

Minutes of the Audit and Assurance Committee Meeting

held on 13 November 2018

Present Mark Johnson (*Chair*), Amanda Allen (*Vice Chair*), Peter Coley,

In attendance Jacquie Carman (*Director of Finance and Corporate Services*)
Paul Foster (*RSM UK Audit*)
Peter Harrison (*TIAA Ltd*)
Jennifer Sunter (*Clerk to the Corporation*)

1 Apologies

Apologies were received from Paul Dyson.

2 Declarations of Interest

Paul Foster and Peter Harrison declared audit firm interests under agenda item 14, Regularity of Review and Appointment of Auditors.

3 Minutes of Meeting held 14 June 2018 and Matters Arising

The minutes of Meeting held 14 June 2018 were approved as a correct record.

Under Matters Arising the Clerk provided an update on the status of actions; that the DisabledGo report would be provided for the next meeting of the Audit and Assurance Committee, that aspects of review under the ESFA letter from Peter Lauener were substantially addressed in assurance reports provided and that the Risk Management Suite of Reports had been addressed by the Corporation at the September 2018 meeting.

4 Accountability and Assurance

4.1 Accountability Reviews

Members noted the review work undertaken.

The Audit and Assurance Committee noted and recommended to the Corporation the Accountability Review Self-Assessment year ended 31 July 2018, as part of the framework from which they have gained assurance in forming their opinion on internal control, governance and financial management.

4.2 Summary of Assurance relating to Systems of Internal Control and Corporate Governance

Jacque Carman emphasised the assurance provided for governors prior to signing the Statement of Responsibilities of the Members of the Corporation within the Annual Members' Report for 2017/2018.

The summary was comprehensive in addressing all aspects of systems relating to internal control and corporate governance including standards, policies and procedures.

Jacque Carman also highlighted aspects of what can go wrong, as identified in Annex C to the Audit Code of Practice. Evidence was provided against these areas to illustrate that the College does not fall into these categories.

The Audit and Assurance Committee noted and recommended to the Corporation the Summary of Assurance relating to Systems of Internal Control and Corporate Governance, the contents of which supported the opinion in the Annual Report.

5 External Auditor

5.1 RSM UK Audit Findings Report year ended 31 July 2018

Paul Foster reported that audit work was complete subject to required final checks. In addressing the key findings Paul Foster highlighted that a clean audit opinion was given for Financial Statements and Regularity audits. Key issues identified at planning stage were addressed through the report as were other areas of import, such as pension scheme liability.

Members noted assurance that there were no issues regarding regularity, no deficiencies in internal control and no independence issues. Letters of representation were provided.

Jacque Carman emphasised that the College awaited the ESFA response regarding funding for in year growth and the potential impact on final reporting.

The Audit and Assurance Committee resolved to recommend to the Corporation the acceptance of the RSM UK Audit LLP Halesowen College Audit Findings Report for Year Ended 31 July 2018 and the assurance therein:

'We consider that the audit and regularity assurance approach adopted will provide the Audit Committee with the required confidence that thorough and robust audit and regularity assurance engagements have been carried out.'

'The accounting policies were reviewed with reference to UK GAAP, the FE&HE SORP, Casterbridge model financial statements and the accounts direction handbook. No issues were noted.'

Subject to the satisfactory clearance of [*matters noted*], we can confirm that, at the date of this report, we anticipate no modifications from our proforma financial statement audit report or the regularity assurance report provided in the Audit Plan previously communicated to you.'

6 Annual Members' Report and Financial Statements 2017/2018

Jacque Carman reported that subject to retention of in year growth funding the financial performance of the College would meet or exceed its main targets, be in accordance with budget and maintain outstanding financial health.

Jacque Carman drew attention to statements of regularity, propriety and compliance with conditions and terms of funding in addition to the specific responsibilities of the Corporation.

Under financial statements members noted the year of transition from the current to the new strategic plan and that all required financial disclosures were addressed.

Members further noted the work that the Black Country Colleges' group were undertaking towards the assumptions for next year, under the actuarial valuation of the Teachers' Pension Scheme.

The Audit and Assurance Committee resolved to recommend to the Corporation that they approve the Annual Members' Report and Financial Statements 2017/2018 and that the statement on the College's regularity, propriety and compliance with the funding body terms and conditions of funding be signed by the Chair and the Principal.

7 Halesowen College Enterprises Ltd Directors Report and Financial Statements 2017/2018

Jacque Carman presented the accounts for Halesowen College Enterprises Ltd. There had been good performance with outturn in accordance with budget.

The Audit and Assurance Committee resolved to recommend to the Corporation approval of the Halesowen College Enterprises Ltd Directors' Report and Financial Statements 2017/18.

8 Audit of Pension Contributions

Members were informed that the audit of contributions under the Teachers' Pension Scheme had gone smoothly and this was now signed off.

The Audit and Assurance Committee noted the audit work conducted by RSM UK Audit LLP on the TPA return 2017/2018.

