

## Minutes of the Audit Committee Meeting

held Wednesday 13 November 2019

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*Present* Mark Johnson (*Chair*), Tiffany Harvey-Pallent (*Vice Chair*), Joanne Chilton

*In attendance* Jacquie Carman (*Director of Finance and Corporate Services*)  
Clare Parkes (*TIAA Ltd*)  
Paul Foster (*RSM UK audit LLP*)  
Jennifer Sunter (*Clerk to the Corporation*)

### 1 Apologies

There were none.

### 2 Declarations of Interest

Paul Foster declared interests under agenda item 5.2, External Audit Appointment.

### 3 Minutes of Audit Committee Meeting held 11 September 2019 and Matters Arising

The minutes of the Audit Committee meeting held 11 September 2019 were approved as a correct record. There were no matters arising.

*Members agreed that agenda item 5.2 would be taken as the last substantive agenda item.*

### 4 Accountability and Assurance:

#### 4.1 Accountability Reviews

Members considered the report addressing the College's own review of its accountability arrangements. This covered key areas including issues which could lead to ESFA intervention. The report provided further assurance supporting the signing of statements in the Annual Report and Financial Statements.

In considering the detailed responses provided in the report, members asked a number of questions, and Jacquie Carman confirmed that:

- with regard to estates the Finance and General Purposes Committee would be considering an options report and that the College was awaiting a response from the Capita survey, which may inform ESFA future capital grants;
- with regard to the Green Travel Plan a review was scheduled for 2020;
- with regard to Education and Training a suite of reports were being addressed by the Students, Curriculum and Quality Committee;

**The Audit Committee noted the Accountability Review Self-Assessment year ended 31 July 2019, 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 Financial Control and Corporate Governance**

Jacquie Carman reported on the assurance summarised against responsibilities of the Corporation which further supported the signing of statements in the Annual Report and Financial Statements.

In relation to the Conditions of Grant Funding members received an additional report on the criteria for rejection of organisations seeking funding.

A member asked about adoption of the FE and HE SORP. Jacquie Carman responded that the College had not chosen to be an early adopter and further detail would be reported to the Finance and General Purposes Committee.

**The Audit 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 Audit:**

### **5.1 Draft RSM UK Audit Findings Report year ended 31 July 2019**

Paul Foster took members through the findings from their audits noting that the College stood to receive an unqualified audit opinion for both regularity and financial statements audits.

Members discussed increased pension liabilities, calculation of long term liabilities and potential mitigating factors, including the work of West Midlands Colleges in seeking a discounted rate and the improved financial resilience of the West Midlands Local Government Pension Scheme.

Members noted the College's continued outstanding financial health and the ability of the College to operate as a going concern. Members also took note of the issues identified from the audit and regularity work conducted and the responses provided.

Under the briefing appendix provided as an update on emerging issues for the sector, members raised a number of points for clarification:

- with reference to working towards international standards, Jacquie Carman informed members that the management team had an action plan in place;
- with reference to the AoC Mental Health Charter, members noted that much work was being done across the College and that this would be referred to the Director of Learner Services.

In conclusion, Paul Foster noted that the final report would be provided for the Education and Skills Funding Agency.

**The Audit 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 2019 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 our final audit queries, 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 2018/2019**

Jacque Carman presented the Halesowen College Annual Report and Financial Statements 2018/2019, which followed the Casterbridge framework including the College aims under its strategic plan, performance against targets, financial resilience, treasury and reserves management, principle risks and public benefit.

Members noted the statements of Corporate Governance and Internal Control, College Regularity, Propriety and Compliance with Funding Body Terms and Conditions of Funding and Responsibilities of the Members of the Corporation.

Jacque Carman outlined the consolidated financial statements highlighting the performance in accordance with budget, whereby all targets had been met or exceeded.

Members asked questions on detail and assurance:

- Jacquie Carman noted that there had been no significant or material changes to the accounting policies applied;
- with reference to the statement on Trade Union Facility Time, Jacquie Carman explained that this relatively new disclosure was comparative and may develop to become more meaningful;
- with regard to an increased debt profile Jacquie Carman referred to an increased student profile in relation to student loans and that the debt profile should now decrease, however, it was continually challenging to recover bad debts. Members discussed further the procedures in place.

Paul Foster highlighted the new required disclosure of the Principal's pay as a multiple of the median of all staff pay data which ranged from four to seven.

**The Audit Committee resolved to recommend to the Corporation that they approve the Annual Report and Financial Statements 2018/2019 and that the required statements within, including 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 2018/2019**

Jacquie Carman presented the company accounts addressing the principal activities of Halesowen College Enterprises Ltd. It was notable that the report for the first time addressed company employees. Members further noted that the company employees would be expanding further in January 2020.

Members noted the excellent performance with a Gift Aid payment to the College of £93,412.

TIAA had conducted internal audit work on the company in year.

**The Audit Committee resolved to recommend to the Corporation approval of the Halesowen College Enterprises Ltd Directors' Report and Financial Statements 2018/19.**

## **8 Audit of Pension Contributions**

Members noted that the audit of pension contributions had been completed and signed off.

