

Wakefield College Corporation

Board of Governors Audit Committee

Minutes of the Meeting held on 28 June 2016

1 **Present:** Jason Malloy (Chair), Andrew McConnell, Andy Wallhead,
 Andrew Watts

 Clerk to the Corporation

In attendance: Ian Parsons, Deputy Principal, Jonathan Creed (ICCA-ETS)

Apologies: Michele Phillips

Governors noted the apologies of Michele Phillips and, as this was to have been her last meeting on the Audit Committee, wished to record their thanks for her thoughtful contributions over the years.

Governors noted that Ian Parson's presence at the meeting was in the capacity of an observer and would formally join the Audit Committee from 1 August 2016, once Michele Philips had formally stood down.

2 **Declarations of Interest**

2.1 Andrew Watts indicated an interest in the agenda item on the Status of Outstanding Audit Recommendations, where his name had been referenced in recommended actions arising from the internal audit report Study Programme Healthcheck.

3 **Minutes of the Meeting held on 8 March 2016**

Resolved

That the minutes of the meeting held on 8 March 2016 be approved.

4 **Matters Arising**

4.1 There were no matters arising.

5 **Status of Outstanding Audit Recommendations**

(i) Recommendations from Internal Audit

5.1 The Deputy Principal reported that of the nine outstanding recommendations, three had been implemented, three were due and three were not yet due.

5.2 Governors considered the following outstanding audit recommendations:

(i) Board Assurance Framework (628) – Development of the BAF was ongoing. It had been progressed via a development session at the previous meeting and would be considered again in the next agenda item;

- (ii) Workforce Planning (647) (English and Maths) – Timetabling issues still needed addressing. It was agreed that before this recommendation could be completed, the College would assess the success of enrolment in September and report back to the Audit Committee in November. Governors were content for a revised deadline of December 2016 to be set;
- (iii) Workforce Planning (649) (Human Resources Strategy) – It was noted that the Human Resources and Organisational Development Strategy comprised a number of different threads. The Learning and Workforce Development Strategy, for example, had been completed. The Deputy Principal agreed to provide an update at the next meeting.

(ii) Funding Audit

5.3 The Deputy Principal indicated that good progress had been made against the recommendations. Completed actions would be removed from the next iteration of the report to make it more manageable at the next Audit Committee meeting.

5.4 Governors were content with the progress made to addressing audit recommendations.

6 Risk Management, Control and Governance

(i) Summer Term Risk Update 2015/16

6.1 The Deputy Principal raised the following points:

- (i) no risks had worsened;
- (ii) risks relating to attracting and retaining good quality staff and risks relating to increasing loan funded and non-funded activity, and improving stakeholder relationships had remained constant. All these risks were manifest on the draft risk register for 2016/17;
- (iii) risks that had been managed down to the residual risk level included resourcing the property requirements, recruitment to shortage areas, targeting employers, internal progression and the funding audit. Of these only the risk related to recruitment to shortage areas remained rated as major and was carried forward into the 2016/17;
- (iv) other risks carried forward onto the draft risk register for 2016/17 included the risk relating to attracting and retaining quality staff, managing funding cuts, developing a credible approach to work-related experience and the disposal of the Thornes Park Campus.

6.2 Governors queried whether the risk register might contain upside risks. It was noted that the risks recorded on the register were downside, but that management did consider upside risks, for example where new provision and commercial opportunities would feed through to curriculum planning.

(ii) Draft Board Assurance Framework

6.3 The Deputy Principal reported that the latest version of the Board Assurance Framework (BAF) had addressed the suggestions raised by Governors at the previous meeting: The reporting arrangements had been tightened, including

details of both the reporting cycle, the date of most recent reporting and to whom the reporting was made (management or Board).

