



Northern College

AUDIT COMMITTEE

Minutes of the meeting of the Audit Committee held on **7 November 2022**.

Present: Liz Stanley (Chair), Seb Schmoller and Emma Norton.

In attendance: Yultan Mellor (Principal), Richard Lewis (RSM) and Rob Winter (BMBC) (up to and including A22/73), the Assistant Principal – Finance and Business Services (Sue Saunders) and the Clerk to the Governors (Elin Longley).

Apologies: None

CLOSED SESSION

A22/59 The committee met in closed session with the financial statements and internal auditors.

A22/60 The financial statements auditors reported that:

- it was their first year in post and engagement had been good, with no issues or resistance to requests;
- work had been undertaken to reflect the value of the College's land and buildings on the balance sheet;
- there were no issues in terms of completeness;
- there had been challenge from both sides throughout the audit process;
- the accounts would show a true and fair view, and will be signed off on an unqualified basis, but were subject to the going concern opinion.

A22/61 The internal audit service reported that:

- submitted an annual report with assurance based on work undertaken;
- been limited in the scope of work during the year;
- there had been No issues or resistance to requests for information;
- formally recorded best wishes for the College for the future.

A22/62 The committee recorded its thanks to the BMBC audit team for their hard work and valuable impact.

A22/63 The external auditor explored with members of the committee:

- outstanding audit recommendations, particularly in relation to procurement, noting that lessons had been learnt and advice taken, the only outstanding action was writing up the revised policy;
- fraud and fraud risk;
- going concern – including governor and committee responsibilities in relation to the 2021/22 financial statements, the basis for decision making and the information required.

DECLARATIONS OF INTEREST

A22/64 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 AND MATTERS ARISING

A22/65 The minutes of the meeting held on 13 June 2022 were approved as an accurate record.

INTERNAL AUDIT SERVICE – ANNUAL REPORT 2021/22 (Document 3i)

A22/66 The committee considered the **Internal Audit Annual Report 2021/22**. It was noted that:

- the purpose of the report was to contribute to the assurances available to the principal and Board of Governors, which underpin their own assessment of the effectiveness of the College's system of internal control;
- 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;
- the basis for the opinion was the assessment of a range of individual opinions arising from the internal audit plan for the year, an assessment of the College's response to recommendations, attendance at meetings of the Audit Committee, observation of the oversight and management of risks, interactions with management;
- the auditor was not able to provide an overall opinion for 2021/22 due entirely to the exceptional circumstances the College had to deal with during the year and the limited amount of audit work undertaken as a result;
- however details of the audit work undertaken during the year was included in the body of the report, and no issue were being raised.

A22/67 The committee:

- noted the report and its conclusions and the completion of the BMBC contract as the College's internal audit provider;
- thanked the auditor for their work;
- noted that an internal audit opinion was not a requirement of the Post 16 ACOP;
- restated its earlier decision to develop an in-house risk-based audit plan for 2022/23 and appoint specialist providers on an audit by audit basis;
- noted that a progress update against the 2022/23 plan was on the agenda for the meeting.

Resolved: i That the report be noted.

AUDIT RECOMMENDATIONS STATUS REPORT (Document 3ii)

A22/68 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. The committee:

- noted that the new Data Protection and IT Security Policy was recommended for approval at the June 2022 Audit Committee and was approved by the Board in July 2022, and the action was now complete;
- two recommendations remained outstanding one low risk relating to reconciling tuition fees and one relating to the updating of written procurement procedures;
- noted that following external advice the College had recently successfully followed the revised procurement procedure.

A22/69 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.

INTERNAL AUDIT PROJECTS 2022/23 (Document 4i)

A22/70 The committee considered proposed risk-based internal audit projects for 2022/23, noting that:

- it had been agreed that for 2022/23 that the College would commission specialist providers on an assignment-by-assignment basis in order to ensure the most appropriate specialist input in relation to key risk areas;
- the two areas identified were financial planning/assumptions and funding assurance;
- with the Board's approval BDO had been engaged to carry out a review of cashflow and financial assumptions, stress testing and consider potential future options and the work would take place in November/December 2022;
- the College proposed engaging an independent specialist to undertake a funding audit to ensure that funding is being correctly claimed, and this would be scheduled for April 2023.

