

Minutes of the meeting of the Audit Committee held on **18 June 2018**.

Present: Liz Stanley (Chair), Cllr Ken Richardson and Ann Corrigan.

In attendance: The Principal, the Head of Finance, Rob Winter - Barnsley MBC Internal Audit Services (up to and including min A18/53), Pamela Radley - Barnsley MBC Internal Audit Services (up to and including min A18/53), Mark Lockwood - Grant Thornton (up to and including min A18/53) and the Clerk to the Governors.

Apologies: Glen Sheppard and Seb Schmoller.

A18/21 **DECLARATIONS OF INTEREST**

With respect to:

- His role as chair of the BMBC Audit Committee Ken Richardson declared a potential conflict of loyalty in relation to BMBC audit services.

A18/22 It was agreed that no decisions to be taken would be affected by these interests and it was not considered necessary for anyone to withdraw from the meeting.

A18/23 **MINUTES OF THE LAST MEETING**

The minutes of the meeting held on 26 February 2018 were approved as an accurate record (a copy is filed in the minute book).

A18/24 **MATTERS ARISING FROM THE MINUTES**

A18/3 It was reported that the draft digital strategy would be considered by the Board of Governors at its meeting in July 2018 which could include consideration of a role for Audit Committee in terms of monitoring.

A18/6 A sample fire risk assessment had been provided for consideration at this meeting.

A18/12 It was reported that the College, in liaison with the chair of the Audit Committee, had requested that the proposed risk register review be undertaken in 2018/19 in order to enable the new Principal to be involved.

A18/18 It was reported that the Board had approved the appointment of Grant Thornton as the College's financial statements auditors for 2017/18.

A18/25 **MEMBERSHIP MATTERS**

It was reported that:

- due to changes in the Post 16 Audit Code of Practice which stated that staff governors should not be members of an audit committee Neil James had stood down from the committee;
- Seb Schmoller would be standing down from the Board of Governors on 31 July 2018 and would therefore no longer be a governor member of the Audit Committee;
- a range of proposals had been agreed by the Search Committee with regards to membership of the Audit Committee which would be presented to the Board of Governors for consideration at its meeting in July 2018;
- that if accepted these proposals would bring the committee back to full membership for its next meeting in November 2018.

A18/26 The committee recorded its thanks to Neil and Seb for their contributions.

A18/27 **INTERNAL AUDIT SERVICE****(A copy of document 5i is filed in the minute book)**

The committee considered a report from the internal auditors which presented an update on progress and changes since the last meeting and reports from audits during the period. It was noted that:

- the profiling of a number of audit assignments has been amended – the information governance audit had been deferred to enable work to be progressed relating to the General Data Protection Regulation (GDPR);
- the facilitation of the risk register/ assurance matrix discussion had been deferred until after the new Principal commences at the College.

A18/28 The committee supported the changes and considered the approach, timing and potential added value in relation to the information governance audit. It was agreed that the focus should be on sharing good practice and be proportionate to the size of the organisation.

A18/29 The committee considered the **Audit Recommendations Follow up Audit Report for 2017/18** and noted that:

- the objective of the audit was to provide assurance that the College had appropriately implemented the internal audit recommendations made in 2016/17 and any earlier recommendations reported as outstanding in the 2016/17 audit report;
- overall it was reported that the review had confirmed that the College continued to make good progress implementing appropriate actions to address internal audit recommendations;
- 7 out of 11 (64%) actions followed up had been fully implemented;
- 1 low priority recommendation raised in the 2016/17 learner numbers report had not yet been implemented due to the planned implementation of new software systems;
- 3 actions had been partially implemented;
 - 1 medium risk raised in the 2016/17 student support fund report related to providing training to other members of staff for the preparation of student support fund spreadsheets - it was noted that significant progress had however been made;
 - 2 low priority recommendations reported as outstanding in 2016/17 relating to the launch of the new College website, which was imminent, and the implementation of an ICT security policy, which was planned to incorporate new data protection regulations.

A18/30 The committee welcomed the report and the progress made and noted that the Head of Finance prepared an audit recommendation status report for each audit committee which supported the process. The committee particularly explored:

- progress regarding the ICT user policy and noted that this was now in place but required some further updating;
- the timeframe for the launch of the new College website.

A18/31 It was reported that the approach to follow-up for 2018/19 would be amended to enable review of the progress with the implementation of recommendations to be on-going basis throughout the year.