6.4 Governors considered the following issues:

- (i) that a further piece of work was required to determine how the BAF flowed into the Performance Dashboard;
- (ii) that the Board should see the BAF on an annual basis and that this was best done at the December meeting;
- (iii) that further work was required between July and December on developing the performance measures;
- (iv) that any gaps in control could link to the Internal Audit Service Audit Plan;
- (v) whether the 'strategic developments' of the BAF could be linked to the College's strategic objectives;
- (vi) that the recent Higher Education Review by the Quality Assurance Agency (QAA) could be included as independent assurance under the strategic development to continue to refresh develop and target 19+ curriculum to provide opportunities to progress in learning and enhance opportunities for employment.

(iii) Draft Risk Register 2016/17

6.5 The Deputy Principal reported the following issues:

- (i) that the draft risk register represented a first cut prior to the drafting of the College's Strategic Plan, but was not expected to change significantly;
- (ii) that the British exit from the European Union (Brexit) could be added as a risk;
- (iii) that risk relating to a negative outcome from the Higher Education Review could be removed from the risk register as the outcome had been positive.

6.6 Governors considered the following issues:

- (i) whether the Area Review still represented a risk. It was noted that as the recommendations were now known, this was not considered a risk for the College in terms of immediate disruption in the form of merger activity or severe streamlining of provision;
- (ii) that the risk of further funding constraints in the sector, particularly in the context of the Brexit, would negatively impact on the College. The College's financial plan also included an assumed receipt of £1.5m for the Thornes Park Campus which also was risk;
- (iii) that the College was now planning to fund a team to secure and oversee student work-related experience placements;
- (iv) that on the risk relating to the Skills White Paper, the College's mitigating actions had no impact on the overall risk assessment. It was noted that this was because the content of the Skills White Paper was not yet known, and so mitigating actions could not be determined;
- (v) that Brexit should be incorporated into the Risk Register for 2016/17, but given that the risk register already included reference to funding constraints, any impact on public sector funding was to some extent already covered, but it was acknowledged that other risks might arise in due course, so this area would be kept under review;

- (vi) whether the risk associated with the College's current pay strategy of meeting a rapidly rising living wage should be included on the risk register. The risk has been added to the risk register and will be kept under review;
- (vii) on the risk relating to attracting, retaining and developing a pool of talent committed to our vision, the focus appeared to be entirely on teaching staff. It was asked whether there should be a similar focus on support staff. The focus on teaching staff was acknowledged because Ofsted would have an interest on this during any inspection;
- (viii) whether the planned departure of the Deputy Principal represented a specific risk. It was felt that this would be better included within the more generic risk on attracting, retaining and developing staff.

7 Updated Internal Audit Strategy 2014/15 to 2018/19

7.1 ICCA-ETS reported that the Internal Audit Strategy included the results of environmental scanning as well as a consideration of specific risks, including those identified in the College's draft risk register for 2016/17. He went on to outline the audit plan for 2016/17, totalling 25 days' work, which covered:

- (i) corporate governance – post Area Review;
- (ii) capital project – Advanced Skills and Innovation Centre;
- (iii) apprenticeship growth strategy and response to reforms;
- (iv) work experience and work placements;
- (v) learner records and funding – mock funding audit;
- (vi) performance management framework;
- (vii) follow up on previous audit recommendations.

7.2 Governors considered whether an audit into the impact of the Skills White Paper should be done earlier than the 2018/19 date included in the audit strategy. It was also suggested that given the importance of ensuring a fresh curriculum, whether the four year gap between audits of curriculum planning was too long. It was noted that the strategy was completely flexible and this audit could be undertaken sooner if this was felt appropriate.

7.3 ICCA-ETS thanked the Deputy Principal and his team for the rapid turnaround of the Internal Audit Strategy.

Resolved

That the Updated Internal Audit Strategy 2014/15 to 2018/19 be recommended to the Board of Governors for approval.

8 Internal Audit Reports

(i) Business Development Unit

8.1 ICCA-ETS reported the following points:

- (i) that the objectives of the audit were to provide an independent assurance opinion that the College's Employer Engagement Strategy and delivery model managed via the Business Development Unit (BDU) was supported by

- a robust income diversification / growth plans and was aligned to the College's strategic direction in respect of the skills and employability agenda;
- (ii) the design controls were considered 'adequate', their application 'good', which combined to give an overall assurance of 'reasonable';
 - (iii) three medium and two low priority recommendations were made;
 - (iv) the medium priority recommendations included: (a) to finalise an employer engagement strategy, design and produce branded literature to promote apprenticeships and improve the promotion of the BDU within the College; (b) review and update information on the College's website with respect to apprenticeships; and (c) review the data held on the Customer Relationship Management (CRM) system to ensure all corrupt and/or inaccurate records were cleansed.

8.2 Governors considered the following issues:

- (i) that, given the importance of the BDU to the College, whether some of the recommendations might more accurately be considered high priority. The Deputy Principal opined that the College was further ahead than suggested in the audit report, in that the College was already using literature on apprenticeships and recording contacts with clients. It was suggested that the College should be urgently addressing the identified gaps in the control framework: finalising the Strategy for Employer Engagement and collecting contact details for parents / carers of applicants at the interview stage;
- (ii) whether the CRM system could be used by other College staff to secure work placements. The Deputy Principal opined that the proposed work placement team might best be managed outside of the BDU but co-located to ensure that client contacts were co-ordinated.

(ii) Financial Planning and Budgetary Control

8.3 ICCA-ETS reported the following points:

- (i) the audit was designed to: (a) test whether the College had effective and efficient financial planning and budgetary control arrangements in order to support the continued viability of the College's financial health;
- (ii) the design controls were considered 'good', their application 'good', which combined to give an overall assurance of 'substantial';
- (iii) no recommendations were made;
- (iv) that the College's new financial system had been well specified resulting in management's ability to access data.

8.4 Governors noted the assurance given on the College's financial systems, processes and procedures and thanked the Deputy Principal and his team for an outstanding audit outcome. The Deputy Principal acknowledged there had recently been some difficulties with the recently implemented finance system, which were being addressed by the supplier, although there had been slow responses to College requests.

(iii) Post Implementation Review of the New Finance System

8.5 ICCA-ETS reported the following points:

- (i) the audit was designed to: (a) provide an independent assurance opinion that the process of data migration to the new finance system maintained the integrity and completeness of data; and, (b) to ensure post-implementation of the new system that core financial controls were operating as intended;
- (ii) the design controls were considered 'good', their application 'good', which combined to give an overall assurance of 'substantial';
- (iii) one medium and one low priority recommendation had been made. The medium priority recommendation was that once the new financial procedures had been written, these should be collated into central financial procedures covering the key processes and controls across the College.

8.6 Governors were content with the report as presented.

(iv) Follow up

8.7 ICCA-ETS reported the following points:

- (i) the audit was designed to: (a) ensure that previously agreed recommendations had been implemented by the College in line with the agreed original actions and timeframes for implementation; and, (b) ensure that the College had reported the status of implemented recommendations accurately to the Audit Committee;
- (ii) the overall assurance was judged to be 'substantial';
- (iii) 21 of the 23 recommendations had been implemented. One was no longer applicable (that consideration be given to the extent that income be receipted in the College MIS system – it was noted that this was not possible). One (to develop a summary report of key planning targets) had not been possible to complete in 2015/16 and so been carried forward into 2016/17.

8.8 Governors queried the two recommendations that had not been implemented but were reassured by ICCA-ETS that these were not an issue.

9 College Policies

(i) Anti-Bribery Policy

9.1 The Clerk to the Corporation reported that following a review of the Anti-Bribery Policy, it had been determined that no changes were required.

