

Minutes of the Barnfield College **Audit Committee** Meeting held on **Tuesday 21 November 2017 at 5.30 pm** in the Board Room, Barnfield College, New Bedford Road, Luton LU2 7BF.

Governors	Cumulative Attendance	Present at this Meeting
Trevor Warrs (Chair)	2 of 2	✓
Alex Bain-Stewart	1 of 2	✓
Nick Barrett	2 of 2	✓
	Percentage Attendance to date 83.3%	Percentage Attendance this Meeting 100%

In Attendance: Tim Eyton-Jones – Principal and Chief Executive, Teck Kua – Executive Director Finance and Resources, Adrian Brook- Moore Stephens, Sam Abbas – RSM (IAS), Lisa Milligan – Clerk to the Corporation.

1. Welcome and Apologies for Absence

The Chair welcomed everyone to the Meeting. The Meeting was quorate

2. Declaration of Financial and Non-financial Interests

There were no declarations of financial or non-financial interests.

3. Notification of Items of Any Other Business

There was no additional business notified. The Chair advised that those in attendance would be asked to withdraw at the end of the meeting to give Members an opportunity to meet the Internal and External Auditors in private.

4. Minutes of the Previous Meeting

The Clerk apologised that although she had correctly recorded Alex Bain-Stewart as absent, the attendance summary did not show 'apologies received' nor was the percentage attendance recorded correctly. The Committee noted attendance at the meeting held on 10 October 2017 was 66.7%. Noting this correction the Minutes of the meeting held on Tuesday 10 October 2017 were APPROVED by the Committee and SIGNED by the Chair as an accurate record.

5. Register of Actions and Matters Arising

The Committee REVIEWED the Register of Actions and NOTED the AOC briefing, Colleges and the General Data Protection Regulations (GDPR).

The Committee agreed to take Item 7 next.

7. Review for Recommendation to the Board, the Report and Financial Statements to 31 July 2017

In reviewing the Financial Statements, the Chair commented that the deficit position appeared to have worsened. Teck Kua, Executive Director Finance and Resources, explained that the difference between the management and final accounts was mainly due to pension adjustments. Nick Barrett asked about the timetable for the production of the financial statements and the Chair commented that the Audit Committee was earlier than previously. The Clerk confirmed, as approved by the Board, the final Board meeting of the calendar year had been brought forward by a week as it was felt it was too close to Christmas and the Audit Committee had also been brought forward to allow a fortnight

between the two. The dates of all meetings had been known prior to the Executive Director's audit planning meeting with Moore Stephens. The Executive Director explained if the position on pension was not material then the College could choose not to include, however, the College had missed the 2014 cut-off and the pension issue is therefore ongoing. Trevor Warrs asked what the College's level of materiality is. Adrian Brook said the Executive Director and his team would have their own view, however Moore Stephens considered 1-2%. Nick Barret asked whether, if material, it appeared on the staffing line and Teck Kua confirmed this was the case.

The Committee noted staff costs of nearly £10.5m in 2016-17. The Principal advised, as confirmed by an AoC colleague, quality recovery is significant. He explained he and the Executive Director would seek to bear down on costs as natural wastage occurred. By way of example, he explained a Manager had left in November who would not be replaced as his role had been shared between other managers and this had afforded a substantial saving. The Principal advised the Executive Director has been directed to draft a staffing costs strategy statement which will show how the College will grow at the same time as securing staffing efficiencies through natural change and wastage. Teck Kua amplified explaining the introduction of blended learning and T Levels will bring savings. He advised the new finance team was working hard on building efficiency in their analysis of the management accounts which would come to Board.

The Principal explained the approach would be recognised by staff as fair, open transparent and balanced. He gave an example of curriculum mapping to deliver shared core and options which would offer greater choice to learners but keep delivery hours to a minimum. Teck Kua drew the Committee's attention to the consolidated statement of cash flow on page 30. The Principal reminded the Committee that the College received no financial support whatsoever in relocating the College to the planned new build, highlighting cash flow as a real concern.

