

Minutes of the Audit Committee meeting held at the Watford Campus on 2 July 2019 at 1700 hrs.

Present	Guy Ainsley	Chris Nicholls	Ben Stapleton (Chair)
In Attendance	Shachi Blakemore (Buzzacott)	Ralph Devereux (Clerk)	Paul Goddard (Scrutton Bland)
	Cath Gunn (BC Principal)	Eamonn McCarroll (DOF)	
Apologies	Irina Kendix	Phil Thompson (Corp Chair)(Attendee)	Gill Worgan (Principal)(Attendee)

40/18 ELIGIBILITY, QUORUM, DECLARATION OF INTERESTS

The apology was accepted, The meeting was quorate, no notice had been received of any Member becoming ineligible to hold office and there had been no interests declared.

41/18 MINUTES OF THE LAST MEETING

The Minutes of the last meetings held on 26 February 2018 and 5 June 2019 (Special) were confirmed for electronic signature; action delegated to the Clerk. **(Action 1)**

- a. The information was received.
- b. Action had been identified. (Register AT 50/18)

42/18 MATTERS ARISING FROM AND ACTIONS REQUIRED FROM THE MINUTES

- a. WHC. Actions from the Minutes. All action from the minutes had been completed or were in progress, in particular:

26.02.19 See referenced minute for full detail		Status
Action 1	24/18. Previous minutes confirmed for signature.	Complete
Action 2	26/18. IAS/R&A opinion to inform ACAR and AFS.	
Action 3	26/18abc. Consolidated and prioritised action plan required.	42/18b
Action 4	26/18d. Completion of BC Corporation actions to be verified	
Action 5	26/18f. Full review of BC LNS tbc by Easter.	In progress
Action 6	27/18. Special AC meeting tbc on 5 June.	Complete
Action 7	27/18. BDO Plan and fee recommended to Corporation.	
Action 8	30/18b. GDPR/Whistleblowing annual updates to AC.	47/18a&b
Action 9	31/18. Updated R&A annual plan to be amended.	Complete
Action 10	31/10. Urgent R&A reviews arranged electronically.	

05.06.19 See referenced minute for full detail		Status
Action 1	36/18a. Reference to "Governors Expenses" to be amended.	Complete
Action 2	36/18a. Regularity SAR recommended to the Corporation.	
Action 3	36/18b. `Rep Letter of Representation rec to Corporation.	
Action 4	36/18 further information on FRS102/fair value adjustment	
Action 5	36/18e. WHC to be identified as recipient as successor body.	
Action 6	36/18f. Statement re IAS opinion scrutiny by WHC	
Action 7	36/18f. Cash Flow, other minor issues/typos to be amended.	
Action 8	36/18f. AFS recommended to the Corporation.	

- b. Barnfield College (BC):
 - (i) Internal Audit Service (IAS) Recommendation Tracker. At the 26 February 2019 meeting the AC had considered six RSM Field Reports and had required tracking of progress, accordingly, the recommendations and status of the required action

had been tabulated by Field Report, RAG Rated for priority of attention, implementation dates identified and responsibility allocated. The Tracker at Appendix 1 was then discussed in depth and it was agreed as a clear and easily understood document, which would inform all necessary action. Sound progress was being made, except for ILR actions, which remained a critical area and would be discussed later in the meeting. However, some detail had been challenging since, in some cases, those concerned had moved on, or the detail had been overtaken by events. During general considerations, criteria applied by the IAS in determination of recommendation priorities was considered and confirmation was again sought and received that immediate HAS concerns had been addressed and safety at the BC site had been professionally and externally validated. Tracker reports would be brought to each meeting in exception format until all actions had been completed, and it was noted that the IAS would audit the reported progress. **(Action 2)**

(ii) BC Corporation Actions. There had been concern that actions required by the former BC Corporation may have been overlooked during the merger and the minutes of the meetings had been thoroughly analysed and the BC Corporation Action Table dated 18 December 2018 was attached at Appendix 1; all required actions had been implemented and were closed. References to a legal charge on the Bute Street Car Park were historic and no longer applied.

c. Matters Arising from the Minutes. There were no matters arising from the minutes.

d. Urgent Business. There was no urgent business requested.

a. **The information was received.**

b. **Action had been identified. (Register AT 50/18)**

43/18 RISK MANAGEMENT (RM) REGISTER

a. Risk Register. The latest version of the Risk Register, which included imported BC Risks was scrutinised, the updated and marked up document at Appendix 1 was discussed; one new risk (Number 14) relating to compliance with ESFA funding rules had been added. Each Risk had been RAG rated in the vital columns of the Register, using the post mitigation (High) calculation. Risk information would continue to be scrutinised by the Committee at each meeting. The DoF provided assurance that the financial strength of contractors was being monitored. There was some consideration whether Risk 4 (Financial Sustainability) should include reference to the annual lowest cash point and increased pension contribution, should the ESFA discontinue the informed subsidy costs, and that would be forecast. **(Action 3)**

b. RM Process. A review of the methodology for the RM process was in progress. In future each department would complete and maintain a full internal risk evaluation, the highest risks would then be entered into an executive register; the Quality Assurance Framework would be discontinued. Full detail would be brought to the first meeting next year. **(Action 4)**

a. **The information was received.**

b. **Action had been identified. (Register AT 50/18)**

44/18 INTERNAL AUDIT (RISK AND ASSURANCE (R&A))

R&A Reports. There were five R&A Fieldwork Reports, the Progress Report, Follow Ups and the 2019/20 Strategy and Plan to consider; the scope, approach, risk and objectives of the fieldwork assignments were explained by the IAS before detailed consideration of each Report, Where appropriate separate gradings had been applied to each campus:

a. Safeguarding.

