

MINUTES OF THE AUDIT COMMITTEE
HELD ON TUESDAY 23 NOVEMBER 2021
IN THE HARRISON CENTRE BOARD ROOM (HC012) AND VIA MICROSOFT TEAMS

PRESENT:

Chris Johnson	Chair
Paul Fleming	Member
Sharjeel Salahuddin	Member
Taiyab Sufi	Member
John Whittaker	Member

IN ATTENDANCE:

Dr Fazal Dad	Principal and Chief Executive
Jennifer Eastham	Vice Principal: Finance and Corporate Services
Helen Knowles	Audit Director, BDO – External Auditor
Matthew Mills	Audit Assistant Manager, BDO - External Auditor
Andrew Mawdsley	Internal Audit Assistant Manager, RSM - Internal Auditor
Jean Tracy	Clerk to the Corporation

The meeting commenced at 17.15 pm.

It was noted that Sharjeel Salahuddin was attending as a co-opted member of the Committee, having been appointed by the Board at its meeting on 15 October 2021.

It was agreed that Item 1 would be taken at the end of the meeting.

2. APOLOGIES FOR ABSENCE

Apologies were received from Brooklyn Spiers and Lisa Randall (Head of Higher Education, RSM).

3. DECLARATION OF CONFLICTS OF INTEREST

The Chair advised those in attendance that should members of the Audit Committee become aware of any potential conflicts of interest, they should be disclosed at the earliest opportunity during the meeting.

4. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON TUESDAY 21 SEPTEMBER 2021

The minutes of the Audit Committee held on Tuesday 21 September 2021 were **AGREED** as a true and accurate record and would be duly signed by the Chair¹.

¹ Teams meeting as Covid-19

5. MATTERS ARISING

The Committee noted the update on the actions from previous meetings.

There were no other matters arising.

6. REPORT TO THE AUDIT COMMITTEE – AUDIT COMPLETION YEAR ENDED 31 JULY 2021

Helen Knowles, Audit Director at BDO, and Matthew Mills, Assistant Manager at BDO, were welcomed to the meeting to present the paper.

The Committee was informed that the audit work was now substantially complete and, subject to the successful resolution of outstanding matters as detailed in the report, it was anticipated that an unmodified audit opinion would be issued. The main area of outstanding work related to the sample testing in relation to student eligibility for funding. As the final reconciliation statement was no longer received by the auditors, BDO had undertaken additional sampling to gain assurance regarding the funding. The Committee was informed that none of the outstanding items was a cause for concern.

The changes to the planned audit approach were covered and that as there had been a move to “normal” risk, less testing had been required.

It was confirmed that no restrictions had been placed on their work. Members were also advised that there were no issues to report with regards to the College’s regularity statement. Ms Knowles reported that there no unadjusted audit differences and no non-compliance with accounting policies or applicable accounting framework had been identified. Ms Knowles also confirmed that the firm and its partners and staff involved in the audit remained independent of the College in accordance with FRC’s Ethical Standard.

Ms Knowles then talked through the significant risks and the work which had been undertaken as part of the audit. The audit matter in all cases concluded with no significant issues being identified. The Committee was informed that the College forecast and cash position had been reviewed in detail and BDO concurred with the management’s assessment that the College was a going concern.

Mr Mills then covered the details of the audit risks as per the Report. These covered Management Override of Controls, Going Concern, Revenue Recognition and Pension Liabilities, the Committee being reminded that the work on Revenue Recognition had not yet been completed. BDO also stated that no significant matters had been noted in relation to the Blakey Moor Impairment Report which the College had prepared, and that no issues had been raised in relation to regularity.

Consideration of fraud, laws and regulations, related parties and regularity were also covered and no issues were identified in any area. The Committee noted the work which had been undertaken on the approval of manual journals and the management response.

The Committee received confirmation that no matters of concern would be included in the management letter.

The Chair thanked BDO for their report.

In response to a question from a member of the Committee, BDO confirmed that all outstanding work would be completed by the end of the week and that the report would be presented to the Board at its meeting in December. Information on the timing and days spent on the audit was also provided to the Committee.

