

Minutes of the Audit Committee Meeting

held Wednesday 20 January 2021

Present Joanne Chilton (*Chair*), Mark Richardson

In attendance Jacquie Carman (*Vice Principal and Chief Operating Officer*)
Anna Spencer-Gray (RSM UK Audit LLP)
Clare Parkes (*TIAA Ltd*)
Andrew Dobson (Principal)
Jennifer Sunter (*Clerk to the Corporation*)

1		Apologies
		There were none.
2		Declarations of Interest
		There were none.
3		Minutes of Audit Committee Meeting held 10 November 2020 and Matters Arising
		<p>The minutes of Audit Committee Meeting held 10 November 2020 were approved as a correct record.</p> <p>Under Matters Arising:</p> <p>Item 5 from the Audit Committee Meeting 9 June 2020; Conditions of Current Funding - Self-Assessment of Compliance, Financial Memorandum, remained for consideration by the next scheduled meeting of the Committee, 9 March 2021.</p> <p>Item 4 from the Audit Committee Meeting 11 November 2020; Accountability Reviews, an updated report was provided for the meeting prior to the signing of the Annual Members Report and Financial Statements.</p>
4		Accountability and Assurance:
	4.1	Updated Accountability Review
		<p>Jacquie Carman emphasised that the Accountability Review, the College's own self-assessment, fitted well in considering the College against key sector indicators. The updated position remained positive, with no issues or points of concern.</p> <p>Members noted that this was a core report in supporting the Audit Committee and the Corporation in confirming the discharge of their responsibilities and the signing of statements in the Annual Members' Report and Financial Statements.</p> <p>The Chair asked about the financial concerns regarding the level of income generated by Halesowen College Enterprises in the first term of 2020/2021. Jacquie Carman confirmed that while a reduced profit had been achieved in 2019/2020, it was an area of concern as income continued to be impacted in the current year by the pandemic.</p> <p>The external auditor had been consulted regarding Halesowen College Enterprises remaining a going concern. As the company was a wholly owned subsidiary of the College and was supported by a letter of support from the College, up to January 2022, there was reassurance that as a group this was not material, however, this would remain under monitoring.</p>

		The Audit Committee noted the accountability self-assessment as part of the framework from which the Committee had gained assurance in forming the opinion on internal control, governance and financial management.
	4.2	Summary of Assurance relating to Systems of Financial Control and Corporate Governance
		<p>Jacquie Carman outlined the summary of assurance provided against responsibilities, which in tandem with the Accountability Review provided support for the Committee's opinion and the signing of declarations in the Annual Members' Report and Financial Statements.</p> <p>Members commended the thorough reports.</p> <p>The Audit Committee received the 'Summary of Assurance relating to Systems of Financial Control and Corporate Governance' noting the contents, which supported the opinion in the Committee's annual report. the report would also be provided for the Corporation.</p>
5		External Audit: RSM UK Audit Findings Report year ended 31 July 2020
		<p>Anna Spencer-Gray addressed the key audit findings, outlining the up to date position with regard to finalising any outstanding items and confirmed that all areas would be finalised prior to submission to the ESFA.</p> <p>In particular, the final reconciliations on funding had been received from the ESFA and the WMCA (West Midlands Combined Authority), with no funding claw back. While, there were no issues and an unqualified audit opinion was provided, members were pointed to new disclosures now required in relation to going concern, for the College and Halesowen College Enterprises Limited.</p> <p>Anna Spencer-Gray also highlighted the additional testing undertaken with regard to a risk highlighted during the audit, with no issues to note.</p> <p>Members asked a range of questions for clarification and about risk on potential fee repayment, and Jacquie Carman responded that for 2019/2020 no refunds of HE fees had been requested.</p>
		<p>That 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 2020 and the letters of representation and the assurance therein that;</p> <p>'We believe that the audit approach adopted will provide those charged with governance with the required confidence that a thorough and robust audit has been carried out.'</p> <p>'Our audit work is substantially complete and subject to the successful resolution of outstanding matters, we anticipate issuing an unmodified audit opinion on the group's financial statements and an unmodified regularity conclusion in line with the agreed timetable'</p>
6		Annual Members' Report and Financial Statements 2019/2020*
		<p>Jacquie Carman presented key points from the Annual Members' Report and Financial Statements 2019/2020, which included that;</p> <ul style="list-style-type: none"> the accounts were as at 31 July 2020, for the group comprising Halesowen College and Halesowen College Enterprises Limited the report was prepared in accordance with UK GAAP accounting standards FRS102 and in the required format known as the Casterbridge model, with included statements on the College's strategic plan, objectives and performance, stakeholder relationships, public benefit and going concern the College was a going concern and subject to enhanced scrutiny in this regard, with disclosures on risks to the College provided