Resolved

That the Anti Bribery Policy be approved

(ii) Anti-Fraud Policy and Fraud Response Plan

9.2 The Clerk reported that the changes to the Anti-Fraud Policy included:

- (i) a revised ordinary meaning of fraud and greater details of related offences;
- (ii) more detail relating to the Fraud Act 2006;
- (iii) a revised description of money laundering, updated references to legislation and a new section that highlighted the link between money laundering and terrorism.

- 9.3 The Clerk reported the following changes to the Fraud Response Plan:
- (i) an updated list of individuals on the Fraud Response Plan;
 - (ii) a revised responsibility on the Principal to advise the chief executive of the Skills Funding Agency on instances of fraud and other control breakdowns.

- 9.4 Governors commented on the following issues:
- (i) that alternative individuals ought to be identified in the Fraud Response Plan for the instance where the Deputy Principal is the individual to be investigated;
 - (ii) that the College should consider whether it was appropriate to have a separate anti-money laundering policy or develop a section on money laundering within the existing Anti-Fraud Policy.

Resolved

That the Anti-Fraud Policy and Fraud Response Plan be approved.

10 Financial Statements Audit, Year Ending 31 July 2016: Audit Plan

- 10.1 The Deputy Principal opined that Grant Thornton's Audit Plan was not considered controversial in any way but sought to review the significant risks faced by the College in preparing the Report and Financial Statements. These included:

- (i) revenue might be misstated due to improper recognition of revenue;
- (ii) management override of controls;
- (iii) conversion to FRS 102.

- 10.2 The Deputy Principal also reported that:

- (i) the plan took into account the transition to FRS 102 and that there was a separate fee to recognise this;
- (ii) the audit also includes the regularity audit identified in the Joint Audit Code of Practice (JACOP).

- 10.3 Governors were content with the Audit Plan as presented.

Resolved

That the Financial Statements Audit, Year Ending 31 July 2016: Audit Plan be approved.

11 Accounting Policies under FRS 102

- 11.1 The Deputy Principal commented that:

- (i) the paper was presented to provide Governors with early sight of the proposed changes to the accounting policies by which the College's Report and Financial Statements for the Year Ending 31 July 2016 would be

- prepared. Formal approval for these changes would be sought from the Board, on the recommendation of the Audit Committee, in the autumn term;
- (ii) that there was nothing particularly contentious in the proposed changes;
 - (iii) the short term employment benefits was one area of change under FRS 102, and that the College, in response, had already adopted an accrual approach to holiday pay;
 - (iv) changes to accounting for Government capital grants, which would be capitalised, held as deferred income and recognised in income over the expected useful life of the asset, were no change to current practice.
 - (v) changes to accounting for Tangible Fixed Assets, in recognising the July 2014 valuation as deemed cost, without further valuation, was something that had been discussed previously.

11.2 On the changes to accounting for Tangible Fixed Assets, ICCA-ETS indicated that not many colleges in the sector had opted to revalue their property. It was noted that this approach was in contrast to that adopted by higher education institutions, which were revaluing their fixed assets so as to offset mounting pension deficits.

12 Annual Review of the Audit Committee’s Terms of Reference

12.1 The Clerk to the Corporation reported that the proposed revisions to the Audit Committee’s Terms of Reference were not substantive but reflected the new terminology used in the latest JACOP where, the financial statements auditor and regularity auditor were now referred to as the external auditor and reporting accountant respectively.

Resolved

That the proposed Audit Committee’s Terms of Reference be recommended to the Board of Governors for approval.

13 Briefing Paper:

(i) Update on Business Continuity Planning 2016

Resolved:

That the Update on the Business Continuity Planning 2016 be noted.

14 Review of Effectiveness of Meeting and Identification of Emerging Risks

14.1 It was agreed that Brexit would very probably negatively impact on the identified risk associated with funding constraints.

15 Date of Next Meeting

The date of the next scheduled meeting is Tuesday 22 November 2016 at 4.15pm.

Signed..... Date.....