Nick Barrett considered the College would need to take financial advice in moving the project forward and it was important to keep this in mind and begin to frame what was required. The Principal referred to the College being in Early Intervention and the Committee agreed the principle of securing advice which views the project in the context of the College's overall operation and financial position. The Committee asked Teck Kua, Executive Director Finance and Resources to draw up a short list of possible advisers.

Action Executive Director Finance and Resources: Evaluate and prepare a shortlist of possible financial advisers with regard to the Capital Project/cash flow/ borrowing requirement etc.

Members of the Audit Committee reviewed the Financial Statements and noted a number of inconsistencies and amendments. The Executive Director Finance and Resources explained all matters would be corrected in the final version which would come to the Board. Alex Bain-Stewart commented the new Head of Finance and Management Accountant appeared to have done well given they were new to the sector. The Committee asked that in his review the Executive Director made the context clear and took a clinical review of the narrative presented. Adrian Brook, Moore Stephens asked that the Executive Director reconsidered the financial review section and expanded on the content. He asked also that the Financial Statements Report reflected the Head of Internal Audit opinion regarding the control framework. Adrian Brook advised the Committee that it needed to be assured with regard to the statement of going concern, page 31. He considered this a critical part of the process and advised the Committee should take a view based on the underlying papers; in so doing he referred to the three-year financial plan which the Executive Director had forwarded to him which indicated a concern regarding the financial status in 2018. There was a concern as to the status of this financial plan and the Executive Director advised he had sent to the Auditors an early draft of the version showing a completion and move in date

of September 2021. This Plan it was noted had not been seen by the Committee or Board. The Executive Director indicated he would review the Plan further prior to issue for approval.
Action Executive Director Finance and Resources: review Three-year Financial Plan prior to seeking approval.

Nick Barrett said it was essential there was good visibility on all matters and that the College had a clear plan to ensure it remains a going concern in 2018 and thereafter. The Committee noted anticipated key dates with regard to the new build and land disposal and asked for clarity on the revenue from the Bute Street Car Park.

Action Executive Director Finance and Resources: Complete all actions above. Review and revise report and financial statements, as discussed and noted on the register of actions, share with Committee for approval by email and forward to Adrian Brook, Moore Stephens, by 28 November 2017.

The Committee REVIEWED the Report and Financial Statements for the year ended 31 July 2017, as drafted to date.

6. Receive Barnfield College Audit Progress Report

Adrian Brook, Moore Stephens, spoke to the Audit progress report on the 2016-17 financial statement. He drew the Committee's attention to the audit status on page 3 and advised the biggest piece of work to be undertaken is the going concern review. Adrian Brook advised, he would explain to the College's Executive Director, Teck Kua, what was required. Adrian Brook addressed the issue of the payroll fraud which the Committee Chair and Clerk had advised him of earlier. He did not expect this to impact on material misstatement. Adrian Brook referred the Committee to Appendix 2, Recommendations for Management. He commented that there were more weaknesses this year than in the previous, but he considered this largely due to the new finance team who had joined only in the summer and had not had sufficient time to get to grips with systems.

Nick Barrett voiced concern at what were basic matters, for example bank and fixed asset reconciliations. Teck Kua said he would work with the finance team to address the recommendations. Adrian Brook noted given the cash issue, bank reconciliation was key. Adrian Brook asked if the Committee had any questions and the Chair thanked him for his clarity.

The Audit Committee NOTED the Audit Progress Report prepared by Moore Stephens.

8. Review the Regularity Self-assessment 2016-17

Teck Kua advised the Regularity Self-assessment had been sent to the external auditors for information and review, but it had not been reviewed and returned. The Executive Director advised he would forward it for circulation to Members at a later date and prior to Board.

