



Northern College

THE AUDIT COMMITTEE

Minutes of the meeting of the Audit Committee held on **13 June 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, Richard Lewis – RSM and the Clerk to the Governors (Sarah Johnson).

Apologies: None.

DECLARATIONS OF INTEREST

A22/31 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 AND MATTERS ARISING

A22/32 The minutes of the meeting held on 21 February 2022 were approved as an accurate record.

A22/16 It was noted that an additional meeting of the committee had not been held as an additional meeting of the full Board took place in May 2022.

INTERNAL AUDIT SERVICE REPORT (Document 2i)

A22/33 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 reported that:

- one assignment had been completed since the last meeting – follow-up, and that:
 - the audit was to provide assurance that the College had appropriately implemented the internal audit recommendations made and due for implementation in the 2021/22 academic year;
 - the review confirmed that the College was continuing to make good progress with regards to implementing appropriate actions to address internal audit recommendations;
- a report regarding the College's Data Protection Impact Assessment procedure would be provided in the near future;
- verbal input into procurement activities had been provided including the proposed use of framework contracts, the process to be adopted and documentation required to appoint a supplier for the provision of an external audit service and to design and implement a new HR/Payroll system;

- the terms of reference and scope for the business planning / financial forecasting / assumptions work had been agreed.

A22/34 The committee particularly explored the follow-up report requesting and receiving assurance that partially implemented recommendations were being appropriately progressed and would be fully implemented by the end of July 2022. It was agreed that the committee would include an explanation regarding any incomplete recommendations in its annual report.

Resolved: i That the Audit Committee include an explanation regarding any incomplete recommendations in its annual report.

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

A22/35 The committee considered the strategic risk register noting that:

- as previously agreed a direction of travel indicator had been added and changes since the last report highlighted;
- new risks had been added relating to the cashflow implications of changes to when funding was paid to the College, insolvency as a result of poor recruitment and reduced income levels and the risk of clawback and/or reduction in contract as a result of non-compliance to funding rules;
- there had been no changes in direction of travel for any risks since the last report.

A22/36 The committee:

- agreed that the register appropriately reflected the challenges faced by the College and that it was important to ensure that all members were fully apprised of the risk position;
- noted that a range of scenarios were being modelled for consideration by the Board as agreed at its meeting in May 2022;
- considered adopting a deep dive approach where each risk was considered in rotation in detail, but agreed that at this time the key risks were considered in detail at every meeting and this approach remained appropriate at this time, but the deep dive approach would be considered again at a later date;
- agreed that whilst some of the risks could be amalgamated, keeping them separate and more explicit was the right approach at this time;
- noted that there had been no indication that the risk relating to West Yorkshire CA funding payments would be replicated by South Yorkshire.

Resolved: i That the register be noted.

FINANCIAL STATEMENTS AUDIT (Document 4i)

A22/37 The committee welcomed Richard Lewis, the College's new principal external auditor, to his first meeting.

A22/38 The committee received and noted the **Engagement Letter** which had been approved by the Board of Governors and signed by the chair of the Audit Committee.

A22/39 The committee considered the **Audit Plan** for the year ended 31 July 2022, noting:

- the planned scope, timetable, materiality, key audit risks (and the planned approach to them), fees and independence;
- the level of assurance provided by the audit, particularly in relation to regularity;

- the new inclusion of propriety in the scope of the regularity audit, and that clarification regarding the scope of this was still being sought from the ESFA and should it be required a new engagement letter would be issued.

A22/40 The committee considered the key risks in respect of the financial statement audit identified by the auditor and how these had been arrived at, noting that:

- the risks identified related to income recognition, management override, pension scheme liabilities going concern and regularity;
- these were in line with previous years;

A22/41 The committee particularly explored the proposed approach to the going concern work and the potential implications of a range of scenarios. The committee noted that:

- this was likely to be a fluid area of work;
- there could potentially be an impact on the format and timing of the completion of the financial statements;
- a workshop was scheduled for July 2022 to ensure that all governors and members of the executive team were fully aware of their responsibilities and the actions required;
- a range of scenarios had been modelled and were being regularly updated and these would be robustly challenged as part of the audit process;
- transparency and appropriate documentation of considerations and decisions would be vital.