		<ul style="list-style-type: none"> despite the pandemic the College had met or exceeded key ratios and achieved a financial surplus (prior to pension deficit). <p>Jacquie Carman further highlighted the role of the Committee in providing their opinion to the Corporation, in support of the statements to be signed by the Chair and Principal, on behalf of the Corporation.</p> <p>Jacquie Carman also drew attention to a new disclosure for Office for Students and intangible fixed assets, relating to good will and the transfer of provision from BMet Stourbridge.</p> <p>Members also discussed the increase in pension deficit (from £9.748m to £20.870m), with a decrease in the discount rate from 2.15% to 1.40%.</p> <p>The Chair asked for clarification on depreciation in relation to IT and Jacquie Carman explained that 6-10 years related to items such as major installations such as servers and wi-fi access points as opposed to items such as laptops.</p> <p>The Chair asked about reduction in liquidity and cash days in hand and if this was an area of increased risk. Jacquie Carman explained the impact of capital redevelopment costs and the decision to use cash reserves and not undertake further borrowing, however, the ratios remained above the financial health threshold.</p> <p>Members noted that financial challenges notwithstanding, the College was demonstrating strong performance and that the accounts would be signed off by the external auditors and provided for the ESFA and Companies House by 31 January as required.</p>
		The Audit Committee resolved to recommend to the Corporation that they approve the Annual Report and Financial Statements 2019/2020 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 2019/2020
		<p>Jacquie Carman provided the stand alone accounts for Halesowen College Enterprises Ltd Directors Report and Financial Statements 2019/2020, which outlined all commercial activity, which had increased over the previous two years. The report addressed plans for the future, risk and going concern.</p> <p>The reduced surplus and the impact of the pandemic was again noted, with hope for improvement and with the appropriate support of the College.</p>
		The Audit Committee resolved to recommend to the Corporation the approval of the Halesowen College Enterprises Ltd Directors' Report and Financial Statements 2019/20.
8		Audit of Pension Contributions
		<p>Jacquie Carman explained the two pension schemes in place for staff and the increases in employer contributions. While ESFA support for the additional costs of the TPA (Teachers' Pension Scheme) was in place until 2022, the position continued to pose a financial threat to the sector and a number of Colleges remaining going concerns.</p> <p>Anna Spencer-Gray outlined the impact on the independent school sector and movement to different pension provision. Members noted that staff employed by Halesowen College Enterprises Limited had necessarily been provided an alternative, as they were not eligible for the Local Government Pension Scheme.</p> <p>Members further discussed the real concern for the current impact to Colleges and future impact if ESFA support did not continue for TPA.</p> <p>The Audit Committee noted the audit work conducted by RSM UK Audit LLP on the TPA return 2019/2020.</p>

9	Audit Committee Annual Report year ended 31 July 2020
	<p>The Clerk noted that the Committee's annual report consolidated the assurance provided in addition to detailing the overall operations of the Committee. The focus was upon the provision of the Committee's opinion to the Corporation.</p> <p>It was considered that the opinion should include a statement in relation to increased scrutiny under Colleges as going concerns.</p> <p>It was noted that the risks outside the risk appetite, as provided in the report appendices would be corrected.</p> <p>The Chair asked if the timing of the report could be brought forward in future years and Jacquie Carman suggested consideration of a two staged approach, with a draft report provided to the September meeting of the Committee.</p>
	<p>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 resolved to recommend that the Corporation accept the Annual Report of the Audit Committee 2019/20 and the opinion contained therein, and forward this report to the Education and Skills Funding Agency alongside the Annual Members' Report and Financial Statements 2019/2020. The opinion being; For the period 1 August 2019 to 31 July 2020, the Audit Committee is satisfied that the College's audit arrangements, governance framework, 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 Committee has considered and is satisfied with adequate disclosures and that the College remains a going concern moving forward.</p> <p>The Committee is satisfied that the sources of assurance considered and 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.</p> <p>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.</p> <p>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 Corporate Governance and Internal Control within the Annual Members' Report for the year ended 31 July 2020.</p>
10	Any Other Business There was none.
11	Date of Next Meeting The date of the next meeting of the Audit Committee was noted as scheduled for 9 March 2021

The meeting closed at 7.10 pm

Actions from Meetings		
Audit Committee Meeting 9 June 2020		
5	Conditions of Current Funding - Self-Assessment of Compliance, Financial Memorandum	JCa
5a	<p>The Audit Committee having reviewed the self-assessment, actioned all points identified, with progress to be monitored at the next meeting.</p> <p>Due to consideration by the Corporation in September 2020 this was deferred until the next meeting of the Committee. (9 March 2021)</p>	September 2020

