

Minutes of the meeting of the Audit Committee held on **11 November 2019**.

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

**In attendance:** The Principal (Yultan Mellor), the Assistant Principal – Finance and Business Services (Joy Whistlecraft), the Assistant Principal – Student Experience (Diane Lawson) (for Mins A19/95 - 100), Rob Winter - Barnsley MBC Internal Audit Services, Pam Radley - Barnsley MBC Internal Audit Services, Mike Redfearn (Grant Thornton) Phyllis Dzoboku (Grant Thornton) and the Clerk to the Governors (Sarah Johnson).

**Apologies:** None.

**A19/62** **CLOSED SESSION WITH THE AUDITORS**

The committee met in closed session with the financial statement and internal auditors.

**A19/63** The financial statement auditors reported that:

- the audit had once again been very smooth this year, with a small number of issues arising that were outside of the College's control; the new Principal had settled into her role.

**A19/64** The internal audit service reported that:

- they had not encountered any issues;
- the College was very open and helpful, and provided access to all information required;
- their audit plan was limited in terms of scale and this impacted on the extent of the assurance they were able to provide, but that they recognised this was appropriate within the context in which the College was operating.

**A19/65** The committee sought the auditors' opinions and assurance regarding the resourcing of the finance team, particularly in relation to the planned restructure.

**A19/66** **DECLARATIONS OF INTEREST**

Cllr Ken Richardson declared his role as chair of the BMBC Audit Committee which was also served by Barnsley MBC Internal Audit Services, and Seb Schmoller declared his role as chair of the Board of Governors at Sheffield College. The committee agreed that these positions did not raise any issues regarding conflict of interest in relation to any matters to be considered at the meeting.

**A19/67** **MINUTES OF THE LAST MEETING**

The minutes of the meeting held on 17 June 2019 were approved as an accurate record (a copy is filed in the minute book).

**A19/68** **MATTERS ARISING FROM THE LAST MEETING**

A19/56 & 57 It was reported that the health and safety and data protection policies had been approved by the Board of Governors at its meeting in September 2019.

**A19/69** **INTERNAL AUDIT SERVICE REPORT** (Document 3i)

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

- all assignments for the year had been completed with the exception of the review of the MI system which had been put on hold due to a new system not being implemented; risk management which was scheduled for July 2020; and information governance which had been carried forward to 2019/20;
- 8.5 days of audit work had been undertaken during the year, and the intention was to carry forward the remaining 1.5 days into 2019/20.

- A19/70** The committee considered the **Internal Audit Annual Report for 2018/19** and noted that:
- the report provided the Head of Internal Audit's annual opinion on the adequacy and effectiveness of Northern College's internal control arrangements based on the work of internal audit during 2018/19;
  - internal audit coverage did not guarantee to detect all errors, systems or control weaknesses or indeed identify all of the opportunities for improvements in management arrangements that might exist;
  - based upon the limited agreed annual programme of risk based audit coverage and management's implementation of recommendations an adequate (positive) assurance was provided;
  - although the plan at 8.5 days was limited, the work undertaken had been broad ranging in nature and therefore had enabled the auditor to gain a general opinion of control arrangements across the organisation.

**Resolved:**

- i That the Internal Audit Report Progress Report be noted.**
- ii That the Internal Audit Service Annual Report and Opinion for 2018/19 be submitted to the Board of Governors.**

**A19/71** **AUDIT RECOMMENDATIONS STATUS REPORT** (Document 3ii)

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.

- A19/72** The committee noted that there were three outstanding recommendations relating to IT systems, learner numbers and payroll, and a new recommendation due to be completed by March 2020 relating to performance management. It was reported that:

- following a review of College policies it had been agreed that an overall ICT policy would be produced which incorporated ICT security – the deadline had therefore been re-scheduled to Spring 2020;
- in relation to MIS procedures significant work was on-going in redeveloping the College's current MI system and procedures and policies would be developed in line with system development – the deadline had therefore been rescheduled to Summer 2020;
- restructure of the finance team was progressing;
- a review and refresh of the policies regarding performance management was in progress.

- A19/73** Members agreed that it would be useful to receive an update on the development of MI systems in the College from the MIS Manager and welcomed the session already scheduled for the meeting of the committee in February 2020.

- A19/74** The committee explored the risks relating to the legal challenge and counter claim which had arisen as a result of the recent procurement process.

- A19/75** The committee agreed that overall appropriate progress was being made with the implementation of recommendations and welcomed the development reported.

