



Northern College

THE AUDIT COMMITTEE

Minutes of the meeting of the Audit Committee held on **15 November 2021**.

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

In attendance: The Principal (Yultan Mellor) (from A21/65 onwards), the Assistant Principal – Finance and Business Services (Sue Saunders) (from A21/65 onwards), Rob Winter - Barnsley MBC Internal Audit Services (up to and including A21/85), Mike Redfern – Grant Thornton (up to and including A21/85), Deborah Watson - Grant Thornton (up to and including A21/85) and the Clerk to the Governors (Sarah Johnson).

Apologies: None.

CLOSED SESSIONS WITH THE AUDITORS

A21/61 The committee met in closed session with the financial statements and internal auditors.

A21/62 The financial statements auditors reported that:

- they had developed an effective working relationship with the new AP-FBS;
- the audit information provided by the College for the required audit of community learning funding had been strong;
- Grant Thornton had made a decision to withdraw from the FE audit market from 2022/23.

A21/63 The internal audit service reported that:

- given the ongoing funding reviews being completed by the ESFA during the year it had been agreed that a number of the planned audits for 2020/21 would not be completed as planned;
- despite this appropriate contact had been maintained with the College's leadership team;
- an effective working relationship had been developed with the new AP-FBS.

A21/64 The committee explored the potential implications of likely changes in the FE audit market over the coming months.

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

DECLARATIONS OF INTEREST

A21/65 Each governor present declared any potential interests/conflicts of loyalty related to items to be considered at the meeting. Liz Stanley declared a potential conflict with respect to her role undertaking internal audits unconnected to the College for BMBC audit services on a self-employed basis. It was agreed that no decisions to be taken at the meeting would be affected and it was not considered necessary for the member to withdraw.

MINUTES OF THE LAST MEETING

A21/66 The minutes of the meetings held on 14 June and 26 July 2021 were approved as an accurate record.

INTERNAL AUDIT SERVICE REPORT (Document 3i)

A21/67 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:

- as previously agreed by the committee no audit assignments had been completed since the last meeting;
- appropriate contact with the College and the financial statement auditors had been maintained.

A21/68 The committee considered the **Internal Audit Annual Report and Opinion 2020/21**. It was 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 2020/21;
- 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;
- given the ongoing funding reviews being completed by the ESFA during the year, and the related uncertainties about the College's sustainability, it had been agreed with College management that the completion of a number of the planned audits should not go ahead;
- cooperation from the College had remained positive and access to information and turnaround times had continued to be appropriate;
- considering the overall results of internal audit work undertaken, together with management's implementation of recommendations, an adequate (positive) assurance opinion was provided;
- this opinion was based upon the agreed annual programme of risk-based audit coverage, and although the plan 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 Annual Report and Opinion 2020/21 be submitted to the Board of Governors for consideration.

AUDIT RECOMMENDATIONS STATUS REPORT (Document 3ii)

A21/69 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.

A21/70 The committee particularly noted actions which positively impacted on the completion of outstanding recommendations including:

- the approval by the Board of the new ICT Acceptable Use Policy;
- development of an ICT Security Policy;
- the commencement in post of Payroll and Finance Lead;
- introduction of procurement cards.

A21/71 The committee agreed that:

- overall appropriate progress was being made with the implementation of recommendations and welcomed the development reported;

- development of the ICT security policy should be prioritised in order to minimise risk.

Resolved: i That development of the ICT Security Policy be prioritised in order to minimise risk.

ESFA FUNDING ASSURANCE AUDIT (Document 3iii)

A21/72 The committee considered a report which presented an update and proposal regarding the claw back arising from the four-year ESFA funding assurance audit, noting that:

- taking into account unfunded over delivery and hardship payments previously identified as ineligible the overall value of the claw back figure had been reduced to £756,152.29;
- given the College's level of cash reserves it would be affordable to repay this amount in full in year, without impacting on going concern;
- this would be dependent on the College securing a satisfactory outcome from the 2019/20 COVID business case process;
- the College had anticipated having had a response regarding the COVID business case by 15 November, but this had been delayed by the ESFA;
- at its meeting on 30 September 2021 the Board had delegated authority to approve repayment should it be appropriate.

Resolved: i That subject to a satisfactory outcome from the 2019/20 COVID business case process and in line with the resolution at the meeting of the Board of Governors on 30 September 2021 the committee support the repayment of £756,152.29 arising from the four year ESFA Funding Assurance reviews.

INTERNAL AUDIT SERVICE ANNUAL PLAN 2021/22 (Document 4i)

A21/73 The committee considered the proposed draft **Internal Audit Plan for 2021/22** 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;
- the plan was flexible and would be reviewed and re-assessed throughout the year as new risks emerged and control environments changed;
- the breadth and depth proposed would be sufficient to ensure an opinion could be provided.

