

Minutes of the Audit Committee Meeting

held Tuesday 30 November 2021

Present Helene Jones (*Chair*), Thomas Huntbatch and Tiffany Harvey-Pallent

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

1	Apologies
	Apologies were received on behalf of Joanne Rouse.
2	Declarations of Interest
	There were none.
3	Minutes of Audit Committee Meeting held 8 June 2021 and Matters Arising
	The minutes of the Audit Committee meeting held 9 June 2021 were approved as a correct record. There were no matters arising.

It was agreed that item 7.2 be taken as the first substantive item.

	7.2	TIAA Internal Audit of Student Support
		Clare Parkes reported that the internal audit of student support had provided reasonable assurance with 1 important, 3 routine and 2 operational action points. The actions surrounded incomplete applications and ensuring that eligible students did not miss assistance. Jacquie Carman reported that since the audit, work with new managers had resulted in more far-reaching actions including evaluation of current practice and process. Members checked their understanding of the actions being taken and that the system might further change going forward.
		<i>Clare Parkes left the meeting.</i>
		The Audit Committee accepted the Internal Audit Reports of Student Support and the management responses therein.
4		<i>Accountability and Assurance:</i>
	4.1	Summary of Assurance relating to Systems of Financial Control and Corporate Governance
		Members considered the summary of assurance provided to support member confidence in the signing of declarations in the Annual Members' Report and Financial Statements. Members noted that internal audit had conducted their audits in accordance with the audit plan and that external audit had incorporated work on student records, as the ESFA no longer undertook this validation. The summary also provided consideration of risks and control against key regularity concerns given in the Audit Code of Practice. The Audit Committee noted the summary of assurance provided and that this supported opinions in their annual report and in the Annual Members' Report.
	4.2	External Audit: RSM UK Draft Audit Findings Report year ended 31 July 2021

	<p>Anna Spencer-Gray addressed the key audit findings in their draft report as provided and explained the outstanding areas to finalise, with no issues expected subject to final reconciliation from the ESFA.</p> <p>Points relating to Halesowen College Limited were discussed, particularly around furlough of staff and the letter of support from the College, which would not be needed this year.</p> <p>Members also noted the treatment of laptops provided from the Government which were recognised in the asset register, but that depreciation would be accounted in the next financial year.</p> <p>In response to questions on materiality and the deadline for report submissions, the accounting approach for materiality was clarified and it was confirmed that final reconciliation from the ESFA was due to submit the reports before the end of year deadline.</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 2021 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>
4.3	Annual Members’ Report and Financial Statements 2020/2021
	<p>Jacquie Carman gave a full report on the Annual Members’ Report and Financial Statements for 2020/2021 which incorporated both the College and Halesowen College Enterprises Limited.</p> <p>The report was prepared on a going concern basis and the Finance and General Purposes Committee had scrutinised the outturn position, which while reduced from the previous year was in accordance with revised budgets. Jacquie Carman outlined areas of variance and performance against target ratios. Members acknowledged that overall performance satisfied the criteria for maintaining outstanding financial health.</p> <p>The report addressed the previous strategic plan and the new strategic direction, public benefit, performance against financial objectives, stakeholder relationships and equality and diversity.</p> <p>New disclosures were reported including those required by the Office for Students, information on liquidity, energy and carbon reporting.</p> <p>Members also noted the changed reporting and the slowed position on pension costs.</p> <p>Overall members noted that the College again showed strong performance but that there were significant current and future financial challenges.</p>
	<p>The Audit Committee resolved to recommend to the Corporation that they approve the Annual Report and Financial Statements 2020/2021 and that the required statements within, including the statements on Corporate Governance, Internal Control and on the College’s Regularity, be signed by the Chair and the Principal.</p>

Tiffany Harvey-Pallent joined the meeting.