A22/42 The committee noted that the auditor was also working with management to assess whether a property or right to use value should be recognised on the College's balance sheet.

A22/43 The committee considered the RSM FE Emerging Issues Report for Spring 2022, particularly noting:

- implications from the Levelling Up white paper;
- changes to the Post 16 ACOP;
- changes to the College Accounts Direction, including a new requirement to report on activities undertaken over the year to develop governors and clerks/governance professionals, and the requirement to report on the newly required external review of governance.

Resolved: i That the RSM FE Emerging Issues Report for Spring 2022 be shared with all governors.

POST 16 ACOP (Document 4ii)

A22/44 The committee considered and noted changes to the Post 16 ACOP, in particular:

- inclusion of an explanation that any designated institutions that have the legal personality of a limited company need to consider any audit requirement arising from company law in addition to those set out in the P16ACOP itself, noting that the College had always adopted this approach;
- removal of the exclusion of the regularity of the ILR return from the scope of the reporting accountant's regularity engagement.

Resolved: i That the report be noted.

REGULARITY SELF-ASSESSMENT QUESTIONNAIRE (Document 4iii)

- A22/45 The committee considered the review and scrutiny process and timetable for the regularity self-assessment questionnaire, noting that the responses to the questionnaire formed a key part of the external audit of the College's financial statements. The committee agreed that:
- the questionnaire should be completed after the end of the academic year;
 - it should be circulated for comment/input to committee chairs;
 - it should be formally approved by the Board prior to finalisation of the financial statements.

Resolved: i That the regularity self-assessment be completed after the end of the academic year, circulated for comment/input to committee chairs and formally approved by the Board prior to finalisation of the financial statements.

POLICIES FOR APPROVAL (Document 4iv)

- A22/46 The committee considered the Data Protection and Information Security Policy and agreed to include training for governors as well as staff in 4.1.

Resolved: i That with the inclusion of the above addition the Data Protection and Information Security Policy be recommended to the Board of Governors for approval.

WEST YORKSHIRE ADVISORY AUDIT (Document 4v)

- A22/50 A separate confidential minute was recorded.

COMPLIANCE MID-YEAR UPDATES (Document 4vi)

- A22/51 The committee considered a health and safety mid-year update which included:
- COVID key points;
 - RIDDOR reportable incidents;
 - accident reporting;
 - training;
 - policies and procedures;
 - fire safety;
 - health and safety audit;
 - projects.

- A22/52 The committee was satisfied that appropriate health and safety assurance had been provided, and that there were no significant issues of concern, and looked forward to considering the full year report for 2021/22.

- A22/53 The committee considered a Data protection mid-year update which included:
- data breaches;
 - subject access requests;
 - concerns/complaints;
 - internal audit activities;
 - policy development;
 - internal oversight of data protection arrangements;
 - staff training;
 - cyber security.

A22/54 The committee was satisfied that appropriate assurance had been provided, and that there were no significant issues of concern, and looked forward to considering the full year report for 2021/22.

Resolved: i That the reports be noted.

GOVERNANCE MATTERS (Document 5ii)

A22/55 The committee welcomed the decision taken by the chair Liz Stanley to continue in her role as governor and chair of the Audit Committee.

A22/56 The committee agreed the order of business for 2022/23, noting that it provided a framework of activity for the committee but was likely to be enhanced through the year in response to the circumstances as appropriate.

Resolved: i That the Order of Business for 2022/23 be recommended to the Board for approval.

INTERNAL AUDIT SERVICE

A22/57 A separate confidential minute was recorded.

DATE AND TIME OF THE NEXT MEETINGS

A22/58 7 November 2022 at 11.30am
20 February 2023 at 11.30am
12 June 2023 at 11.30am