Action Executive Director Finance and Resources: circulate via Clerk as above

9. Receive Head of Internal Audit Opinion 2016-17

The Committee was reminded that it had requested at a previous meeting a Follow-up Review of Student Application to Enrolment and Risk Management as the reports had provided, respectively, no and partial assurance. The Committee had been made aware that as a result of the Internal Audit findings for 2016-17, the Head of Audit opinion was likely to identify weaknesses in the framework of risk management and control. Members acting on the advice of the internal Auditors, wished therefore to place some assurance on the Follow-up Review which would assess the extent to which the agreed actions had been completed. The Committee therefore turned its attention to Paper 9b, Internal Audit Follow-up Report: 7.16/17, which had been circulated in advance. The Chair reminded the Committee that the Internal Audit Plan was drawn from risk priorities and therefore to receive entirely 'green' IA reports would not be satisfactory. Sam Abbas, RSM, summarised the work of the Follow-up

Audit and Members noted that of the fifteen agreed management recommendations thirteen had been fully implemented.

The Committee turned its attention to Paper 9c, Key Financial Controls: Payroll and Expenses 6.16/17. The Committee noted the internal Auditors had been advised by the Executive Director, after the internal audit had been completed, of an £800 payroll fraud which had taken place the previous November. Regrettably, management actions were not agreed for some months and the report had only recently been finalised. The Committee noted the Report provided Partial Assurance and reviewed the management actions agreed.

The Chair returned to the Annual Internal Audit Report and Opinion, Paper 9a. Members NOTED on page 2 of the report the Head of Internal Audit Opinion 2016-17, 'There are weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective'. Sam Abbas, RSM, explained the Opinion is given on the basis that three of five internal audit reports were on the wrong side of the assurance line - partial or no assurance, rather than reasonable and substantial assurance. Sam Abbas invited questions. The Chair commented he was frustrated by the audit outcomes, nevertheless, audit was risk based and the reviews had allowed the College to focus attention on the improvement of priority areas. Adrian Brook reminded the Committee to ensure the Financial Statements Report reflected the Internal Audit Opinion, as previously noted.

The Committee agreed to review the 2017-18 plan and importantly the Audit priorities for 2018-19 at its March meeting.

Action Clerk: as above

The Committee REVIEWED the Internal Audit Progress Report 2017-18, Paper 9d, and NOTED an internal audit opinion of substantial assurance for Paper 9e, Estates and Capital Expenditure – Project Management 1.17/18.

10. Consider and Review Draft Annual Report of the Audit Committee

The Clerk apologised and tabled, following receipt of the Audit Progress Report, an updated draft Annual report for the Members of the Committee's consideration. She asked for Members to forward any comments and explained she would circulate a final draft for their approval prior to issuing to Board.

Action Clerk: Circulate the Annual report of the Audit Committee to Members for approval prior to issue to Board

11. Standing Item - Review Corporate Risk Register

The Committee REVIEWED the Corporate Risk Register. The Chair asked for an update on the monitoring of the College's apprenticeship provision which the Principal provided. The Committee noted two additional risks had been included on the Register – Apprenticeship provision and the new build. Adrian Brook asked about Risk 9 cash reserves and the Executive Director explained there was some risk of clawback but he considered the risk to be reducing and the amount overstated.

12. Note Internal Audit Action Tracker

The Committee REVIEWED the Internal Audit Tracker. It was agreed to bring to future meetings a summary indicating: total number of management actions and owner; number of actions completed – in time and over time, number to be completed – by when and reasons for any overdue, and number of new actions

Action Executive Director Quality and Improvement/Clerk: as above.

13. Any Other Business

The Committee NOTED the GDPR timeline to May 2018. The Executive Director agreed to bring an update to Board and a further update to the Audit Committee in March 2018.

Action Executive Director Finance and Resources: as above.

14. Date and time of next meeting

The next meeting of the Audit Committee will take place on Tuesday 6 March 2018 at 5.30pm.

Tim Eyton-Jones and Teck Kua left the meeting at 8 pm, to allow Members to meet with the College's Internal and External Auditors in private.

Signed: _____
Trevor Warrs, Chair of the Audit Committee

Date: _____