



Northern College

THE AUDIT COMMITTEE

Minutes of the meeting of the Audit Committee held on **21 February 2022**.

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), Rob Winter - Barnsley MBC Internal Audit Services and the Clerk to the Governors (Sarah Johnson).

Apologies: None.

DECLARATIONS OF INTEREST

A22/8 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

A22/9 The minutes of the meetings held on 15 December 2021 and 27 January 2022 were approved as an accurate record.

A22/6 It was reported that following submission of the financial statements for 2020/21 the charity commission had written to the trustees for confirmation that the position which resulted in a partial modification of the financial statements for year ending 31 July 2021 was an isolated incident and there had not been misinterpretation of any other funding rules. It was noted that assurance had been provided by the clerk on behalf of the trustees.

INTERNAL AUDIT SERVICE REPORT (Document 2i)

A22/10 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 – journals - sample testing had confirmed that journals posted had related to bona fide transactions of the College, were supported by appropriate and relevant documentation and had been posted correctly, and the opinion was that of adequate;
- initial scope for the assignment related to data protection impact assessments had been agreed, with week beginning 4 April 2022 pencilled in for the field work;
- discussions regarding support for procurement relating to the College's catering contract were ongoing;

- the auditors had not been involved in the procurement for the external audit service due to the tight timescales required;
- handover discussions had been held with Grant Thornton (outgoing financial statement auditors) and no issues had been raised;
- the internal auditor would seek to quickly establish an appropriate relationship with the College's new external audit provider once appointed.

Resolved: i That the report be noted.

AUDIT RECOMMENDATIONS STATUS REPORT (Document 2ii)

- A22/11 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.
- A22/12 The committee particularly noted actions which positively impacted on the completion of outstanding recommendations including:
- the securing of cyber insurance, restructuring of the ICT team and new appointments to key roles;
 - formal documentation of finance processes.
- A22/13 The committee agreed that:
- the merging of the data protection and ICT security policy was appropriate and welcomed that a new policy had been drafted and was going through the consultation process;
 - the new policy should be considered for approval by chairs action to enable it to be used as a working draft prior to formal approval at the Board meeting in July;
 - overall appropriate progress was being made with the implementation of recommendations and welcomed the development reported.

Resolved: i That approval as a working draft of the revised ICT security/data protection policy be delegated to the chair of the Audit Committee prior to submission to the Board for full approval.

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

- A22/14 The committee considered the strategic risk register, particularly in relation to the controls in place to manage:
- student recruitment, potential audit clawback as a result of under delivery and future residential funding;
 - ICT infrastructure and cyber security.
- A22/15 The committee particularly explored the role of the Audit Committee in relation to the financial challenges arising from under recruitment agreeing that this should be a key area of consideration. The committee agreed that depending on the outcome of discussions at the meeting of the Board in March 2022 the committee should schedule an additional meeting in May 2022 to consider the position further.
- A22/16 The Committee reviewed the College's overall approach to risk management and agreed that:
- changes to the risk register from the previous version should be highlighted;
 - that a direction of travel indicator should be added.

- Resolved:**
- i That depending on the outcome of discussions at the meeting of the Board in March 2022 the committee should schedule an additional meeting in May to consider the College's student recruitment position and financial implications further.**
 - ii That changes to the risk register from the previous version be highlighted and a direction of travel indicator added.**

ICT AND CYBER SECURITY

A22/17 The committee considered a verbal report which presented an update on activities in the College to further strengthen the College's cyber security, particularly noting:

- ICT team restructuring and new appointments;
- IT infrastructure developments;
- work with the NEBRC to test and strengthen security arrangements and responses;
- policy and procedure developments;
- cyber insurance.

A22/18 The committee agreed that future regular reports on cyber security issues would be appropriate.

- Resolved:**
- i That regular reports regarding cyber security matters be included in the order of business for the committee.**

WEST YORKSHIRE COMBINED AUTHORITY – AUDIT ACTIVITY

A22/19 The committee received a verbal update regarding audit work being undertaken by West Yorkshire Combined Authority, noting that:

- the audit was advisory, rather than compliance;
- key areas raised related to assessment of residency for short courses and the College's fees policy in relation to community learning and pound plus;
- the residency criteria had been introduced at short notice and was having a negative impact on students due to the level of information required;
- the College was seeking to work with WYCA to achieve compliance without negatively impacting on the student experience.

A22/20 The committee:

- sought and received assurance that as the audit was advisory there was no risk of financial clawback;
- noted that whilst South Yorkshire were not undertaking an audit the results of the West Yorkshire work would be shared with them.

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

EFSA GUIDANCE – AUDIT COMMITTEE AND ILR DATA (Doc 4ii)

A22/21 The committee considered two guidance notes issued by the ESFA related to its scope of responsibility.

A22/22 The Scope of the Work of Audit Committees and Internal Auditors in College Corporations, noting that:

- its aim was to provide governors, CEOs, principals, governance professionals, finance directors and auditors with guidance as to how they can implement audit committee arrangements that meet the requirements of the post-16 audit code of

practice; and enable them to better discharge their responsibilities for the effective stewardship and oversight of their organisation;

- the guidance did not replace or modify any of the requirements of the Post 16 Audit Code of Practice, but provided suggestions regarding good practice.

A22/23 ILR data integrity guidance, noting that:

- the purpose of the guidance was to help colleges understand ESFA funding rules; ensure the integrity of their Individualised Learner Record (ILR) data and submit complete and accurate ILR returns and funding claims to ESFA; thereby recognising the appropriate level of ESFA funding in their financial statements; and better understand how external auditors can obtain sufficient audit evidence in respect of ESFA funds recognised in college financial statements to inform their external audit 'true and fair' opinion.
- the guidance had been published in relation to the change in the 2020/21 Post 16 ACOP, whereby the ESFA clarified that the funds' payments statements (which it provides to colleges and their external auditors each year) does not constitute assurance over the funds earned by colleges, thus resulting in a requirement for additional work to be undertaken by the external auditors to obtain sufficient audit evidence in respect of the College's ESFA funding;
- it provides a high-level overview of funding streams and links to key documents which governors may find useful; guidance to support the Audit Committee in relation to assurance and audit requirements for ILR data.

A22/24 The committee considered the implications for the College and agreed that the guidance would be useful to inform the development of future internal and external audit requirements and programmes of work, and should be factored into the committee's annual self-assessment work going forward.

- Resolved:**
- i **That the ESFA guidance for Audit Committees be used to inform the programme of work for internal and external audit in 2022/23.**
 - ii **That the ESFA guidance for Audit Committees be used to inform the committees annual self-assessment.**

COMMITTEE TRAINING AND DEVELOPMENT PLAN

A22/25 The committee considered its training and development plan for 2022/23 and agreed that a training session on the financial statements prior to the November meeting and input from the new external audit provider should be included.

- Resolved:**
- i **That members inform the clerk of any further training needs identified.**

FINANCIAL STATEMENTS AUDITOR – APPOINTMENT (Document 6i)

A22/26 The committee considered the tender process for appointment of financial statement auditors, noting that:

- the deadline for submissions had been 14 February 2022, and two had been received;
- supplier presentations had been pencilled in for week beginning 28 February 2022, with a recommendation being made to the Board/Company at their meetings on 10 March 2022.

- A22/27 The committee:
- considered the arrangements for the scoring process and the likely requirement for supplier presentations;
 - considered the key factors to be taken into consideration should supplier presentations be required;
 - agreed that it was critical that the firm appointed had the appropriate experience and sector knowledge to support the College in relation to its key strategic risks;
 - confirmed the panel for supplier presentations.

Resolved: i That scoring be undertaken in line with the agreed process, and supplier presentations be scheduled for 7 March 2022 should they be required.

INTERNAL AUDIT SERVICE APPOINTMENT

- A22/28 The committee considered the timetable for the appointment of internal audit services, noting that:
- the College intended to use the CPC framework;
 - the intention was for a recommendation to be presented to the committee for consideration at its meeting in June 2022;
 - a key factor would be sector experience relating to the College's key risk areas.

ANY OTHER BUSINESS

- A22/29 It was reported that the chair of the committee Liz Stanley would be stepping down from the Board and Audit Committee at the end of the academic year. It was noted that membership of committees would be reviewed with the new chair of the Board of Governors and the College was seeking to appoint a new member with financial and audit experience/qualifications to join the Board and committee.

DATE AND TIME OF THE NEXT MEETINGS

- A22/30 Monday 13 June 2022 - 11.30am