A18/32 It was noted that a meeting with the Head of Finance and the new Principal to plan for 2018/19 had been fixed for September 2018.

Resolved: i **That the report be noted.**

A18/33 **AUDIT RECOMMENDATIONS STATUS REPORT**
(A copy of document 6i is filed in the minute book)

The committee considered the regular report which outlined the status of previous audit recommendations and enabled it to ensure that they were appropriately implemented in a timely manner.

- A18/34** The committee noted that:
- Eight recommendations had been completed since the last meeting;
 - There were six outstanding recommendations, four from previous audits and two from the recent payroll audit;
 - It was anticipated that the recommendation from the commercial audit would be completed this month following the launch of the College's new website;
 - All other recommendations were in progress.

A18/35 The committee considered the proposed restructure of the finance team and the complexities involved.

A18/36 The committee were assured that appropriate progress was being made and welcomed the development reported.

Resolved: **i That the report be noted.**

A18/37 **FINANCIAL STATEMENTS AUDITORS**

(A copy of document 7i is filed in the minute book)

The financial statements auditor presented the **Audit Plan for the year ending 31 July 2018.**

A18/38 It was noted that the audit was risk based, the work of the audit team would be based around the key areas of significant risk, and that the key and reasonable risks for the College had not changed since the previous year and were as follows:

Key

- Cycle includes fraudulent transactions;
- Management override of controls;

Reasonable

- Grant income is accounted for inappropriately (occurrence);
- Employee remuneration is understated (completeness);
- Operating expenses are understated (completeness);
- Pension scheme assets and liabilities may be misstated.

A18/39 It was noted that testing of key risks was compulsory for all audits and had not arisen as a result of anything specific to the College. The auditor explored with the committee whether there were any other areas they wished them to explore; no additional areas were identified.

A18/40 The committee explored the risk that pension scheme assets and liabilities may be misstated in detail and noted that:

- The College continued to use the services of a professional actuary to carry out a valuation of the pension fund using assumptions agreed with management;
- Working with internal actuaries Grant Thornton would:
 - benchmark adopted pension actuarial assumptions with expectations;
 - review the underlying assumptions and calculations supporting the recognition of any net pension deficit against scheme rules and accounting requirements;
 - review the relevant disclosures relating to staff costs and pensions within the financial statements;
 - assess the movement in pension assets compared to prior year;
- There were some complexities to the accounting for the Universities Superannuation Scheme (USS) which was also due a triennial review, but that it was not anticipated that this would be a particular risk as the approach was relatively formulaic.
- The key risk remained the valuation of the defined benefit local government scheme.

A18/41 It was reported that there were a number of changes to the regularity assurance report for the year which included:

- reporting accountants no longer receiving confirmations from the ESFA in respect of regularity;
- clarity that significant fraud now included that which is systematic or unusual;
- simplifying reporting arrangements so that all identified significant or material fraud is disclosed in the assurance report on regularity.

A18/42 It was not anticipated that these changes would pose any risks for the College.

A18/43 It was reported that communication between the internal and financial statement auditors was now more frequent and this was proving beneficial.

A18/44 The committee explored whether there had been any changes made to the approach to materiality which would impact on the time required for the audit and noted that changes were minor and no impact on time was anticipated.

Resolved: **i That the report be noted.**

A18/45 **ASSURANCE AND RISK MANAGEMENT**
(A copy of document 8i is filed in the minute book)

The committee considered the **risk register** and noted that:

- a number of new risks had been added arising from departmental risk registers including C3 - failure to renew the College's central management information system; C6 - allegation against a member of the Children's Centre staff; and E1 - major blockage in the College drainage system;
- F1 - failure to draw down Adult Learning Loans Bursary funding stream leading to loss of ESFA funding had been a key risk for the year – the committee explored the potential financial impact and reasons, noting that the College had undertaken substantial analysis and that predictions for 2018/19 were very positive.

A18/46 The committee:

- Explored E1 in detail including potential remedial work, implications and contingency planning. The committee noted that no actual blockages had occurred to date, there was no immediate issue, any work would be pre-emptive, contingency arrangements had been included in the College's disaster recovery plan, further investigation was on-going and any action required would be included in the report arising from the recent condition survey which would be considered in detail by the Policy and Finance Committee;
- Explored risks related to services provided to the College by Capita;
- Noted that any risks related to the change in Principal had been taken into consideration by the financial statements auditors in their assessment and that a risk had been included in the risk register regarding single points of failure, acknowledging that the risk did not only relate solely to the role of Principal.

