighting a majority of substantial assurance opinions. Thanks were also conveyed to management for the manner in which audit recommendations had been received and actioned.

RESOLVED 16.87 To recommend the Annual Internal Audit Report be approved.

WHISTLEBLOWING POLICY

- 16.88 The Committee received a report summarising proposed changes to the Whistleblowing policy. The VP CS explained the background to the proposed amendments which were mainly around clarification of certain clauses. Following discussion and comment from governors on the importance of clarity, the Committee suggested that a flow chart to describe the process be appended to aid understanding and make the policy more user-

friendly. The VP CS undertook to incorporate this for dissemination to staff. Further to consideration the Committee was content to recommend the proposed changes.

RESOLVED 16.89 to recommend the proposed amendments to the Whistleblowing Policy be approved.

MONITORING OF AUDIT RECOMMENDATIONS

- 16.90 The Committee received a report summarising the position with regard to the implementation of audit recommendations. A total of 31 recommendations had been made during the year, eight of which had arisen from Advisory reviews. In total, 23 had been fully implemented and five were work in progress. 1 had a future implementation date and two had been superseded. Reviews that had been undertaken as advisory had resulted in eight recommendations being made, The Chair asked for management to provide an update on all actions rated amber, and work in progress.
- 16.91 The Clerk commented on the actions arising from the advisory review of corporate governance and board effectiveness that had been undertaken in 2015, the recommendations of which would have been considered following the outcomes of the Area Review process. The Committee were informed that the G&S Committee had discussed options to engage an external consultant to facilitate a bespoke session to review **the Board's effectiveness, governance model and structure** in the new year as part of its annual self evaluation process. It was agreed to revisit the advisory points at the March 2017 meeting.
- 16.92 With regard to the HEIFES data return, the VP FDC advised members that the data return was not due until early November therefore the action point would not be implemented until after that date.
- 16.93 The VP Finance referred to the post implementation review of the new finance system and explained the reasons for the delay in achieving implementation of the agreed action points. A revised deadline of November/ December was proposed to allow the issues to be resolved, which the Committee accepted. The issues experienced had also impacted on the **college's ability to implement** the recommendations made with regard to the review of cash handling, however the VP Finance assured members that these would be implemented by end of October 2016. Following questions from Committee members with regard to the potential impact on the audit of the year end accounts, the VP Finance assured the Committee that she was confident about the position in terms of data at the year end and had no concerns. The Chair referred members to the external audit recommendation made last year, and GT confirmed that manual journals would be produced for testing and reporting against controls.

The Report was noted and received.

FRAUD INCIDENT REPORT

- 16.94 The Committee received a report summarising actions taken by management in relation to an incident that had been reported verbally to the Committee at the last meeting. The VP Finance commented that further to investigation it had been agreed the matter related to staff malpractice. Noting that the College had a policy in place for Malpractice, the Chair recognised that a common sense approach was required in response to incidents that could invoke different college policies, but commented that it had been useful for the Committee to have been made aware of the matter. Further discussion took place regarding the action that had been taken to resolve the matter which was noted by the Committee.

The Report was noted and received.

JOINT AUDIT CODE OF PRACTICE 2016

- 16.95 The Clerk advised the Committee that a revised JACOP had been issued in June 2016 containing minor amendments. Of note was the requirement for the Regularity Audit SAR to be signed off by the Principal and Chair of Governors at a suitable committee meeting in advance of the reporting of the year end audit work. The Clerk reported that the SAR had

been completed and would be circulated to the Chair for comment, with a view to sharing it with the Committee at the next meeting. Whilst this was not ideal in terms of timing, D Watson from GT UK said that it was important for the Audit Committee to take responsibility for the SAQ in order to provide assurance to the Board before signing off the Accounts. Members were content with the proposal for reviewing the regularity SAQ.

RESOLVE 16.96 that the Regularity Audit SAQ be forwarded to the Chair of the Committee for comment, and presented to the next meeting for consideration

OTHER BUSINESS

- 16.97 The Clerk reminded the Committee of its responsibility within the Terms of Reference to meet with Auditors without management present. It was agreed that this meeting should take place immediately after the next meeting on 29 November 2016.
- 16.98 The Clerk reported that P Clarkson would be joining the Committee from November. In addition, Simon Brian would be moving from the Finance & Resources Committee to become a member of the Audit Committee bringing the membership back up to five plus one co-optee. The Chair shared her views regarding the skills and expertise of members, particularly the need to avoid over-reliance on any particular member, which she wished to discuss in more depth with members at the Committee effectiveness session on 29 November 2016.

There being no further business, the Chair closed the meeting.

Signed _____ Chair

Date _____