**The Audit and Assurance Committee noted the audit work conducted by RSM UK Audit LLP on the TPA return 2018/2019.**

## **9 Audit Committee Annual Report year ended 31 July 2019**

Members considered the draft report forming the basis of their annual report to the Corporation, noting the summary of work of the committee and assurance gained from reports to the committee, both internally and from audit providers.

**Based on the review of the assurance mapping exercise, together with the assurance presented to the Audit Committee and Corporation throughout the year, the Committee recommends that the Corporation accept the Annual Report of the Audit Committee 2018/19 (subject to minor amendments) and the opinion contained therein and forward this report to the Education and Skills Funding Agency, alongside the Annual Report and Financial Statements 2018/2019.**

**The opinion contained therein being;**

**For the period 1 August 2018 to 31 July 2019 the Audit Committee is satisfied that the College's audit arrangements, governance framework<sup>1</sup>, 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 held 14 November 2019. 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 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 Committee has received the necessary assurance to advise the Corporation on the adequacy and effectiveness of the Colleges' audit framework to support the signing of the Statement of Responsibilities of the Members of the Corporation within the Annual Report for the year ended 31 July 2019.**

<sup>1</sup>With reference to the scope of the adopted 'Code of Good Governance for English Colleges'

## **10 Review of Risk Action Plan including Strategic Priorities 2019-2020**

Jacquie Carman provided the review of risk with emphasis on ensuring processes are as effective as possible. Key risks surrounded a high level of competition in the locality, significant curriculum change and funding changes in times of political uncertainty.

Members noted good progress across a range of actions within the action plan and that as a live plan any additional actions identified would be added.

Members asked how actions were evaluated for impact. Jacquie Carman confirmed that evaluation was included in the review process.

**The Audit Committee noted the progress made and approved the removal of closed items from the Risk Action Plan 2019/20.**

## **11 Internal Audit Report - Key Financial Controls**

Clare Parkes reported on overall substantial assurance gained from the review of key financial controls relating to the insolvency regime. Clear reporting and controls were in place.

While no recommendations were made, the current lack of a qualified account on the College Corporation was flagged. This was noted by members and raised through a number of action plans, with continued efforts to resolve this.

**The Audit Committee accepted the Internal Audit Report Assurance Review of Internal Financial Monitoring.**

## **12 Progress Report on Audit Action Plans**

### **12.1 Internal Audit Action Plans**

Members considered the progress made against the outstanding audit actions.

Questions related to progress in information management and space utilisation. Members were informed that a new document management system was being put in place and that space utilisation had improved. However, the estate was being further reviewed to address increased student numbers.

The Audit Committee authorised that the closed items be removed from the Internal Audit Action Plans list.

### **12.2 Actions in Response to ESFA CEO July 2019 Letter to Chairs**

The Committee had agreed to monitor the action points arising from the review of ESFA and FE Commissioner letters received in 2019, as reported to the Corporation.

As reported most actions were being addressed or were closed.

Members noted that a record of actions taken to recruit a qualified auditor could be helpful as evidence.

## **13 Policy Review**

### **13.1 Disaster Recovery Plan and Major Incident Policy – Confidential Report**

Jacquie Carman noted that the Disaster Recovery Plan and Major Incident Policy had been reviewed to capture a change in focus and following further sector documentation. The aim was to support best practice and though providing a framework, it was important to be clear to staff that every situation would be different.

Members asked about further external review of the policy and noted additional guidance on dealing with covert threats. Members also asked if staff had undertaken media training, and how logging and recording of any incidents was undertaken to support any post incident review requirements. Jacquie Carman confirmed that media training for senior staff had been undertaken and welcomed the points raised by members.

#### ***Action 13.1a***

*Following the range of additional information supplied, Jacquie Carman agreed to address further, including external review.*

**The Audit Committee resolved to recommend to Corporation the adoption of the current revision of the Disaster Recovery Plan and Major Incident Policy, noting that further revisions would be returned for approval.**

## 5.2 External Audit Appointment - Confidential Report

Members received the report outlining that tenders had been invited for provision of external audit services to Halesowen College. Four companies were invited and attended to present to a panel.

Presentations were received from RSM UK Audit LLP, Bishop Fleming, Mazars and Wylie Bisset and members put a range of questions to both firms.

Responses were scored.

**On consideration of the information provided the Audit Committee recommended to the Corporation that RSM UK Audit LLP be appointed as external auditors for Halesowen College, commencing 2019/2020 and subsequently reviewed annually, under the College's procedures for auditor appointment.**

## 14 Any Other Business

There was none.

## 15 Date of Next Meeting

The next meeting is scheduled for Wednesday 11 March 2020.

The meeting closed at: 7.30pm

Actions from Meetings		
Audit Committee Meeting 13 November 2019		
13.1	<b>Disaster Recovery Plan and Major Incident Policy – Confidential Report</b>  Following the range of additional information supplied, Jacquie Carman agreed to address further including external review.	JCa  March 2020