



## Northern College

### AUDIT COMMITTEE

Minutes of the meeting of the Audit Committee held on **3 July 2023**.

**Present:** Liz Stanley (Chair), Seb Schmoller and Ann Corrigan.

**In attendance:** Emma Beal (Principal), Richard Lewis (RSM) (up to and including A23/46), the Deputy Principal/Chief Finance Officer (Sue Saunders) and the Clerk to the Governors (Sarah Johnson).

**Apologies:** None.

### DECLARATIONS OF INTEREST

A23/22 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.

### GOVERNANCE MATTERS

A23/23 The committee noted:

- the resignation of Emma Norton from her role as a governor and therefore also from the Audit Committee since the last meeting;
- the appointment of Ann Corrigan as a member of the committee - noting that Ann was an experienced audit committee member, with relevant financial and audit expertise.

### MINUTES AND MATTERS ARISING

A23/24 The minutes of the meeting held on 8 March 2023 were approved as an accurate record.

A23/25 The committee considered the progress reported against previous actions, noting that all actions were either complete or on track, with the exception of A23/7- that any recommendations arising from internal audit work commissioned for 2022/23 and any other external audit activity be included in future audit recommendations status reports - it was agreed that audit points arising from all other audit work would be added to the report for the next meeting.

**Resolved: i That any recommendations arising from internal audit work commissioned for 2022/23 and any other external audit activity be included in all future audit recommendations status reports.**

### **INTERNAL AUDIT PROJECTS (Document 2i)**

A23/26 The committee considered an update regarding the already approved risk based internal audit projects scheduled for 2022/23, noting that:

- a second stage of the financial testing work had been commissioned;
- initial exploration of potential options for delivery of the planned funding assurance audit had indicated that the cost to commission this work would be significant - potentially £50K plus;
- the College was therefore exploring other more cost-effective delivery options, including working with a partner college;
- the work would not therefore be completed in 2022/23 as originally planned.

A23/27 The committee agreed that:

- the risks that the audit work had been designed to test - financial planning and funding claims - remained relevant and live;
- the committee needed to better understand the potential risk areas related to funding claims and the potential consequences for the College;
- effective use of an internal self-assessment tool, peer reviewed by a trusted and experienced MIS professional in the sector who understands residential funding could be an appropriate solution;
- the approach to commissioning internal audit work on a project-by-project basis had not been completely effective and therefore an alternative option would be to revert to the appointment of an internal audit provider on a contract basis and include this audit within their year one plan;
- any new residential funding methodology introduced should be audit tested once implemented by the College.

**Resolved: i That the College explore a range of options to address its funding internal audit needs - including peer review, commissioning a provider to deliver a one-off audit, appointment of an internal audit provider on a contract basis - and report back to the next meeting.**

**ii That a self-assessment of the potential risks and consequences for the College in relation to funding claim errors be undertaken and presented for consideration at the next meeting.**

**iii That any new residential funding methodology introduced be audit tested once implemented by the College.**

### **AUDIT RECOMMENDATIONS STATUS REPORT (Document 2ii)**

A23/28 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 particularly noted:

- that two recommendations remained outstanding;

- that the draft procurement policy was presented for consideration at this meeting;
- the introduction of a programme committee to oversee large projects, including capital spend and procurement.

- A23/29 The committee:
- agreed that overall appropriate progress was being made with the implementation of recommendations;
  - welcomed the development reported;
  - noted the intended inclusion of all audit recommendations in future reports as explored earlier in the meeting.

**Resolved: i That appropriate progress was being made against previous audit recommendations.**

### **MID-YEAR COMPLIANCE AUDITS (Document 2iii)**

- A23/30 The committee considered the **Health and Safety** mid-year update which aimed to provide assurance that obligations relating to health, safety and welfare were being adequately met, particularly noting:
- significant on-going work relating to the College's fire strategy;
  - staff appointments;
  - a continuing general low level of accidents, with one reportable incident occurring during the period relating to a trip/fall.

- A23/31 The committee explored:
- the nature of the reportable incident, seeking and receiving assurance that the appropriate reporting requirements had been followed, and that there were no underlying issues which required further action;
  - terminology, agreeing that where serious/extremely serious was used further explanation should be provided;
  - near misses, agreeing that in future reports information regarding actions taken to learn from any near misses was outlined, along with any mitigating actions implemented;
  - the nature of the incident reported as 'injured by an animal', seeking and receiving assurance that this was a minor incident.

- A23/32 The committee considered the **Data Protection** mid-year update which aimed to provide assurance that obligations relating to data protection were being adequately met, particularly exploring:
- data breaches, noting that whilst both those reported were a result of human error and did not require reporting to the ICO, a systems-based solution was being sought regarding the sharing of forms in Microsoft Teams.

**Resolved: i That committee agreed that obligations regarding health, safety and welfare and data protection were being adequately met.**

### **ASSURANCE AND RISK MANAGEMENT - KEY STRATEGIC RISKS (Document 3i)**

- A23/33 The committee considered the risks from the strategic risk register allocated to them for oversight, noting that:

- no new risks had been added/were proposed;
- no risks were proposed for removal;
- two risks were overseen by the committee relating to cyber-attacks and funding clawback as a result of audit activity, both of which had remained at the same level as previously reported.

A23/34 The committee particularly considered the risk relating to the outcome of the review of residential impact being undertaken on behalf of the combined authorities, and the potential implications.