4.4	Halesowen College Enterprises Ltd Directors Report and Financial Statements 2020/2021
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		Recognising the impact of Covid on the College Company Jacquie Carman confirmed that there would be no covenant from Halesowen College Enterprises Limited to the College. However, the company was showing a strong recovery.
		The Audit Committee recommended to the Corporation the Halesowen College Enterprises Ltd Directors Report and Financial Statements 2020/2021.
4.5		Audit of Pension Contributions – confidential
		Members noted that the audit of pensions was across the treasury year ending March 2021. The audit was now only required for the Teachers' Pension. Anna Spencer-Gray confirmed that the audit had been straightforward, and the required return submitted. The Audit Committee noted the audit work conducted by RSM on the Teachers' Pension Scheme (TPA) return 2020/21.
4.6		Code of Good Governance Review
		Jennifer Sunter reported that the review was provided as part of the assurance suite. The Corporation reports adoption of the Code of Good Governance for English Colleges and assessment of compliance in relation to it, within the Annual Members' Report and Financial Statements. The spirit of the code remained that of supporting and developing good governance, however, 'must and should' distinctions also remained, and any areas of variance were identified in the report. Members noted that the code had recently been updated and that future reporting would be against the updated version. It was also noted that a more significant review was anticipated following the developments outlined in the white paper.
		The Audit Committee considered the evidence listed in relation to the Code of Good Governance for English Colleges and recommended this to the Corporation prior to approval of the Annual Members' Report and Financial Statements.
4.7		Audit Committee Annual Report year ended 31 July 2021
		The Clerk provided a brief overview of the Committee's report which outlined the work of the Committee, reference to key reporting assurance and statements to support the signing of the Annual Members' Report and Financial Statements.
		Based on our review of the assurance mapping exercise together with the assurance presented to the Audit Committee and Corporation throughout the year, the Audit Committee recommend to the Corporation the acceptance of the Annual Report of the Audit Committee 2020/2021 and the opinion contained therein and forward this report to the Education and Skills Funding Agency alongside the Annual Members' Report and Financial Statements 2020/2021. Opinion of the Audit Committee For the period 1 August 2020 to 31 July 2021 the Audit Committee is satisfied that the College's audit arrangements, governance framework ¹ , 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. 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. 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

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

		<p>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 required statements, including the statements on Corporate Governance, Internal Control and on the College's Regularity within the Annual Members' Report for the year ended 31 July 2021.</p>
		<i>External Audit:</i>
5	5.1	Review of Internal Audit Performance Indicators
		Jacque Carman reported on strong performance against the measures agreed with all areas completed. Remote working had been good and work well discharged.
		The Audit Committee noted the evaluation and reapproved the measures for 2021/22
	5.2	External Audit Appointment (verbal)
		Members noted that following the stipulations in the revised Audit Code of Practice, (requiring formal tender for external audit services at least every five years), that it was timely to reconsider the current approach.
	Action 5.2a	It was agreed that the approach to procurement for both Internal and External Audit services would be returned to the committee.
6		<i>Risk Reporting:</i>
	6.1	Risk Report including; Risk Register – 2021 – 2022, Risk Plan – 2021 – 2022, Risk Action Plan - 2021 – 2022, Risk Management Policy and Procedure
		<p>Jacque Carman explained the changed approach to reviewing risk within the College which provided for continuous review and responsiveness. The red and amber rated risks were highlighted.</p> <p>While some risks such as local competition remained year on year others, such as the current obstructions to the supply chain were new.</p> <p>Members noted the amber risk to the College due to uncertainties in achieving in-year funding for the larger number of 16-18 students enrolled above contract, and the challenges in achieving the adult education contract, with potential clawback.</p> <p>Members also recognised the potential impact on quality imposed by the difficulty in recruiting staff and the challenges to the accommodation strategy with increased student numbers.</p> <p>Members discussed potential barriers to, and action being taken to address adult learner recruitment and Jacque Carman reported on a range of actions being taken for January enrolment and that courses were offered across evening and daytime.</p>
		The Audit Committee resolved to recommend the approach to Risk as outlined in the Risk Register Executive Summary for Corporation approval, recognising the risks that remain outside the risk appetite.
	6.2	Prevent Risk Audit
		<p>Members noted the approach taken to auditing and mitigating against risk with regards to Prevent. Termly review maintained vigilance against changing threats and vulnerabilities. As the national terror rating had increased to severe, a working group was set up to support preparedness in addressing issues arising.</p> <p>Members asked about action points being addressed, use of scanners and the level of risk regarding knife crime.</p> <p>Jacque Carman explained the range of search powers available, the use of scanners and occasional use of the Police Knife Arch and that while there had</p>

