



Northern College

THE AUDIT COMMITTEE

Minutes of the meeting of the Audit Committee held on **14 June 2021**.

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

In attendance: The Principal (Yultan Mellor), the Assistant Principal – Finance and Business Services (Sue Saunders), the Assistant Principal – Student Experience (Diane Lawson) (up to and including min A21/30), Rob Winter - Barnsley MBC Internal Audit Services (up to and including A21/50), Pam Radley - Barnsley MBC Internal Audit Services (up to and including A21/50), Mike Redfern – Grant Thornton (up to and including A21/50) and the Clerk to the Governors (Sarah Johnson).

Apologies: None.

DECLARATIONS OF INTEREST

A21/26 None.

MINUTES OF THE LAST MEETING

A21/27 The minutes of the meeting held on 22 February 2021 were approved as an accurate record (a copy is filed in the minute book).

MATTERS ARISING FROM THE LAST MEETING

A21/28 None.

The committee agreed to re-order the agenda to facilitate attendance.

COMPLIANCE MID-YEAR UPDATES

A21/29 The committee received a verbal mid-year update regarding **health and safety** which included:

- a detailed update regarding COVID 19 response and management;
- the outcome of the HSE COVID monitoring visit, noting that no further actions had been identified;
- an accidents report, with very low numbers being reported;
- a summary of first aid training undertaken for staff;
- student fire warden training;
- a summary of the outcome of recent health and safety audits;
- the management of health and safety matters relating to building work taking place on site.

A21/30 The committee particularly explored:

- the oversight of COVID 19 response at Board level;
- incidence of COVID 19 cases on site;

- ventilation measures in relation to COVID 19;
- the availability of defibrillators on site, noting that an update would be provided at the next meeting.

A21/31 The committee received a verbal mid-year update regarding **data protection**, the committee particularly explored:

- digital developments and their positive impact on data protection arrangements;
- remote working and the reduction in data breach incidents;
- the cyber security work planned to take place with the NEBRC.

Resolved: i That the availability of defibrillators on site be reported at the next meeting.

INTERNAL AUDIT SERVICE REPORT (Document 2i)

A21/32 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 one assignment had been completed since the last meeting – follow-up.

A21/33 The committee considered the **follow-up report**. It was noted that:

- the scope of the audit had been to provide assurance that the College had appropriately implemented the internal audit recommendations made and due for implementation in the 2020/21 academic year to date, as well as earlier recommendations reported as being outstanding in the 2019/20 audit recommendations follow-up report;
- the review had confirmed that the College was continuing to make good progress with regards to implementing appropriate actions to address internal audit recommendations.

A21/34 It was reported that given the ongoing funding review being completed by the ESFA and the FEC structure and prospects appraisal it had been agreed to put on hold the following proposed audits as included in the internal audit plan - external funding and marketing, preparation for devolution and business continuity planning. It was agreed that this position would be monitored as the situation changed.

A21/35 The committee explored utilisation of the remaining audit days for 2020/21 and agreed that this would continue to be reviewed as the SPA process developed, with the option to reactivate the audit plan by chairs' action if appropriate.

Resolved: i That the utilisation of the remaining audit days for 2020/21 be reviewed as the SPA process developed and reactivated as required by chairs' action.

AUDIT RECOMMENDATIONS STATUS REPORT (Document 2ii)

A21/36 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. It was noted that progress regarding completion of outstanding recommendations had been considered in detail via the follow-up report presented by the internal audit service.

A21/37 The committee particularly noted:

- the development work being undertaken in relation to ICT which would enable the completion of outstanding recommendations in this area;
- the appointment of a payroll and finance lead which would enable recommendations relating to cash and banking to be completed.

A21/38 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.

RISK MANAGEMENT AND ASSURANCE – RISK REGISTER (Document 3i)

A21/39 The committee considered the strategic risk register, particularly in relation to the controls in place to manage:

- the on-going ESFA funding audit;
- the potential impact of the USS pensions liability, particularly if the liability were to be crystallised as a result of the outcome of the FEC led SPA process and directors' responsibilities in relation to the insolvency act;
- devolved funding arrangements from 2021/22.

A21/40 The committee considered:

- the outcome of the recent meeting with the ESFA and the likely impact on the current clawback figure, agreeing that any repayment terms, should they be required, must not risk trigger going concern issues;
- the role of the Board and the Audit Committee in relation to oversight of the ongoing ESFA funding audit.

A21/41 It was agreed that before any decisions regarding any repayment to the ESFA for clawback were made the Board should seek appropriate insolvency advice to ensure that the directors were not being made responsible for a preferential creditors payment.

Resolved: i That the Directors ensure they seek appropriate advice in relation to the insolvency act and the preferential treatment of creditors should any clawback repayment to the ESFA be required.