A22/71 The committee explored the proposal in detail, particularly the involvement of FPMO in the financial planning work and the potential implications of this in terms of scope and timeframe.

A22/72 The committee considered the issues and actions arising from the West Yorkshire Combined Authority funding audit.

A22/73 The committee received a verbal report regarding a funding audit conducted by South Yorkshire Mayoral Combined Authority in August 2022, noting that no major concerns had been reported verbally, but the written report had not yet been received and would be shared with the committee as appropriate.

Resolved: i That the proposed Internal Audit Projects for 2022/23 be recommended to the Board for approval.

ASSURANCE AND RISK MANAGEMENT - KEY STRATEGIC RISKS (Document 4ii)

A22/74 The committee considered the strategic risk register and the operation of the College's risk assurance framework and was satisfied that the framework enabled the identification and appropriate oversight of the College's key risks.

A22/75 The committee considered current risks, direction of travel and mitigation factors and agreed that these had been reflected in the proposed internal audit plan. The committee were assured that each risk was being appropriately overseen by the relevant allocated committee/Board.

Resolved: i That the key strategic risks be noted.

ANNUAL AUDIT COMMITTEE REPORT (Document 5i)

A22/76 The committee considered the draft **Annual Audit Committee Report to the Board for 2021/22** 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;

- the statements in green 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 the report would be updated and reconsidered by the committee prior to its submission to the Board of Governors in order to support/inform their consideration of the financial statements.

A22/77 The committee:

- considered and approved the regularity self-assessment for recommendation to the Board;
- noted that the regularity self-assessment did not need to be submitted to the ESFA and would therefore be presented as a separate document;
- agreed that appropriate reference to the work by BDO be added to the report;
- agreed that section 17.9 be updated to be clear that an internal audit opinion was not required and the College was not vulnerable in this respect;
- agreed that the committee self-assessment be circulated for completion by members and the report updated accordingly.

- Resolved:**
- i That the regularity self-assessment be recommended to the Board for approval to sign.**
 - ii That the Audit Committee Annual Report to the Board be updated to reflect the committee's discussion and the circumstances up to the signing of the financial statements.**
 - iii That the committee self-assessment be circulated for completion by committee members.**
 - iv That the Audit Committee Annual Report to the Board be reconsidered by the committee prior to its submission to the Board.**

FINANCIAL STATEMENTS AUDIT (Document 5ii)

A22/78 The committee considered the **key findings of the financial statements' auditors RSM** in relation to the College's financial statements ending 31 July 2022, it was noted that:

- the audit work was substantially complete;
- the auditors anticipated issuing an unqualified audit opinion and an unmodified regularity conclusion;
- work in relation to going-concern however was incomplete and updated information was required from management in order for a conclusion to be reached in this area;
- there also remained work required to complete the recognition of the College's estate on the balance sheet.

A22/79 The committee explored:

- the likely impact of including the value of the estate on the balance sheet;
- the additional audit fees referred to in the audit findings report;
- the likely timeframe for the conclusion of the audit and the relevant factors and further information required;
- the potential requirement for an extension to the submission deadline (31 December 2022) with the ESFA.

A22/80 The committee considered the **draft financial statements for 2021/22**, noting that several areas would require updating/completion prior to their submission to the Board for approval and the updated version should be considered by the Audit Committee.

A22/81 The committee particularly explored:

- the trading performance, pensions position and related party transactions, agreeing that a related party note should be included regarding Barnsley MBC;
- the statement from the Audit Committee in the corporate governance statement, agreeing that it was accurate.

A22/82 The committee explored the timeframe and actions/information required to complete the financial statements and audit process, the considerations for the Board in relation to its going-concern assessment and the appropriateness of ensuring the assessment was robust and based on appropriate information, even if this required an extension to the submission deadline.