**Resolved:**

- i That the report be noted.**

**A19/76** **STUDENT UNION ACCOUNTS 2018/19** (Document 3iii)

The committee considered the accounts of the Student Union for 2018/19, were assured that appropriate controls and management were in place and recommended them to the Policy and Finance committee for approval.

**Resolved:**

- i That the Student Union Accounts 2018/19 be recommended to the Policy and Finance Committee for approval.**

**A19/77** **INTERNAL AUDIT SERVICE ANNUAL PLAN 2019/20** (Document 4i)

The committee considered the proposed draft **Internal Audit Plan for 2019/20** and noted that:

- the plan had been developed as a result of a risk based exercise used to identify concerns and potential risk areas;
- in developing the plan risk intelligence was gathered including reviewing key documentation provided by the College, interviewing members of the College's management team and the Audit Committee Chair;
- in addition to the above a cyclical approach was adopted for financial systems audits;
- the plan was flexible and would be reviewed and re-assessed throughout the year as new risks emerge and control environments change;
- the plan included the days and items carried forward from 2018/19;
- key areas of coverage for 2019/20 would include information governance, risk, journals, cash and bank, contract management and procurement, financial regulations and casual and sessional staff;
- indicative plans for 2020/21 and 2021/22 were also included.

**A19/78** The committee explored the plan in detail, noting the proposed check and challenge approach which was designed to maximise the impact of the programme and the inclusion of areas that would enable a breadth of assurance to ensure a sound basis for an annual opinion to be provided.

**A19/79** The committee considered the areas included in the 2020/21 and 2021/22 plans and whether there were any areas of concern that could be addressed outside of the internal audit function. It was agreed that it was important for the Audit Committee to understand the role of the Quality Committee in relation to assurance of the quality and cost effectiveness of learning, particularly in relation to new structures and processes being developed in the College.

- Resolved:**
- i That an appropriate methodology for enabling the Audit Committee to understand the role of the Quality Committee in relation to assurance of the quality and cost effectiveness of learning be implemented.**
  - ii That a confirmed deadline for the information governance audit be included in the final plan.**
  - iii That the Internal Audit Service Plan for 2019/20 be recommended to the Board of Governors for approval.**

**A19/80** **ASSURANCE AND RISK MANAGEMENT – KEY STRATEGIC RISKS** (Document 4ii)

The committee considered the **risk register – key strategic risks** and noted that:

- no significant changes had been made to the key risks since the last meeting;
- E1 - major blockage in the College drainage system – it was reported that the new Head of Estates had commenced work and would review the current arrangements and controls in place;
- F1 - failure to draw down Adult Learning Loans Bursary funding stream leading to loss of ESFA funding – it was reported that recruitment and retention for 2019/20 to date was broadly on target;
- F2 - failure to maximise income generation opportunities – it was reported that the new Head of Marketing and Partnerships had commenced work and this was a key priority area.

**A19/81** The committee explored:

- the risks related to pension deficit calculations and noted that F3 - failure to manage the uncertainty of defined pension deficit calculations in relation to deficit balance sheet positions and going concern – would be rescored as a red risk;
- whether a new risk related to procurement was required – agreeing that this was not an on-going strategic risk;
- C1 - devolution of the Adult Education College budget – and agreed that the risk should be reworded to articulate the actual risk to the College.

**Resolved: i That C1 - failure to manage the impact of the devolution of the Adult Education budget leading to loss of funding – be reworded to articulate the actual risk to the College.**

**A19/82 ANNUAL AUDIT COMMITTEE REPORT TO THE BOARD 2018/19 (Document 5i)**

The committee considered the draft **Annual Audit Committee Report to the Board for 2018/19** and noted that:

- the report provided the committee's opinion to the Board of Governors and accountable officer on the adequacy and effectiveness of the Corporation's assurance arrangements, framework of governance, risk management and control processes for the effective and efficient use of resources, solvency of the institution and the safeguarding of its assets;
- Section A and paras 5.10, 7.8, and 10.1 would be updated following the consideration of the matters by the Audit Committee at the meeting.

**A19/82** The committee agreed that the report was comprehensive and accurately reflected its work during the year.

**A19/83** The committee agreed that based on the work undertaken by the committee during the year it was the Audit Committee's opinion that the Board of Governors could be satisfied with the adequacy and effectiveness of the College Corporation's assurance arrangements, framework of governance, risk management and control processes for the effective and efficient use of resources, solvency of the institution and the safeguarding of its assets, and that there were no significant issues or matters of internal control raised during the period.

**A19/84** The committee considered **Appendix E – Regularity Audit Self-Assessment** – and agreed that:

- reference to the legal claim arising as a result of the recent procurement process should be added, including why it was not considered to be a regularity issue;
- no significant issues had been raised and it should be recommended to the Board of Governors for signing.

**A19/85 COMMITTEE SELF-ASSESSMENT**

The committee considered its own performance in relation to the Audit Committee self-assessment and key performance indicators, and noted that all the indicators had been met, with the exception of attendance for two members who had not achieved 66% attendance. The committee particularly explored the level of influence the committee had with the Board and the processes in place and concluded that this was appropriate.

**A19/86** The committee considered proposed indicators for 2019/20 and agreed that these should be reviewed to align them to the self-assessment questionnaire.

**A19/87** The committee considered its terms of reference and agreed that no changes were required.

**Resolved: i That the key performance indicators for 2019/20 be reviewed to align them to the self-assessment questionnaire.**

**A19/88 FINANCIAL STATEMENTS AUDIT (Document 5ii)**

The financial statements auditors, Grant Thornton, presented their **Audit Findings Report for 2018/19**. The committee considered the findings and explored the testing undertaken. It was reported that:

- one change had been made to the audit plan in relation to pension scheme assets and liabilities valuation and disclosure as a result of the McCloud judgement and GMP;
- the audit was substantially complete and there were no matters of which the auditors were aware that would require modification of their audit opinion or regularity report conclusion;
- the anticipated audit report opinion would be unmodified;
- the auditors were awaiting verification of ESFA income to reconciliation statements from the ESFA and receipt of a confirmation letter from the College solicitors relating to a legal claim.

- A19/89** The Board considered the auditors overall review of the financial statements and noted that:
- the College had reported a current year deficit of £587,000 before pension scheme actuarial gains and losses;
  - income had been assessed for reasonableness and no issues had been identified;
  - tuition fees had increased in the year and student numbers had increased by 6%;
  - staff costs had increased due to the USS provision charge for the year of £530k (2018: £7k);
  - the large USS provision charge had arisen following a change in the deficit recovery plan on which the liability was based. The deficit contribution rate used in the current year was 5% (2018: 2.1%) and the total scheme deficit was £7.5bn (2018: £5.3bn).
- A19/90** The committee considered the significant and other findings reported noting that:
- one control recommendation was raised in relation to fraudulent transactions/cut off in relation to the capture of invoices in the correct period;
  - with regards to management override of controls, a note regarding the segregation of duties had been included as in previous years but that this continued to be mitigated by the annual review of journals posted by the Head of Finance which was routinely undertaken by the internal auditors;
  - no issues were raised in relation to income, the accounting of grant income, employee remuneration, payroll or going concern;
  - one control recommendation was raised in relation to creditors and operating expenses;
  - one adjustment was proposed in relation to intangible assets which would be a reclassification adjustment and would have no impact on surplus;
  - an adjustment to increase provisions of liability by £60k was expected in relation to a legal claim, a solicitor's confirmation letter was awaited.
- A19/91** The committee considered the regularity findings reported noting that no findings had been identified from the work conducted and an unqualified regularity opinion would be issued. The committee did note that the potential impact of legal proceedings in respect of procurement would be assessed.
- A19/92** The committee considered the pensions position and contributing factors in detail, noting that this had been carefully considered by both the Board and Policy and Finance Committee. The committee:
- supported the position that the issues were as a result of accounting adjustments and did not reflect the College's operating financial position or impact on its ability to trade in relation to going concern;
  - supported the College in its planned treatment which followed the advice of the external auditors;
  - agreed that as prima facie the statements reported a deficit position a formal going concern paper should be submitted to the Board of Governors for consideration.
- A19/93** The committee considered the financial statements and noted that they would be re-opened following receipt of the ESFA reconciliation statement and solicitor's confirmation letter. Taking into consideration the anticipated impact of this the committee recommended the statements to the Board of Governors for approval.
- A19/94** The committee considered the **draft letter of representation**, particularly considering and agreeing the inclusion of point xii which provided confirmation that the staff governors who held a position on the Board were not deemed key management personnel for the purpose of disclosure in the financial statements.