A discussion took place on BDO's audit approach, it being noted that BDO would be moving from a substantive to a controlled approach going forward. The Committee also discussed the work which had been undertaken on the College buildings and campus. A paper had been prepared by the College on the whole estate and this had been used and challenged by BDO during the audit. The Vice Principal: Finance and Corporate Services clarified the detail contained in the paper and that the paper had been considered by Policy and Resources Committee.

The Audit Committee **AGREED** to recommend the Audit Completion Report for the year ended 31 July 2021 to the Board for approval.

7. AUDIT PERFORMANCE INDICATORS 2021/22

The Vice Principal: Finance and Corporate Services presented the update on the Audit Performance Indicators for 2021/22 which assisted the Committee in assessing risk. The Report included information on compliance, financial health, creditor days, debt parameters and loan covenants. It was noted that with the exception of creditor days and debt parameters which were not calculable in-year, and thus were not yet reportable, all Audit Performance Indicators were 'green'.

The Audit Committee noted the performance against the approved Performance Indicators for 2021/22.

8. INTERNAL AUDIT REPORTS:

(i) EFFECTIVENESS OF GOVERNANCE ARRANGEMENTS

The Committee considered the report which confirmed that an established governance framework was in place. No management actions were raised as a result of the work undertaken and the auditors concluded that the Corporation Board could take substantial assurance that the controls relevant to the audit were suitable designed, consistently applied and operating effectively.

In answer to a question from a member of the Committee, it was confirmed that future governance effectiveness audits would involve Governors. The Clerk to the Corporation also provided information on the new DfE requirements in relation to an external review of governance against the Governance Code and the involvement of all Governors in such a review.

(ii) PROGRESS REPORT

The Committee received the Report which provided a summary update on progress against the Internal Audit Plan for 2021/22.

9. RISK MANAGEMENT – RISK REGISTER

The Committee considered the Report which provided an update on the issues that were included in the College Risk Register. The Committee was informed that a new risk linked to the development of the Victoria Building had been added to the Risk Register, and that changes to the Human Resources section had been made to take account of comments from the previous meeting of the Audit Committee.

Six risks were currently rated as red and it was noted that actions were in place to mitigate each of these.

10. COUNTER FRAUD STRATEGY – SECOND DRAFT

The Vice Principal: Finance and Corporate Services presented the Report on the updates to the draft Counter Fraud Strategy which had been made following the discussions at the previous Audit Committee meeting. The Committee was reminded that this was not a new policy or

procedure, but an over-arching strategy which pulled together a number of existing policies and procedures to evidence a multi-faceted counter fraud approach at College.

The Committee discussed the timing of the strategy review and it was **AGREED** that this would be done on an annual basis, rather than the proposed 3-year cycle.

Action: Vice Principal: Finance and Corporate Services

A discussion then took place on SOX² and the future impact on the College. The Vice Principal: Finance and Corporate Services would look into its relevance for the College and on any further action which would be required.

Action: Vice Principal: Finance and Corporate Services

Post Meeting Update: SOX compliance refers to annual audits that take place within public companies, within which they are bound by law to show evidence of accurate, secured financial reporting. Public companies are required to comply with SOX both financially and in IT. The Vice Principal: Finance and Corporate Services informed the Committee that as the College was not a public company, it would not be required to achieve/comply with SOX.

The College does have to endeavour to meet the requirements of Cyber Essentials³ for the 2021/22 Funding Year and present the results to the Department on request. Cyber essentials is a Government backed scheme designed by the National Cyber Security Centre.

The College was asked for and provided information on the fraud training which all staff undertake, this being tailored to the area in which staff work and the access levels of particular roles within the College. The need for such training to be accessible and engaging was noted. The Vice Principal: Finance and Corporate Services also confirmed that the levels of information that staff were able to access was hierarchical and subject to control.

Audit Committee **AGREED** to recommend the draft Counter Fraud Strategy to the Corporation Board for approval, including that the Strategy would be reviewed on an annual basis.