A22/83 The committee considered the RSM sector emerging issues report particularly noting the delayed outcome of the ONS assessment of colleges.

Resolved: i That a related party transaction be included for Barnsley Metropolitan Borough Council.

ii That the ESFA be alerted to the potential requirement for an extension to the deadline for the submission of the College's financial statements.

COMPLIANCE ANNUAL REPORTS - HEALTH AND SAFETY (Document 5iii)

A22/84 The committee considered the **Health and Safety Annual Report for 2021/22**, agreeing that it provided relevant assurance that the College was effectively meeting its health and safety responsibilities and there were no issues to raise, and noting that it would be submitted for consideration by the Board of Governors at its meeting in December 2022.

Resolved: i That the report be recommended to the Board.

LOCATED REPORT – INTERNAL ASSURANCE (Document 5iv)

A22/85 The committee considered a report regarding matters requiring assurance raised in the LocatED report arising from a visit to campus in May 2022. It was noted that:

- a written report from the visit had been presented to the Board for consideration at its meeting in July 2022 which had raised concerns regarding some potential compliance issues;
- the Board had tasked the Audit Committee with considering the matters raised and reporting back any concerns to them;
- the LocatED visit to the campus had been very short (half a day) and had not included any formal or robust assessment of the matters raised;
- key areas addressed included maintenance backlog, security, wheelchair access, and fire safety.

A22/86 The committee were assured by the information provided that whilst there were clearly areas for improvement identified by LocatED there were no compliance issues which were of immediate concern.

Resolved: i That the report be amended to reflect it's intention

POST 16 AUDIT CODE OF PRACTICE 2021/22 (Document 5v)

- A22/87 The committee received the revised Post 16 Audit Code of Practice, noting that:
- whilst a revised version for the funding year 2021 to 2022 was issued in April 2022 and was considered by the committee in June 2022, a number of further changes had been issued in September 2022;
 - the further revisions included:
 - further details on how any actual or suspected cases of significant fraud, including cybercrime, should be reported;
 - clarification that the reporting accountant may, but is not obliged to, notify instances of impropriety in their report on regularity;
 - clarification that for any issues of impropriety, which come to light during the regularity engagement, the reporting accountant may use their discretion as to if and how they should be reported
 - an expectation that any instances of impropriety that do not meet the threshold for inclusion in the regularity opinion itself, should be reported in the management letter
 - amendment of the wording of the conclusion of the reporting accountant's assurance report on regularity by removing the requirement and default position that instances of impropriety must be included.

A22/88 The committee were assured that the revised requirements had been reviewed and would be actioned appropriately as required.

Resolved: i That the revised Post 16 Audit Code of Practice be noted.

FUNDER AUDITS

- A22/89 The committee considered a verbal report regarding recent funder audits, noting that:
- a detailed action plan was in place in response to the recommendations raised in the audit undertaken by West Yorkshire Combined Authority, this included a redesign of the College's enrolment form which had been completed;
 - an audit had been undertaken by South Yorkshire Mayoral Combined Authority in August 2022, and whilst the full report had not yet been received no issues had been raised verbally.

Resolved: i That the report arising from the South Yorkshire Mayoral Combined Authority audit (August 2022), and a resulting action plan, be considered by the committee at its meeting in February 2023.

li That a progress update regarding implementation of actions arising from the West Yorkshire Combined Authority audit be considered by the committee at its meeting in February 2023.

GOVERNANCE (Document 6i)

- A22/90 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 2022/23;
 - considered its terms of reference and agreed that no changes were required.

A22/91 The committee considered its membership and welcomed the current appointment process which sought to appoint an additional governor with finance and audit experience to join the committee.

Resolved: i That performance indicators for 2022/33 be recommended to the Board for approval.

CONFIDENTIAL MINUTES

A22/92 The confidential minutes of the meeting held on 13 June 2022 were approved as an accurate record.

DATES OF THE NEXT MEETINGS

A22/93 20 February 2023 – 11.30am
12 June 2023 – 11.30am