ESFA AUDIT

A21/42 The committee considered an update regarding the ESFA funding assurance audit of 2016/17 – 2019/20, particularly the meeting with Kirsty Evans (ESFA) and next steps.

FINANCIAL STATEMENTS AUDIT

A21/43 The financial statement auditors presented the current position with regards to the audit of the **2019/20 financial statements**, noting that the position largely remained as reported at the last meeting in relation to outstanding matters which were:

- the outcome of the on-going ESFA funding assurance audit and the College's response;
- assessment of going concern;
- assessment of any post balance sheet events since 31 July 2020.

A21/44 The committee explored:

- the Companies House deadline for filing accounts (30 July 2021) and how that position could be managed should the accounts not be signed by that point;

- the likely need for an additional meeting of the audit committee to consider the completed statements and audit findings prior to recommendation to the Board of Governors;
- the requirements to secure a further extension with the ESFA;
- further professional advice that may be required by the Audit Committee.

- A21/45 The committee considered the **Audit Plan for 2020/21**, particularly noting:
- the likely impact of the outcome of the FEC SPA process;
 - the impact of the changes outlined in the Post 16 ACOP relating to funding assurance – noting that discussions between the ESFA and the audit firms was on-going and it was not possible to confirm what the impact of this change would be at this time;
 - the potential impact of this change on the expectations on the College's internal audit service in relation to funding assurance;
 - the proposed audit partner for 2020/21 in line with statutory requirements.

- A21/46 The committee considered the College's position in relation to pension liabilities, particularly noting:
- the likely impact on LGPS in relation to discount rates;
 - significant factors relating to USS in relation to changes to the benefit structure, planned changes to the funding structure, delay of the review;
 - the impact on the 2020/21 financial statements.

- Resolved:**
- i **That the letter dated 15 June 2021 from Grant Thornton to the Company Directors be shared with the ESFA.**
 - ii **That Grant Thornton update the College regarding the outcome of their discussions with the ESFA regarding the funding assurance changes outlined in the Post 16 ACOP, including impact on the audit plan and fee.**

POST 16 AUDIT CODE OF PRACTICE (Document 4iv)

- A21/47 The committee considered the revised Post 16 Audit Code of Practice for the funding year 2020/21, issued by the ESFA on 31 March 2021. It was noted that a range of revisions had been made including:
- a requirement for corporations to have a policy in place for regular re-tendering of external auditors, which should happen at least every five years;
 - clarifying that external auditors should present their findings annually to the board of governors;
 - clarification that, whilst the ESFA will continue to provide both corporations and their auditors with a statement of grant payments made in respect of the funding year, the statement would not constitute assurance over the funds earned by the College.
- A21/48 The committee considered the implications of these changes for the College and agreed that:
- clarification should be sought from Grant Thornton of the implications of the changes in relation to assurance over the funds earned by the College and any additional work/costs this would generate;
 - that the committee would consider a proposal regarding re-tendering of financial statement audit services at its meeting in November 2021.

- Resolved:**
- i **That clarification be sought from Grant Thornton regarding the implications of the changes to assurance over the funds earned by the College outlined in the Post 16 ACOP and any additional work/costs this may generate.**
 - ii **That the committee consider a proposal regarding re-tendering of financial statement audit services at its meeting in November 2021.**

COMMITTEE MEMBERSHIP

A21/49 The committee noted that:

- Ann Corrigan had stood down from the committee with effect from May 2021 in order to be appointed to the Policy and Finance Committee;
- a number of new governors would be recommended for appointment at the meeting of the Board in July 2021, following which membership of the Board's committees would be reviewed to ensure appropriate participation was maintained.

ORDER OF BUSINESS

A21/50 The committee considered and agreed the order of business for 2021/22.

INTERNAL AUDIT SERVICE APPOINTMENT

A21/51 The committee considered the appointment of an internal audit service for 2020/21. It was agreed that it be recommended to the Board that the appointment of the current provider be rolled forward until 31 December 2021, and that the committee review the position again at its meeting in November 2021 following the outcome of the FEC SPA process.

- Resolved:**
- i **That it be recommended to the Board that the appointment of the current internal audit service provider be rolled forward until 31 December 2021.**
 - ii **That the committee review the position regarding the internal audit service from 1 January 2022 at its meeting in November 2021, following the outcome of the FEC SPA process.**

CONFIDENTIAL MINUTES

A21/52 The confidential minutes of the meeting held on 24 February 2021 were approved as an accurate record.

DATE AND TIME OF THE NEXT MEETINGS

A21/53 Monday 15 November 2021 - 11.30am
 Monday 21 February 2022 - 11.30am
 Monday 13 June 2022 - 11.30am