A21/74 The committee explored the proposal noting that alongside the standing items (journals, recommendations follow-up and audit management) a number of other potential areas had been identified – data protection impact assessments, procurement and the testing of business planning assumptions - which would require a potential total of 13 days, the agreed contract 10 days plus 3 additional days. The committee agreed that all three areas were central to the College understanding risks and the full 13-day plan (as a maximum) should be recommended to the Board for approval.

Resolved: i That the 13-day (as a maximum) internal audit plan for 2021/22 be recommended to the Board of Governors for approval.

RISK MANAGEMENT AND ASSURANCE – RISK REGISTER (Document 4ii)

A21/75 The committee considered the strategic risk register, particularly in relation to the controls in place to manage:

- student recruitment;
- ESFA funding;
- commercial developments;
- Ofsted;
- insurance.

- A21/76 The committee:
- sought and received assurance that appropriate insurance cover could be secured in the appropriate timescale;
 - explored the treatment of risks which had materialised into live issues in the risk framework, noting that this would be explored as part of the planned annual review of the risk framework at the meeting of the Audit Committee in February 2022.

Resolved: i That the report be noted.

ANNUAL AUDIT COMMITTEE REPORT TO THE BOARD (Document 5i)

- A21/77 The committee considered the draft **Annual Audit Committee Report to the Board for 2020/21** 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, 6.10, 6.11 and 6.16 would be updated following the consideration of the matters by the Audit Committee at the meeting;
- as the audit of the financial statements was not yet complete due to the non-conclusion of the ESFA funding assurance audit matter and delays to the outcome of the 2020/21 COVID business case the report would be updated and reconsidered by the committee prior to its submission to the Board of Governors in December 2021.

- A21/78 The committee considered **Appendix E – Regularity Audit Self-Assessment and COVID Supplement** – and agreed that no significant issues had been raised and it should be recommended to the Board of Governors for signing.

Resolved: i That the Annual Audit Committee Report to the Board for 2020/21 be updated on conclusion of the audit of the 2020/21 financial statements and reconsidered by the committee prior to its submission to the Board of Governors in December 2021.

FINANCIAL STATEMENTS AUDIT

- A21/79 The committee considered the draft financial statement auditors' **audit findings for 2020/21** noting that:

- overall the audit work had gone smoothly;
- however the audit and report were not yet finalised primarily due to the testing of ESFA revenue (AEB and Community Learning), confirmation of 2020/21 funding clawback, confirmation of potential provision re ESFA funding audit clawback, and the going concern review being as yet incomplete;
- the going concern statement would need updating once the clawback position was finalised but overall the auditor was of the opinion that the College's going concern position was satisfactory;
- the auditor was comfortable with the value included for LGPS;
- no issues had been identified regarding USS and the assumptions appeared reasonable.

- A21/80 The committee explored:
- the audit of community learning funding, noting that no specific guidance for the audit work had been provided by the ESFA who had indicated that it should be 'reasonable' and the audit work was expected to be completed in the next two weeks;
 - implications arising from the ESFA delay of the outcome of the 2019/20 COVID business case process;
 - the process for approval given the outstanding matters, noting that an additional meeting of the committee would be required prior to the meeting of the Board of Governors on 16 December 2021.

- Resolved:**
- i That the position regarding the audit of the 2020/21 financial statements be noted.**
 - ii That an additional meeting of the Audit Committee be scheduled to review the finalised financial statements and audit findings prior to the meeting of the Board of Governors on 16 December 2021.**

COMPLIANCE ANNUAL REPORTS (Document 5iii)

A21/81 The committee considered the **Health and Safety Annual Report for 2020/21** noting that this would be submitted for consideration by the Board of Governors at its meeting in December 2021.

A21/82 The committee considered the **Data Protection Annual Report 2020/21** noting that this would be submitted for consideration by the Board of Governors at its meeting in December 2021.

- Resolved:**
- i That the Data Protection and Health and Safety Annual reports for 2020/21 be recommended to the Board of Governors for consideration.**

COMMITTEE REVIEW (Document 5i)

A21/83 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;
- considered and agreed proposed indicators for 2021/22;
- considered its terms of reference and agreed that no changes were required.

A21/84 The committee considered its training and development needs and agreed that relevant training sessions should be provided prior to each meeting as required.

A21/85 The committee reviewed its membership and agreed that the on-going aim to appoint an additional independent, non-Barnsley focused member should continue to be pursued.

- Resolved:**
- i That relevant training sessions should be provided prior to each Audit Committee meeting as required.**
 - ii That the appointment of an additional independent, non-Barnsley focused member of the Audit Committee should continue to be pursued.**

FUTURE AUDIT PROVISION (Document 7i)

A21/86 The committee considered the provision of financial statement audit services for 2021/22 and internal audit service provision for 2022/23.

A21/87 A separate confidential, minute was recorded.

DATE AND TIME OF THE NEXT MEETINGS

A21/ Monday 21 February 2022 - 11.30am
Monday 13 June 2022 - 11.30am