(i) **BC.** Amber "**Reasonable**" assurance had been given regarding Safeguarding at BC, accordingly, the Corporation could take assurance that "governance, risk management and control arrangements provide reasonable assurance, that the material risks reviewed are managed effectively." One "High Risk" (security of access

to entrances and exits) one “Medium Risk” (Induction Training) and three “Low Risk” recommendations had been made, accepted, responsibility allocated and completion dates set. The physical security related “High Risk” recommendation when advised had immediately been fully implemented. Related discussions, explained the breaches in depth but included that as WHC safeguarding processes had urgently become embedded at BC, and the training had improved this vital area was now operating in scope.

- (ii) **WHC.** Green “**Strong**” assurance had been given regarding Safeguarding at WHC, accordingly, the Corporation could take assurance that “governance, risk management and control arrangements provide strong assurance, that the material risks reviewed are managed effectively.” The last review in July 2018 had received “Strong” assurance and there had been no associated recommendations. The percentage of learners who “felt safe at College” was 91.8%; by implication 8.2% did not and that was discussed. It was agreed as likely that learners interpreted the question as relating to student life in the round and not specific to physical presence at college. The question would be rephrased in future surveys and feedback would be sought if “in college “ safety was felt to be an issue. **(Action 5)**

b. Funding Assurance (**BC**) The two areas involved in the Assessments had been Apprenticeships and 16-18 Classroom Provision:

- (i) Apprenticeships. Red “**Limited**” assurance had been given regarding Apprenticeships at BC, accordingly:

- “governance, risk management and control arrangements provide Limited assurance, that the material risks reviewed are managed effectively.”
- Urgent and significant remedial action is required to improve the adequacy and/or operation of internal controls.

Significant weaknesses in compliance with ESFA funding guidance had been apparent. The issues focused on off-the-job (OTJ) training hours, missing agreements and Commitment Statements, and the “cost of training” arrangements with employers. Two “High Risk” (OTJ ILR/Timetable reconciliations) four “Medium Risk” (skills scan, employment certification, agreement retention, end dates/registers) and one “Low Risk” recommendation had been made, accepted, responsibility allocated and completion dates set. These results were concerning and considered in depth. This was noted as a critical area and assurances were provided that reasonable efforts were being made to improve 2018/19 data to the best extent possible. Members were reassured to some degree by recent post-merger changes:

- MIS arrangements had now been restructured and some former WHC expertise was now established at BC;
- the BC/WHC systems were now integrated; and
- “Pro-Solution” software was shortly to be in use at BC.

The “High Risk” recommendations were confirmed for implementation by year end. The Internal Auditor explained that this was a sector-wide difficult area.

- (ii) Classroom Provision. Amber “**Reasonable**” assurance had been given regarding Classroom Provision at BC, accordingly, the Corporation could take assurance that “governance, risk management and control arrangements provide reasonable assurance, that the material risks reviewed are managed effectively.” One “High Risk” (reconciliation of hours for funding band) two “Medium Risk” (Exit dates & Registers) and two “Low Risk” recommendations had been made, accepted, responsibility allocated and completion dates set. The reassurance given regarding MIS processes at (i) above applied equally to this area.

c. Funding Assurance (**WHC**) The two areas involved in the Assessments had been Apprenticeships and 18-18 Classroom Provision:

- (i) Amber “**Reasonable**” assurance had been given regarding Apprenticeships at BC, accordingly, the Corporation could take assurance that “governance, risk management and control arrangements provide reasonable assurance, that the material risks reviewed are managed effectively.” Two “Medium Risk” (OJT & skills scan) and two “Low Risk” recommendations had been made, accepted, responsibility allocated and completion dates set.
- (ii) Classroom Provision. Green “**Significant**” assurance had been given regarding Classroom Provision at WHC, accordingly, the Corporation could take assurance that:
 - “governance, risk management and control arrangements provide significant assurance, that the material risks reviewed are managed effectively.”
 - “there are some areas where the adequacy or operation of controls in practice should be improved further”

One “High Risk” (reconciliation of hours for funding band) two “Medium Risk” (Exit dates & Registers) and two “Low Risk” recommendations had been made, accepted, responsibility allocated and completion dates set.