9 Audit and Assurance Committee Annual Report year ended 31 July 2018

Members noted that the Audit and Assurance Committee Annual Report year ended 31 July 2018 was prepared to consolidate the range of assurance provided to underpin the signing of the Statement of Responsibilities of the Members of the Corporation within the Annual Members' Report.

The Clerk noted how the report addressed the range of work undertaken by the Committee in relation to its terms of reference and with reference to the College Risk Plan.

Based on the review of the assurance mapping exercise, together with the assurance presented to the Audit and Assurance Committee and Corporation throughout the year, the Committee recommends that the Corporation accept the Annual Report of the Audit and Assurance Committee 2017/18 and the opinion contained therein and forward this report to the Education and Skills Funding Agency, alongside the Annual Members' Report and Financial Statements 2017/2018.

The opinion contained therein being;

For the period 1 August 2017 to 31 July 2018 the Audit and Assurance Committee is satisfied that the College's audit arrangements, governance framework¹, processes for risk management and control and processes for securing economy, efficiency and effectiveness, the solvency of the institution and safeguarding of its assets were adequate and effective, and that there were no significant issues of concern.

The sources of assurance for the year are summarised in the paper Summary of Assurance relating to Systems of Internal Control and Corporate Governance as considered at the meeting in November 2018. The Committee is satisfied that the internal and external arrangements in place to manage and quality assure the data on which it relies throughout the Corporate Cycle of Business are effective.

The Audit and Assurance Committee is satisfied that there were no significant issues arising up to the date of the preparation of the Annual Report and that there were no significant matters of internal control included in the management letters or reports from auditors or other assurance providers.

The Audit and Assurance Committee has received the necessary assurance to advise the Corporation on the adequacy and effectiveness of the Colleges' assurance framework to support the signing of the Statement of Responsibilities of the Members of the Corporation within the Annual Members' Report for the year ended 31 July 2018.

¹With reference to the scope of the adopted 'Code of Good Governance for English Colleges'

10 Review of Audit and Assurance Plan 2018/2019

Members recognised that the first review of the plan whereby one internal audit had been undertaken with the remaining audits under schedule.

The Audit and Assurance Committee received the term one update of the Audit and Assurance Plan 2018/2019.

11 Review of Risk Action Plan 2018-2019

Jacque Carman reported good progress had been made against actions.

In relation to competition the College had improved the approach to marketing and recognised that facilities needed to be cutting edge. There was greater clarity on the digital plan with work on the digital agenda. The College was also addressing priorities in relation the devolution of the adult education budget to the West Midland Combined Authority.

In summary, key risks remained those of competition, digital reliance, curriculum change and funding cost pressures.

The Audit and Assurance Committee noted the progress to date of the Risk Action Plan 2018-2019 and approved the removal of closed items from the term 1 review.

12 Internal Audit

12.1 Letter of Engagement

The letter was received.

The Audit and Assurance Committee received the Internal Audit Letter of Engagement which would be signed and returned.

12.2 Internal Audit Report on ICT Review of IT - Disaster Recovery

Reasonable assurance was afforded from the audit of IT Disaster Recovery. The overall findings were identified around skills gaps and updating the ICT Disaster Recovery Plan.

Jacque Carman reported that stemming from the review a rolling programme of equipment replacement was being considered.

Governors asked a range of questions about security and staff skills, particularly around resilience. Jacque Carman responded that the College planned to recruit a network manager and update current staff. The College also planned equipment replacement at appropriate times.

The Audit and Assurance Committee accepted the internal Audit Report on ICT Review of IT, Disaster Recovery, the recommendations therein and the management responses to them.

13 Progress Report on Audit Action Plans

Jacque Carman reported that most action plan points had been discharged or were in progress. There were no issues of concern. Recommendations from most recent reports would be added to the plans.

The Audit and Assurance Committee noted the progress to date on Audit Action Plans and authorised the removal of closed items from the term 1 review.

14 Regularity of Review and Appointment of Auditors

Jacque Carman outlined a proposal to address appointments of both internal and external auditors on an annualised basis. Members discussed how this would operate practically and if there were potential weaknesses to such a model. A range of factors had been listed which would trigger the need to return to the market through a tender process. Members suggested that a formal tender could also be triggered at the request of the Audit and Assurance Committee.

Jacque Carman reported on the timely need to appoint external auditors for 2018/2019.

The Audit and Assurance Committee agreed in principle to adopt the revised process for appointment of auditors, subject to review of the process and subsequent amendment of Financial Regulations.

The Audit and Assurance Committee further resolved to recommend to the Corporation the reappointment of RSM UK Audit LLP as external auditors to the College for 2018/2019.

15 Any Other Business

There was none.

16 Date of Next Meeting

The next meeting was noted as scheduled for Tuesday 12 March 2019 at 6pm.

The meeting closed at 7pm.

Actions from Meetings		
Audit and Assurance Committee Meeting 14 June 2018		
5.2	DisabledGo Action Plan It was agreed that an update would be reported to the Committee in the 2018/2019 cycle of business.	JCa November 2018 March 2019