- Resolved:**
- i **That the draft financial statements for 2018/19 and audit findings report from the College's financial statements auditor be recommended to the Board of Governors for approval.**
  - ii **That a formal going concern position paper be presented to the Board for consideration.**

**A19/95** **COMPLIANCE ANNUAL REPORTS** (Document 5iii)

The committee considered the Data Protection Annual Report, noting that this would be submitted for consideration by the Board of Governors at its meeting in December 2019. It was reported that:

- overall an adequate state of compliance had been achieved, although there were a number of areas of on-going work;
- during 2018/19 the management restructure, appointment to new posts and work on the allocation of responsibilities has created an environment which would support increased robustness in relation to the protection of data;
- planned work on the development of business processes and the student journey were expected to further enhance this position;
- compliance would be more formally tested in 2019/20 via the completion of an information governance internal audit which would provide an external evaluation of compliance, controls and areas for development.

**A19/96** The committee welcomed the planned internal audit of information governance and requested that the verbal position summary provided at the meeting be included in the written report submitted to the Board of Governors.

**A19/97** The committee considered the Health and Safety Annual Report, noting that this would be submitted for consideration by the Board of Governors at its meeting in December 2019. It was reported that:

- overall compliance levels were satisfactory;
- two audits of health and safety had been undertaken in October 2018 and all recommendations had been completed;
- a further audit by the College's retained health and safety consultants - A Hill Safety Advice Ltd (HSA) – was planned for November 2019;
- one RIDDOR reportable accident/incident had occurred during the year;
- the total number of accident/incident report forms (including College and non-College related incidents) fell slightly from 51 in 2017/18 to 50 in 2018/19;
- the number of College related incidents/accident report forms decreased from 30 in 2017/18 to 27 in 2018/19, a fall of 10%;
- a review of out of hours cover was being undertaken;
- the new Head of Estates had been appointed and would take responsibility for health and safety management going forward.

**A19/98** The committee considered the report in detail and particularly explored:

- RIDDOR reporting requirements in relation to members of the public;
- health and safety walk rounds, welcoming that these were regularly (and irregularly) undertaken, including accompanied by members of the fire service.

**A19/99** It was noted that the reported date of the last audit undertaken by Hill Safety Advice Ltd (HSA) should read October 2018.

**A19/100** The committee agreed that the report provided appropriate assurance regarding health and safety management and compliance at the College and that it should be recommended to the Board of Governors for consideration.

- Resolved:**
- i That requirements regarding RIDDOR notifications be clarified.**
  - ii That the date of the last audit undertaken by Hill Safety Advice Ltd (HSA) be corrected to read 2018.**
  - iii That with the above amendments the report be recommended to the Board of Governors for consideration.**
  - iv That with the inclusion of the verbal position summary provided at the meeting the Data Protection Annual Report be recommended to the Board of Governors for consideration.**

**A19/101 CONTROLS, GOVERNANCE AND RISK – COLLEGE STRATEGIC PLANS**

The committee received a verbal update regarding the College's strategic planning and monitoring processes. It was reported that a planning session with the Board of Governors and newly appointed executive leadership team was scheduled for 14 November 2019, and that this would feed into the development of a new strategic plan and clear performance indicators.

**A19/102** Independent members of the committee requested that an updated management structure and associated information be provided.

**Resolved: i That an updated management structure and associated information be provided for independent members of the committee.**

**A19/103 FINANCIAL REGULATIONS (Document 5v)**

The committee considered minor amendments to the College Financial Regulations which had arisen as a result of the College adopting the Colleges' Senior Staff Remuneration Code and recommended them to the Board of Governors for approval. It was noted that a full review of the regulations was scheduled as part of the internal audit plan for 2019/20.

**Resolved: i That the proposed amendments to the Financial Regulations be recommended to the Board of Governors for approval.**

**A19/104 ESFA LETTER TO CHAIRS OF GOVERNORS (Document 6i)**

The committee considered a letter from the Chief Executive of the Education and Skills Funding Agency regarding an investigation report which had raised issues in relation to the oversight of the proper use of public funds by college governing bodies. The committee considered the issues raised in relation to the College, taking into consideration the attached checklist. The committee agreed that whilst it was critical to guard against complacency it was assured that the College was compliant, and had appropriate control mechanisms in place.

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

**A19/105 INTERNAL AUDIT SERVICE ANNUAL REVIEW**

The committee reviewed the performance of the internal audit service in 2018/19 and agreed that:

- there were no issues to consider;
- that the service was supportive, offered a good service and added value;
- reports were clear and helpful;
- the service offered a different perspective which was valuable.

**Resolved: i That the performance review be noted.**

**A19/106 DATE AND TIME OF THE NEXT MEETING**

The date of the next meeting is **Monday 24 February 2020 at 11.30am** – Queen Anne 3.

<b>Signed</b>	
<b>Position</b>	Chair of Audit Committee
<b>Date</b>	