		<p>been some incidents involving knives, they were rare. It was noted that the College maintained a zero-tolerance approach.</p> <p>The Audit Committee noted the risk assessment.</p>
7		<i>Audit Plan and Reports</i>
	7.1	Review of Audit Plan 2021-2022
		<p>Members discussed that the audit plan agreed in June 2021 remains appropriate following the recent review of risk. The plan had been updated to steer each audit to the area of higher risk.</p>
		The Audit Committee recommended that the Corporation adopt the final Audit Plan for 2021/22.
	7.3	Progress Report on Audit Action Plans
		<p>Members considered the update on actions from previous audit plans noting where actions were closed.</p>
		The Audit Committee noted progress on actions and authorised the removal of closed actions from the list arising from audits.
	7.4	Governance Review Action Plan
		<p>The Clerk reported that actions arising from governance review and the G4FE audit tool were included in the plan, which would be monitored by the Committee until completion.</p> <p>The Audit Committee received the monitoring update.</p>
8		<i>Annual Reviews</i>
	8a	Review of Data Protection Policy and Procedures
		<p>In the first high level review for governors of arrangements for Data Protection and Policy Jacquie Carman provided context and information, including roles and responsibilities and how the College processes data, abiding by GDPR (General Data Protection Regulation).</p>
		The Audit Committee approved the Data Protection Policy
	8b	Freedom of Information Annual Report including GDPR and FOI requests monitoring
		<p>In assisting the Committee in its oversight of Freedom of Information and General Data Protection, details of the College's approach and of activity in 2020/21 were provided for consideration.</p> <p>Members discussed lessons learnt and remedial action in relation to data breaches. The Information Commissioner's office was noted as helpful in guidance on reportable events and actions.</p> <p>The Audit Committee noted the report.</p>
	8c	Health and Safety Annual Report and incidents monitoring
		<p>Jacquie Carman reported on the growing improvement in the Health and Safety culture of the College and the objective for 2022 to further drive this forward. The impact of the pandemic had increased awareness.</p> <p>Members noted that there had been less reportable incidents due to time spent off-site due to the pandemic but conversely the pandemic had provided increased challenges, while still addressing all other areas.</p> <p>Members asked if the Health and Safety Executive had visited the College during the pandemic. Jacquie Carman reported that they had not but that close working with Public Health England (as the College had been a testing centre), saw the College held up as an institution of good practice.</p> <p>The Audit Committee noted the report.</p>
	8d	Update on Oversight and Intervention

		<p>Members noted the changes to the oversight and intervention rules with three levels being active support, intervention, and exit/restructure. In general, there was a positive and supportive approach with access to resources for all Colleges.</p> <p>Jacque Carman highlighted the financial triggers and that quality and finance remained the two pillars of a successful college. Close monitoring of local colleges was also important as changes triggering an area review could have impact.</p> <p>Members noted that the College's new costed curriculum and balanced score card approach were noted by the ESFA for potential use as a model of sector good practice.</p> <p>The Audit Committee noted the report.</p>
9		<i>Office for Students</i>
	9a	Minutes of the Office for Students Committee
		<p>The Clerk noted that the minutes of the OfS Correspondence Group were shared with members to increase oversight of compliance.</p> <p>The minutes were received.</p>
10		Exams Sanction Report
		<p>Jacque Carman reported on the sanction from AAT which was reported to Ofqual and which was quickly addressed and resolved.</p> <p>Members discussed the anonymised case.</p> <p>The Audit Committee noted the report and actions taken.</p>
11		Any Other Business
		There was none.
12		Date of Next Meeting
		The next meeting of the Committee was noted as scheduled for 8 March 2022.

The meeting closed at 7.45pm

Key

A	Approve	
C	Consider	
M	Monitor	
R	Receive	
R/C	Recommend to Corporation	

JCa	Jacque Carman
JSu	Jenny Sunter
IA	Internal Audit
EA	External Audit

Actions from Meetings		
Audit Committee Meeting 9 March 2021		
Action 4a	<p>External Auditor - Assessment of Performance Indicators for 2019/2020 and indicators for 2020/2021</p> <p>While it was noted that the performance indicators in place remained appropriate, it was necessary to defer the report until June 2021.</p> <p>Closed</p>	JCa June 2021
Action 7a	<p>Conditions of Current Funding - Self-Assessment of Compliance, Financial Memorandum Update</p> <p>Members asked questions about the rating of actions which had been closed, particularly those rated red or amber. It was agreed that future reporting would include additional rag rating of closed actions, to more clearly reflect current status.</p>	JCa 2022
Action 8a	Risk Management Mid-Year Update 2020/21	JCa June 2021

	<p>It was agreed that a report for the Corporation on course costing could be provided, alongside the budget setting reports for Finance and General Purposes Committee and Corporation in June 2021.</p> <p>Closed</p>	
<p>Audit Committee Meeting 30 November 2021</p>		
<p>Action</p> <p>5.2a</p>	<p>External Audit Appointment</p> <p>It was agreed that the approach to procurement for both Internal and External Audit services would be returned to the committee.</p>	