A23/35 The committee considered overall current risks, direction of travel and mitigation factors. The committee was assured that each risk was being appropriately overseen by the relevant allocated committee/Board.

**Resolved: i The committee agreed that the approach to risk management remained appropriate, the system was operating effectively, the risks identified were accurate, appropriate mitigation was in place, no new risks had been identified and risk was being appropriately factored into decision making.**

#### POST 16 AUDIT CODE OF PRACTICE

A23/36 The committee noted the changes to the Post 16 Audit Code of Practice (ACOP) and agreed to consider them in more detail under the emerging issues document included in the 'Financial Statements 2022/23' item.

#### FINANCIAL STATEMENTS 2022/23 (Document 4ii)

A23/37 To enable it to effectively perform its responsibilities in relation to the production and audit of the College's financial statements for 2022/23 the committee considered:

- the audit plan, schedule and fee for 2022/23 as presented by RSM the College's financial statements auditor;
- the ESFA college accounts direction for 2022/23.

A23/38 The committee particularly explored:

- the scope and timing of the audit work;
- the key risks identified and the proposed approach to testing;
- the proposed approach to the going concern assessment and key factors for consideration, particularly the potential implications of continued uncertainty regarding a future residential funding methodology for 2024/25 and beyond;
- the impact of the reclassification of colleges to the public sector.

A23/39 The committee explored the rationale for the substantial (35%) increase in fees for 2022/23 and requested a further breakdown of the make-up of the increase.

A23/40 The committee considered the RSM emerging issues document, particularly actions required in response to the reclassification of colleges to the public sector and updates to the ACOP. The committee sought and received assurance that the necessary updates to College policies and procedures were being actioned, and the College had taken the guidance included in the 'Bite Size Guides' into consideration, implementing any actions as required.

A23/41 The committee considered potential future implications arising from the reclassification of colleges by the ONS in relation to financial year end as set out in the letter from the AoC to the Chair of the Committee of Public Accounts (28 April 2023).

- Resolved:**
- i That the audit plan, schedule and fee for the audit of the College's financial statements for 2022/23 by RSM be presented to the Board for consideration.**
  - ii That a further breakdown of the make-up of the increase in fees for 2022/23 be provided by RSM ahead of the Board meeting on 20 July 2023.**
  - iii That the emerging issues document be shared with all members of the Board of Governors.**

### **POLICIES FOR APPROVAL (Document 4iii)**

A23/42 The committee considered the following policies:

- Whistleblowing - noting that minor changes had been made to update references and strengthen assurances regarding support and encouragement for staff to speak out. The committee agreed that whilst the policy would benefit from further simplification it remained fit for purpose and a significant re-write was not a priority at this time;
- Anti-bribery - noting that minor changes had been made to update references and aid clarity, and a proposal to increase the level of gifts and hospitality which required reporting from £30 to £50;
- Procurement - noting that the policy had been updated in line with previous audit recommendations. The committee requested the following amends:
  - that 9.3 be updated to either include a definition of high risk or amended to all;
  - that reference to exemptions be added to 11.4, and the inclusion for both breaches and exemptions regarding how they should be reported, with reference to the financial regulations;
  - that 7.1 be updated to reflect that the College did not have preferred suppliers and instead used procurement consortiums;
  - that 7.1 and 6.1 be consolidated into one point.

- Resolved: i That with the inclusion of the amends agreed the Whistleblowing, Anti-bribery and Procurement policies be recommended to the Board of Governors for approval.**

### **REGISTER OF GIFTS AND HOSPITALITY**

A23/43 It was reported that no entries had been made to the gifts and hospitality register during 2022/23.

### **COMMITTEE MEMBERSHIP AND TRAINING**

A23/44 The committee noted that the Board continued to seek to appoint additional new governors with relevant experience to enhance the membership of the committee.

A23/45 Members were invited to consider any training requirements they may have during 2023/24 to support them in their role as members of the Audit Committee.

**Resolved: i That members raise any areas for training and development with the clerk.**

#### **ORDER OF BUSINESS 2023/24 (Document 5ii)**

A23/46 The committee considered its proposed scope of work for 2023/24 and agreed that it was appropriate and would enable it to fully meet its responsibilities. The committee agreed that the proposed schedule of business would enable it to:

- effectively meet its responsibilities as set out in the Post 16 Audit Code of Practice and its terms of reference?
- provide an annual opinion to the Board of Governors regarding the adequacy and effectiveness of the corporation's audit arrangements, its framework of governance, risk management and control, and its processes for securing economy, efficiency and effectiveness?

**Resolved: i That the proposed order of business for 2023/24 be recommended to the Board of Governors for approval.**

#### **EXTERNAL AUDIT - REVIEW OF 2021/22**

A23/47 The committee reviewed the audit of the financial statements in 2021/22, noting:

- the delay in the completion of the audit arising from the going concern assessment;
- the significant additional cost;
- communication with the College during the audit, noting that a new audit manager had been assigned for the 2022/23 audit.

#### **DATES OF THE NEXT MEETINGS**

A23/48 The committee agreed to reschedule its Autumn 2023 meeting to 4 December 2023 to allow additional time for completion of the audit of the financial statements for 2022/23.

A23/49 4 December 2023 - 11.00am  
11 March 2024 - 11.30am  
10 June 2024 - 11.30am