

Minutes of the meeting of the Audit Committee held on **12 November 2018**.

**Present:** Liz Stanley (Chair), Glen Sheppard and Ann Corrigan.

**In attendance:** The Principal, the Head of Finance, Louise Booth - Barnsley MBC Internal Audit Services (up to and including min A18/108), Pamela Radley - Barnsley MBC Internal Audit Services (up to and including min A18/108), Mike Redfern - Grant Thornton (up to and including min A18/88), Laura Maycock - Grant Thornton (up to and including min A18/108) and the Clerk to the Governors.

**Apologies:** Cllr Ken Richardson and Seb Schmoller.

**A18/62** The committee agreed to re-order the agenda to facilitate the attendance of the financial statement auditors.

**A18/63** **CLOSED SESSION WITH THE AUDITORS**

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

**A18/64** The financial statement auditors reported that:

- They had received excellent co-operation from the College during the audit process;
- They were aware that a change in principal could potentially impact on the network of contacts held by the College and this would be factored into their work.

**A18/65** The internal audit service reported that:

- Staff had been helpful throughout the year;
- They were aware of the potential impact of a new principal and were taking this into account in the development their proposed internal audit plan for 2018/19.

**A18/66** **DECLARATIONS OF INTEREST**

None.

**A18/67** **MINUTES OF THE LAST MEETING**

The minutes of the meeting held on 18 June 2018 were approved as an accurate record (a copy is filed in the minute book).

**A18/68** **MATTERS ARISING FROM THE MINUTES**

None.

**A18/69** **MEMBERSHIP MATTERS**

The chair welcomed the Principal Yultan Mellor to her first meeting.

**A18/70** It was reported that:

- Seb Schmoller had been appointed as an independent member of the committee;
- Sarah Tyler had stood down from the committee.

**A18/71** **ANNUAL AUDIT COMMITTEE REPORT TO THE BOARD 2017/18**  
**(A copy of document 8i is filed in the minute book)**

The committee considered the draft **Annual Audit Committee Report to the Board for 2017/18** 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 2.2, 5.12, 7.8, 10.1 11.3 and App G - 3 would be updated following the consideration of the matters by the Audit Committee at the meeting.

**A18/72** The committee agreed that the report was comprehensive and accurately reflected its work during the year.

**A18/73** 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.

**A18/74** The committee considered Appendix E – Regularity Audit Self-Assessment – and agreed that no significant issues had been raised and it should be recommended to the Board of Governors for signing.

- Resolved:**
- i **That with the inclusion of the updates as outlined in A18/70 the Annual Audit Committee Report to the Board for 2017/18 be approved for submission to the Board of Governors.**
  - ii **That the Regularity Audit Self-Assessment be recommended to the Board of Governors for signing.**

**A18/75** **COMMITTEE TERMS OF REFERENCE AND PERFORMANCE INDICATORS FOR 2018/19**  
**(A copy of document 8i is filed in the minute book)**

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 one member who had been appointed part way through the year and had not achieved 66% attendance. The committee agreed that the proposed indicators for 2018/19 be recommended to the Board of Governors for approval.

**A18/76** The committee considered its terms of reference and agreed that it should be recommended to the Board of Governors that Para 1.5 be amended to read '*College staff may not be members of the committee.*'

**A18/77** The committee considered 1.7 and whether the committee should have the option to meet without the Clerk to the Governors being present. It was agreed that it was appropriate that the committee should only meet with someone covering the function of the role of Clerk to the Governors being present.

- Resolved:**
- i **That the proposed performance indicators for 2018/19 be recommended to the Board of Governors for approval.**
  - ii **That the revised terms of reference be recommended to the Board of Governors for approval.**

**A18/78** **FINANCIAL STATEMENTS AUDITORS**  
**(A copy of document 9i is filed in the minute book)**

The financial statements auditors, Grant Thornton, presented their **Audit Findings Report for 2017/18**. The committee considered the findings and explored the testing undertaken. It was reported that:

- 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;
- This was subject to final resolution of a pension benefits query with relation to the SYPA pensions paid, verification of ESFA income to reconciliation statements from ESFA and confirmation of post balance sheet events;

- No changes had been made to the audit plan;
- All audit findings had been rated as green, and there were no control recommendations identified;
- There had been no adjusted or unadjusted misstatements identified during the course of the audit;
- With regards to improper revenue recognition, as noted in previous years it was not possible for the finance team to perform a reconciliation from the student management information system to the accounting system and this had been noted as an internal control deficiency, therefore:
  - A review of income around the year end to ensure all items were accurately recognised was undertaken and resulted in no issues being noted;
  - Revenue recognition policies were reviewed for reasonableness and whether they were in line with the SORP and accounting principles and resulted in no issues being noted;
- 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 with regards to creditors being understated or not recorded in the correct period and no issues were raised regarding employee remuneration costs, benefits and obligations being understated;
- There were no regularity findings reported and as a result the auditors would be issuing an unqualified regularity opinion within the financial statements;
- The audit had concluded that the actuarial assumptions in relation to pensions made by Mercer Limited were reasonable, the auditors continued to recommend that the Audit Committee keep them under review for future periods in order to ensure that they remain appropriate for the College's circumstances;
- The statements would be considered by the Policy and Finance Committee at its meeting on 15 November 2018.

**A18/79** The committee considered the position regarding the two pension schemes with which the College was involved in detail. It was noted that:

- In respect of the USS, it was not possible to identify the College's share of the underlying assets and liabilities, however under FRS 102 there was a requirement to account for the obligation to fund the past deficit on the scheme;
- With regard to the Local government pension scheme with the South Yorkshire Pension Authority the most significant movement from the previous year was the actuarial gain of £1,173,000 (2017: an actuarial gain of £426,000)

**A18/80** The committee noted the result of a recent court case regarding the equalisation of guaranteed minimum pension (GMP) benefits and the potential impact on pension schemes. It was reported that:

- Whilst there had been a statement from treasury that the ruling would not have an effect on public schemes as they already had a method to equalise guaranteed minimum pension benefits, it was not yet clear what impact there would be on calculations and gross liability;
- This was a sector wide issue and a principle on how it will be accounted for had been agreed by the big four accountancy firms.

**A18/81** The committee noted that the position was very complex and explored the potential implications for the College. The committee agreed that in relation to the signing of the financial statements for 2017/18 the College would need to rely on the best information available at the time of signing.

**A18/82** As in previous years as the College is incorporated as a limited company the auditors noted that the directors needed to consider their responsibilities in relation to going concern and recommended that the directors clearly set out in the minutes of the meeting of the Board of Governors how they had considered the position shown by the financial statements and their conclusion that the

company could continue to trade. It was noted that the auditors were yet to complete their work in this area, including a review of the forecasts that had been prepared by management.

- A18/83** The auditors reported that the stability and quality of the work of the finance team continued to increase year on year.
- A18/84** The committee requested that the names of individual staff members in the report be redacted.
- A18/85** The committee requested that the word 'other' be removed from the note in the section *matters in relation to fraud* as it was misleading. The auditors agreed to the amendment.
- A18/86** The committee explored the actual performance of 0.4% reported against the target surplus target of 2.5% and noted that use of this target in the financial statements was misleading as it was actually intended for use in the management accounts. It was agreed that this would be reviewed for future years, with a caveat potentially being included to explain the position.
- A18/87** The committee explored whether it might be useful to include a table within the financial statements reconciling the data to that reported in the management accounts. It was agreed that this would be considered for 2018/19.
- A18/88** The committee explored the disparity in ESFA income compared to the previous year and noted that this was because the College had not yet received notification of an over delivery payment for this year, but it anticipated receiving a payment that would bring income into line with the previous year.

- Resolved:**
- i That the audit findings report be received and noted.**
  - ii That in the Audit Committee's opinion on the basis that the ESFA reconciliation and contingent pension liability positions are suitably resolved there are no issues that should prevent the Board of Governors from approving signing of the financial statements for 2017/18.**
  - iii That the names of individual staff in the audit findings report be redacted.**
  - iv That the word 'other' be removed from the note in the section *matters in relation to fraud* in the audit findings report.**
  - v That the inclusion of a table within the financial statements reconciling the data to that reported in the management accounts be considered for 2018/19.**

**A18/89** **INTERNAL AUDIT SERVICE**  
**(A copy of document 6i is filed in the minute book)**

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

- The information governance review had commenced as a check and challenge process to support the work relating to the General Data Protection Regulation (GDPR);
- Further consideration is to be given with regards to the approach and timing of the risk register/ assurance matrix internal audit input;
- One audit report had been finalised since the last Audit Committee meeting, and the full report was presented for consideration.

- A18/90** The committee considered the **Internal Audit Report - Health and Safety**. It was noted that:

- The scope of the audit had been to provide assurance that there were robust arrangements in place for the completion and management of health and safety risk assessments;
- Sample testing had confirmed that, in the main, there were appropriate and effective controls in operation over the health and safety risk assessment system;
- Based on the audit an **adequate** assurance opinion was provided in relation to the internal control framework:
- Two significant recommendations were raised relating to implementing a formal process to monitor and evidence the completion of actions arising from risk assessments to completion and reviewing and updating risk assessments as part of the investigation of near misses/accidents/ incidents;
- Three merits attention recommendations were raised relating to updating the Health and Safety Policy, developing a process to ensure that managers are prompted to review the documented hazards in the workplace on at least an annual basis, and maintaining a central schedule showing all health and safety risk assessments, the responsible officer, the dates that they have been completed and are next due to be reviewed.

**A18/91** The committee explored the new health and safety IT system which was being implemented by the College in more detail and noted that it would enable the provision of a strong audit trail and clearly document accountability.

**A18/92** The committee considered the **Internal Audit Annual Report for 2017/18** 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 2017/18:
- 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 agreed annual programme of risk based audit coverage and management's implementation of recommendations an adequate (positive) assurance was provided.

**A18/93** The committee considered the proposed draft **Internal Audit Plan for 2018/19** and noted that:

- The plan had remained in draft form in order to facilitate input from the new Principal;
- A finalised plan would be developed following discussion at the meeting for presentation to the Board of Governors at its meeting in December 2019;
- The plan needed to take into consideration what work would be required to inform the provision of an audit opinion from the internal audit service at year end.

**A18/94** The committee explored the plan in detail and concluded that based on the risks faced by the College, audits undertaken in previous years and future planned strategic developments the plan for 2018/19 should include:

- Information governance (brought forward from 2017/18);
- Risk register/ assurance matrix (brought forward from 2017/18);
- Health and safety (already completed);
- Journals;
- Audit recommendations follow up;
- Performance management;
- A review of the implementation of the new MIS System.

**A18/95** A number of potential areas were proposed for 2019/20 and it was agreed these would be reviewed after completion of the 2018/19 plan:

- Information governance;
- Journals;
- Audit recommendations follow up;
- Marketing;
- Management information/reports;
- Business process review;

- Income collection and credit control (Debtors);
- Cash and bank;
- Sickness absence;
- Casual and sessional staff.

**A18/96** The committee particularly considered a potential audit to provide assurance that there were robust project management arrangements in place for the College's planned strategic work, including an appropriate governance and authorisations framework to deliver changes, achieve outcomes and realise benefits. It was agreed that oversight of this in terms of controls, governance and risk could best be undertaken by the Audit Committee via consideration of a standing agenda item. The committee were clear that this should be undertaken within the remit of the Audit Committee and would not overlap with the oversight of performance which would be undertaken by the Board of Governors and Policy and Finance Committee.

**A18/97** A number of potential areas were proposed for 2020/21 and it was agreed these would be reviewed after completion of the 2018/19 plan:

- Budgetary control and financial management;
- Purchasing and payments (creditors);
- Business continuity planning;
- Cost effectiveness of course provision.

**Resolved:**        **i    That a regular item be considered by the Audit Committee regarding controls, governance and risk in relation to project management arrangements for the College's planned strategic work.**

**A18/98**        **AUDIT RECOMMENDATIONS STATUS REPORT**  
**(A copy of document 6i is filed in the minute book)**

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.

**A18/99** The committee noted that:

- Two recommendations had been completed since the last meeting relating to commercial income and marketing and payroll;
- Four recommendations remained outstanding relating to IT systems, learner numbers, student support funds and payroll;
- All other recommendations were in progress.

**A18/100** The committee were assured that appropriate progress was being made and welcomed the development reported.

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

**A18/101**        **STUDENT UNION ACCOUNTS 2017/18**  
**(A copy of document 10i is filed in the minute book)**

The committee considered the Student Union Accounts for 2017/18. It was noted that the accounts reported a very small deficit. It was noted that this was the first time this had happened in many years and was a result of late billing by the catering service and not mismanagement of funds. It was agreed that the accounts be recommended to the Board of Governors for approval.

**Resolved:**        **i    That the Student Union Accounts for 2017/18 be recommended to the Board of Governors for approval.**

**A18/102**        **ASSURANCE AND RISK MANAGEMENT – KEY STRATEGIC RISKS**  
**(A copy of document 11i is filed in the minute book)**

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

- The probability score for E1 - major blockage in the College drainage system - and F1- failure to draw down Adult Learning Loans Bursary funding stream leading to loss of ESFA funding - had been reviewed and reduced in light of positive student recruitment and over pumping contingency plans, but that they remained red/key risks;
- C2 – loss, theft or misuse of personal data leading to a breach of data protection legislation - training for staff was in the process of being commissioned.

**A18/103** The committee explored C3 - failure to renew the College's central management information system – and specifically whether the impact should be high rather than medium. It was reported that part purchase of some aspects of the system had enabled the College to mitigate the most significant risks and that a usable MIS system remained in place.

**A18/104** The committee was satisfied that the risks identified, the scoring applied and the controls in place were appropriate.

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

**A18/105**    **POLICIES FOR APPROVAL – WHISTLEBLOWING**  
**(A copy of document 12i is filed in the minute book)**

The committee considered the Whistleblowing Policy which had been updated as part of the regular cycle of review and considered by the committee at its last meeting. It was reported that:

- The revisions agreed at the last meeting had been incorporated;
- The statement in 7.1.3 'If you report your concern to the media in most cases you'll lose your whistleblowing law rights' had been double checked for accuracy and it was confirmed that the statement was a direct quote from advice provided to potential whistle-blowers on the gov.uk website.

**A18/106** The committee agreed that 'if you are considering reporting your concerns to the media you are strongly advised to seek legal advice' be added to para 7.1.3.

**Resolved:**        **i    That with the inclusion of the statement at A18/105 above the Whistleblowing Policy be recommended to the Board of Governors for approval.**

**A18/107**    **HEALTH AND SAFETY REPORT**  
**(A copy of document 13i is filed in the confidential minute book)**

The committee considered its role in relation to oversight of health and safety, whether there were any areas where it could add value to the overall scrutiny of health and safety in the College and undertook a review of the current format and timing of the annual health and safety report to the Board of Governors, including whether there were any further developments it would like to commission.

**A18/108** The committee provided some general feedback regarding the annual report and health and safety policy and agreed that a proposed plan for oversight of health and safety by the committee be considered at a future meeting.

**Resolved:**        **i    That a proposed plan for oversight of health and safety by the Audit Committee be considered at a future meeting.**

**A18/109**    **CONFIDENTIAL MINUTES OF THE LAST MEETING**

The confidential minutes of the meeting held on 18 June 2018 were approved as an accurate record (a copy is filed in the confidential minute book).

**A18/110**    **FINANCIAL STATEMENT AUDITORS**

A separate confidential minute was recorded.

**A18/111**    **DATE AND TIME OF THE NEXT MEETING**

The date of the next meeting is **Monday 25 February 2019** at **11.30am**.

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