A18/47 The committee was satisfied that the risks identified, the scoring applied and the controls in place were appropriate.

A18/48 The committee considered the **Risk Management Annual Report** and noted that:

- for the foreseeable future it was the intention for the services of an internal audit provider to be retained;
- new internal audit providers had been appointed in July 2017;
- the College's risk register had been updated to incorporate specific links, for each individual risk, to the College's strategic plan;
- further work had been undertaken to maintain engagement in risk management with the College's first line managers and the approach had proved to be very useful as a medium to identify any additional risks that were not currently on the main College risk register and supply further information concerning existing risks.

A18/49 The committee was satisfied that the overall approach to risk management remained appropriate

for the needs of the College.

Resolved: i That the report be noted.

A18/50 ORDER OF BUSINESS 2018/19

(A copy of document 9i is filed in the minute book)

The committee considered the proposed Order of Business for 2018/19 and noted that:

- It remained largely in line with previous years;
- Two new areas had been included:
 - Personal data breach reporting;
 - Health and safety reporting.

A18/51 The committee welcomed the proposal that they undertake oversight in these areas.

A18/52 It was agreed that the November 2018 meeting had a large number of items for inclusion on the agenda and it was agreed that the anti-bribery policy be moved to February 2019.

Resolved: i That with the inclusion of the amendment at A18/52 the order of business be recommended to the board of governors for approval.

A18/53 POLICIES FOR APPROVAL – WHISTLEBLOWING

(A copy of document 10i is filed in the minute book)

The committee considered the Whistleblowing Policy which had been updated as part of the regular cycle of review. The committee:

- noted that there were only minor amendments proposed;
- requested that the statement in 7.1.3 'If you report your concern to the media, in most cases you'll lose your whistleblowing law rights.' be double checked for accuracy;
- agreed that clear designated email contact details should be included and that the chair of the audit committee should be added as a designated person;
- agreed that reference to customers in 4.1 should be changed to students;
- considered the appropriateness of the policy title and whether serious concerns policy would be more applicable, the committee agreed however that serious concerns was likely to be misleading and were happy to stay with the current title.

Resolved: i That the Whistleblowing Policy be updated and presented for consideration at the next meeting.

A18/54 CONFIDENTIAL MINUTES OF THE LAST MEETING

(A copy of document 11i is filed in the confidential minute book)

The confidential minutes of the meeting held on 26 February 2018 were approved as an accurate record (a copy is filed in the confidential minute book).

A18/55 PERSONAL DATA PROTECTION

(A copy of document 12i is filed in the minute book)

The committee received and noted the Personal Data Protection report which provided an update on progress towards compliance with new data protection legislation.

A18/56 EXAMPLE FIRE RISK ASSESSMENT

(A copy of document 13i is filed in the confidential minute book)

The committee considered the example fire risk assessment which had been provided in response to the request at the last meeting. It was agreed that:

- there were some areas of concern regarding the actual example provided e.g. recognition of risks related to the café, both currently when it was not in use and in relation to any future plans, the location of dust bins;
- not all areas where remedies were required were picked up in the action plan;
- this should be fed back to the relevant staff.

A18/57 The committee also agreed that they would like to explore the scrutiny process for risk assessments and health and safety more generally, including management and oversight and agreed to bring the health and safety audit planned for 2018/19 forward, with the work on the risk register being deferred if required.

Resolved: i **That feedback regarding the example risk assessment be fed back to relevant staff.**

 ii **That the health and safety audit planned for 2018/19 be brought forward, with the work on the risk register being deferred if required.**

A18/58 **PRINCIPAL'S REPORT**

(A copy of document 14i is filed in the minute book)

The committee received and noted the Principal's Report - March 2018.

A18/59 **REVISED POST 16 AUDIT CODE OF PRACTICE**

(A copy of document 15i is filed in the minute book)

The committee received and noted the revisions to the post 16 audit code of practice published in March 2018.

A18/60 **OTHER BUSINESS**

The committee formally recorded its thanks to Jill Westerman and offered her their very best wishes for her retirement.

A18/61 **DATE AND TIME OF THE NEXT MEETING**

The date of the next meeting is **Monday 12 November 2018** at **11.30am**.

Signed	
Position	Chair of Audit Committee
Date	