- d. Sub-Contracting. Green “**Significant**” assurance had been given regarding sub-contracting arrangements, accordingly, the Corporation could take assurance that:
 - (i) “governance, risk management and control arrangements provide significant assurance, that the material risks reviewed are managed effectively.”
 - (ii) “there are some areas where the adequacy or operation of controls in practice should be improved further”
 Five “Low Risk” recommendation had been made, accepted, responsibility allocated and completion dates set.
- e. Follow Up Reports. During completion of the 2017/18 R&A Plan, 15 recommendations had been made, nine had been fully implemented, two had been partly implemented and four were reported in 2018/19 reports; progress had been assessed as “**Reasonable**”.

- a. **The information was noted and received.**
- b. **Actions had been identified. (Register at 50/18)**

45/18 R&A STRATEGY AND PLAN

- a. Progress 2018/19. R&A Progress Report. There were ten elements of the R&A annual plan:
 - (i) nine had been completed and reported to the Committee above;
 - (ii) one remained to be completed, it had been delayed at management’s request and dates had been agreed (Key Financial Controls).
- b. The outstanding report would be electronically circulated after finalisation. There was some discussion whether an additional Committee meeting was necessary in September. The situation had changed considerably since 2108 and it was unlikely that there would be meaningful business for such a meeting; it was agreed to identify a date for diaries and to take a decision in due course. **(Action 6)**
- c. Strategy and Plan 2019/20. The suggested IAS Annual Strategy and Annual Plan (2019-20) had been determined after close discussions between the IAS/DoF/Senior Managers and informed by the College Risk Register. Some areas scheduled for 2020/21 (eg HR) could be accelerated if perceived increased risk levels became apparent. The scope of the plan over 53.5 days and 11 audit areas was sufficient to enable a full IAS opinion; it was discussed and agreed to recommend the indicative plan and fee (£30k, ex disbursements and VAT), to the Corporation for adoption. **(Action 7)**

- a. **The information was noted and received.**
- b. **Actions had been identified. (Register at 50/18)**

46/18 EXTERNAL AUDIT

The External Audit Strategy for audit of the annual financial statements (AFS), the Regularity and Teachers' Pension Agency (TPA) audits, the TT Financial Statements and the terms of Engagement Letter, which had been discussed and agreed with the DoF, were at Appendix 2. A bespoke plan for completion of the audit work had been determined (Appendix 1) with a clear and manageable mutually agreed timetable, which would be finalised after the Corporation Schedule had been approved. Several issues were highlighted and brought to the Committee's notice by the External Auditor, notably:

- a. the requirement to disclose the Chief Executive's remuneration details in sum and as a percentage of remaining staff median rewards; and
- b. awareness of the Insolvency legislation.

The audit timeline allowed for Committee and Corporation consideration in November and December 2019 respectively, after receipt of the final EFSA income confirmation. The principal areas of audit significance and key risks were detailed, all were considered individually and the approach and response to each was explained; the plan was recommended to the Corporation for approval at a fee (including merger work) of £30,660+VAT. **(Action 8)**

- a. **The information was noted and received.**
- b. **Actions had been identified. (Register at 50/18)**

47/18 ANNUAL UPDATES

- a. General Data Protection Regulation (GDPR). There had been three notified breaches of the GDPR, although minor, all had been reported to the Information Commissioner's Office (ICO), which had confirmed that informing of such minor breaches was not required. However, the incidents evidenced the effectiveness of staff training in this relatively new and important area; members took comfort from the information.
- b. Whistleblowing. There had been one Public Interest Disclosure (PID) during the year, which had been investigated and would lead to recommendations; the report related to pre-merger events at BC.
- c. The Audit Code of Practice had been updated in February 2019 and would replace the previous version in the Corporation Regulatory Documents.

The information was welcomed and it was agreed that, whilst the annual updates were valuable any related incidents would be reported to the Committee at the earliest opportunity; fraud items would be added to the annual update. **(Action 9)**

- a. **The information was noted and received.**
- b. **Actions had been identified. (Register at 50/18)**

48/18 URGENT BUSINESS

There had been no urgent business agreed.

49/18 DATES OF NEXT MEETINGS

- a. Board meeting to receive committee recommendations (10 July 2019); and
- b. Committee meeting to conduct business (27 November 2019).

50/18 ACTION REGISTER

See referenced minute for full detail		Resp	Date
Action 1	41/18a. Last minutes (26.02.18 & 05.06.19) confirmed for signature.	Clerk	wie
Action 2	42/18b. BCIA Tracker to each meeting until actions completed.	DoF	27.11.19
Action 3	43/18a. Risk 4 could include wider parameters.		wie
Action 4	43/18b. Detail of changed RM process to next meeting.		27.11.19
Action 5	44/18b. Wording for student survey re. "feeling safe" to be examined.	DP(P&D)	asap
Action 6	45/15b. Date for reserve committee meeting to be set.	Clerk	
Action 7	45/18. IAS indicative plan (2019/20) and fee recommended to Corporation.	Chair	10.07.19
Action 8	46/18. Ext Audit Plan and fee recommended to the Corporation.		
Action 9	47/18. GDPR/PID incidents (including fraud) to be reported to Committee.		

AC Minutes 02.07.19RDBSAMc

Final Audit Report

2019-10-02

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