

**Minutes** of the Barnfield College **Audit Committee** Meeting held on **Tuesday 6<sup>th</sup> March 2018** at **5.30** pm in the Board Room, Barnfield College, New Bedford Road, Luton LU2 7BF.

<b>Governors</b>	<b>Cumulative Attendance</b>	<b>Present at this Meeting</b>
Trevor Warrs (Chair)	3 of 3	✓
Alex Bain-Stewart	2 of 3	✓
Nick Barrett	2 of 3	<b>Not present</b>
	Percentage Attendance to date <b>77.7%</b>	Percentage Attendance this Meeting <b>66.6%</b>

**In Attendance:** Susan Evans – Interim Finance Director, Dan Harris – Head of Internal Audit, RSM - Lisa Milligan – Director Quality and Improvement, Caron Montague - Clerk to the Corporation.

### **1. Welcome and Apologies for Absence**

The Chair welcomed everyone to the Meeting. Apologies for absence had been received in advance from Tim Eyton-Jones and Nick Barrett and were accepted. 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.

### **4. Minutes of the Previous Meeting**

The Notes 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**

Actions are either ongoing, completed or on this meeting's agenda. Matters raised:

- The College has moved on with Susan Evans as Interim Finance Director and as part of the FE Commissioners recommendations we have been advised to retain financial advisors. Tim Eyton-Jones and Lisa Milligan have met with Chris Mantel who has good FE background knowledge. He would be a co-opted member of the Finance Committee and provide external scrutiny. Dan Harris stated that he worked with him in a previous role and believed that he had a very good skill set, was more than competent and would be robust in providing challenge to the College and Governors.
- Discussions continue with Barclays Bank in regards to securing a £5m facility. The College is also exploring this possibility with Metro Bank as Barclays are not addressing this request with the urgency required.
- Financially the College is not in a very good position with an expectation that cash will run out at the end of this month. An application for emergency financial support from the ESFA will need to be made by Friday 9<sup>th</sup> March. The initial request will be for £1m with a £500,000 maximum for March.
- Clarification has been received by Eversheds that the 'put and call' option could only be implemented if we failed to get planning consent on Bute Street. New negotiations would be required if the College were wanting LBC to take the land back.
- The FE Commissioner alluded to an annual review of Audit Committee. We are now in extreme breach by not submitting our Financial Statements. Some revisions have been made to both Audit Committee and Financial Statements reflecting Internal Audit opinion and follow up. Financial Statements are clear with both Ian Lennox and Lisa Milligan providing numbers and narrative moving forward.

- Draft Financial Recovery Plan is being discussed with ESFA, monitoring meetings have commenced.
- DSat reports. PFA audit took place with an action plan created. Skip Singleton is leading with progress monitored twice termly. Every department now has its own QIP with Lisa Milligan meeting Heads of Departments once per term. Dan Harris enquired as to whether the College had implemented the previous actions agreed in the learner numbers review undertaken by RSM at the end of 2015. This review raised a number of issues with a partial assurance (negative) opinion provided in 2015-2016. Lisa Milligan responded that Audit Tracker was inherited and now she was going back to first principles and systematically working through. The PFA are reviewing funding significantly. Each learner will be on an English and maths programme or face disciplinary procedures. All Functional Skills learners will be placed on GCSE courses to achieve progress levels of one or more. Discussions are evolving regarding the possibility of Karl Bentley, a funding specialist with RSM who works on the funding audit contract that RSM have with the ESFA, coming into College to give guidance.
- Getting data is still a constant narrative along with rebuilding the financial side where it has been stripped back to basics. Data for the Board needs to be presented in a simple format to tell a story to see how it is working and to show transparency as funding lines are complex and difficult to follow.

## **6. General Data Protection Regulation (GDPR)**

Paul Rolfe – Head of Technologies is the lead for the College. Governors questioned whether the College was on track for 25<sup>th</sup> May implementation. The GDPR Compliance timetable is being worked through although there was query as to whether the College has resources to implement all requirements.

There are 13 actions on the timetable with 11 due without any update. The Chair asked RSM for a view on the timetable presented who suggested that the document was not felt to be reassuring. Under GDPR the DPO cannot be someone who looks after data. Are resources required for a Data Protection Officer and if so what requirements are needed to ensure compliance.

**Action Point – Clerk to contact Paul Rolfe for update as a matter of urgency.**

## **7. ESFA – Provider Risk and Assurance Funding Review 2016-2017 Report and Action Plan**

The Committee NOTED the ESFA Funding Assurance Review.

## **8. Internal Audit Progress Report - RSM Marketing**

The Internal Audit Marketing Plan confirmed that an established Marketing Strategy was in place at the College aligned to the three year development plan and mission statement. Successful marketing will lead to increased applications.

The Apprenticeship Employee Strategy will need to take a new form now the provision has been graded Inadequate by Ofsted. Barnfield will be taken off the approved register but will contact employers to help keep apprentices currently studying. Although it is a small overall percentage of learners it will have a financial impact.

Departments now have marketing clarity with targets and actions set. Accountability is set with Heads of Departments. This is driven from the curriculum plan tested and supported by funding. It will be more positive and robust moving forward. Courses should not be run without a financial model.

Board have discussed receiving an annual detailed marketing report rather than the regular informal paper on marketing events and performance.

KPI's are required for terms 2 and 3, term 1 already in place. SMT reviewed but there is no reassurance evidence just number of registrations. At a basic reporting level there is a need for a spread sheet showing department, courses, target number, numbers applied, interviewed, accepted and arrived. This will show where learners are lost and model impact.

Chair thanked RSM for a very useful piece of work.

### **Internal Audit Progress Report**

There are a number of changes to the current Internal Audit Plan proposed due to the current and evolving risk profile of the College, the ESFA's Notice to Improve and recent Ofsted inspection. Management had discussed some of these areas with RSM and some proposed changes had been noted within the progress reports for the Committee's discussion and approval. Committee APPROVED auditable area changes:

- Apprenticeship Levy/Financial Forecasting
- Key Financial Controls – Apprenticeship Income
- Examinations

The FE Commissioner will scrutinise year end financials. A funding report has not been requested for the last two years, which with hindsight, might have picked up issues earlier. Committee to consider for next year to address coverage of learning numbers. All forecasts cannot be totally accurate but have to be written within certain tolerances reflecting worst case/best case scenarios and risk implications of +/- 5%.

The Committee reviewed planning audits for the following year agreeing that Business Continuity with IT should be addressed. Physical state of estates would also be a requirement.

### **9. Internal Audit Tracker**

This item has been addressed.

### **10. Internal Audit – Priorities for 2018-2019**

The external Audit Service agreement is in place until 31<sup>st</sup> July 2019. At this stage it was too late to address terms and conditions for the next audit. This agenda item to be reviewed at our next meeting to review provision going forward.

#### **Action Point – Clerk to add to agenda.**

An up-to-date Risk Register will be required to inform the 2018-2019 priorities. The Audit Committee will need to reflect upon learner number point. This is part of the FE Commissioner's recommendations that must be addressed. A viable curriculum plan is important and it is crucial that Governors understand the marketing plan and review from base as the College must have more learners registered.

It is unusual not to have some IT coverage in a three year strategy; it is vital to have a back-up system. The College could consider a self-assessment cyber checklist. Further discussion would be needed between RSM's IT Audit specialist and the College management on the specific coverage of the scope of an IT audit.

### **11. Standing Item – Risk Management**

The Committee REVIEWED the Corporate Risk Register. Risk Management now sits with Lisa Milligan. One risk management meeting has taken place where residual risk ratings were changed. Item 9 was an example discussed – risk was originally £10m but far too high and now cited as £1.5m due to potential to clawback when the site is sold and monies reinvested. Minutes of meetings will be tabled and found useful giving background to process and first line assurance.

Committee discussed risk around not achieving budget and controls that are in place with first, second and third line assurances which take you into a circle of planning, monitoring and

evaluation. Workshops are being held with Subject Area Leads to rebuild the Risk Register, previously this was addressed annually now it is termly with review dates scheduled. The aim is for Governors to review termly.

Not achieving good at Ofsted was a risk; it did not happen and is still perceived as a risk. Governors questioned whether this damaged our reputation, funding, continuation to business. Lisa Milligan explained that Business Continuity Planning had not taken place for a long period of time and was an area to develop with RSM.

## **12. Review External Audit Service**

Looking at Terms and Conditions we are now far too late for the next audit.

## **13. Receive Financial Regulations and note Fraud Policy**

Governors RECEIVED the Financial Regulations. The Fraud policy is addressed in Appendix I (pages 56 – 63) duly NOTED and REVIEWED.

Lisa Milligan confirmed that the police were taking no further action with the payroll fraud identified last year as it was not seen to be in their best interests. The Financial Regulations would be proof read before issue.

## **Whistleblowing Policy**

The Audit Committee has a role to address whistleblowing issues. Committee AGREED for the tabled Whistleblowing Policy to be reviewed for statutory updates by the HR Manager then sent out to consultation to all staff, including Union Representatives before recommendation to the Board.

## **14. Audit Committee Self-Evaluation**

The Committee discussed outcomes with the following points raised:

- Committee is aware that the Principal is not a member but invited to attend even though he has completed a self-evaluation analysis.
- Reassuring that the self-assessment was accurate although some questions were difficult to answer with yes/no responses.
- Trevor Warrs has completed two terms as Chair of Committee but continuity is a powerful argument in our current financial climate.
- A Finance Committee must be appointed – members of the Audit Committee cannot sit on both (as stated in the Audit Code of Practice).

## **15. Any Other Business**

The Committee enquired as to whether the recent VAT on subcontracting article in FE Weekly was a concern that needed to be addressed. RSM are currently addressing concerns raised and will be issuing some guidance as it is not as clear cut as suggested in the article. RSM agreed to email the Interim Director of Finance and Director of Quality and Improvement with these details. The article implies that substantial fines could be implemented across the sector.

**Action Point – Dan Harris as above.**

## **16. Date and time of next meeting**

The next meeting of the Audit Committee will take place on Tuesday 12 June 2018 at 5.30pm. The meeting closed at 7.25pm.

**Signed:** \_\_\_\_\_  
**Trevor Warrs, Chair of the Audit Committee**

**Date:** \_\_\_\_\_