11. COMPLIANCE WITH AUDIT CODE OF PRACTICE – THE SCOPE AND WORK OF AUDIT COMMITTEES AND INTERNAL AUDITORS IN COLLEGE CORPORATIONS

The Vice Principal: Finance and Corporate Services presented the Report which covered the main audit and assurance requirements for College Corporations and the detail of the ESFA guidance. It was noted that the guidance was not intended to replace or modify any of the audit and assurance requirements, but aimed to provide suggestions regarding good practice.

² The Sarbanes-Oxley Act was enacted in 2002 as a reaction to a number of major financial scandals including Enron, Tyco International, Adelphia, Peregrine Systems, and WorldCom. Private companies, **charities, and non-profits generally do not need to comply with all of SOX**, however, they shouldn't knowingly destroy or falsify financial information, and SOX does impose penalties on organisations for non-compliance. In addition, whistleblower protection applies, such as retaliating against someone who provides a law enforcement officer with information relating to a possible offence and is punishable by up to 10 years imprisonment.

³ [About Cyber Essentials - NCSC.GOV.UK](https://www.ncsc.gov.uk/about-cyber-essentials)

Where the College will handle information at OFFICIAL for the Department, the requirements of Cabinet Office Procurement Policy Note - Use of Cyber Essentials Scheme certification - Action Note 09/14 dated 25 May 2016, or any subsequent updated document, are mandated, the College will endeavour to meet the requirements of Cyber Essentials for the 2021/22 Funding Year and present the results to the Department on request. The scope must be relevant to the Services supplied to, or on behalf of, the Department.

The Committee noted that all but one aspect was already in place and that only one additional action was required, this being in relation to suggested areas of internal audit work. The Vice Principal: Finance and Corporate Services informed the Committee that discussions had already taken place with the internal auditors, RSM and provided detail on the areas of work which had not yet been covered. A risk-based approach was taken when drawing up the internal audit plan and areas of overlap were noted – e.g. and audit of financial systems would cover access rights. Amendments to the plan would also be made were the Audit Committee or College consider this to be necessary.

The Committee discussion included whether asset management included high value equipment, and on the inclusion in the internal audit plan of significant partnerships and a biennial review of cyber security. The Vice Principal: Finance and Corporate Services would look into the points raised by the Committee.

Action: Vice Principal: Finance and Corporate Services

12. INTERNAL AUDIT – ACTION POINT STATUS (PROGRESS TOWARDS COMPLETION OF RECOMMENDATIONS)

A Report, providing an update of progress towards the completion of recommendations following the Internal Audits which had been undertaken, was received by the Committee. At the time of writing, seven actions were ongoing or outstanding, the reasons for the delay being included in the Report.

One Internal Audit assignments had been completed, with three further audits planned for the week commencing 6 December 2021. Members noted the information provided on each recommendation, agreed management action and update.

The Audit Committee acknowledged the update provided.

13. AUDIT SCHEDULE 2021/22

The Audit Committee received, for information, details of the Internal and External Audit Schedule for the 2021/22 academic year.

14. DATA RETURNS MONITORING REPORT 2020/21 and 2021/22

The Audit Committee received a Report, for information, that confirmed the College was compliant with regard to Data/Funding returns for the academic years 2020/21 and 2021/22.

1. PRESENTATION OF RISK-THEMED TOPIC – NET CARBON ZERO

The Vice Principal: Finance and Corporate Services provided an update on the requirements for the College in relation to net carbon zero, including the requirement for its inclusion in all aspects of curriculum delivery. It was confirmed that changes to staffing were being considered to include sustainability/energy management and that regular update reports would be presented to Policy and Resources Committee. The benefits of working with other large employers such as the Council and Royal Blackburn Hospital were noted. The Government had issued a 31-stage climate change road map which would be circulated to Audit Committee members⁴.

Action: Vice Principal: Finance and Corporate Services

15. ANY OTHER BUSINESS

The Vice Principal: Finance and Corporate Services informed the meeting that it was likely to be BDO's last Audit Committee meeting and they were thanked for their work.

⁴ Information sent to Committee members 25 Nov 2021

There were no other items discussed under Any Other Business.

16. REVIEW OF MEETING

The Chair thanked everyone for their attendance and contribution.

17. DATE AND TIME OF NEXT AUDIT COMMITTEE MEETING

Tuesday 22 February 2022 at 5.00pm.

Signed:

Date: