

## Minutes of the Audit Committee Meeting

Held Tuesday 29 November 2022 at 6pm

*Present* Helene Jones (*Chair*), Tiffany Harvey-Pallent, and Ian Hughes.

*In attendance* Jacquie Carman (*Vice Principal and Chief Operating Officer*)  
Clare Parkes (*TIAA*)  
Nathan Coughlin (*Bishop Fleming*)  
Jennifer Sunter (*Clerk to the Corporation*)

<b>1</b>		<b>Apologies</b>
		Apologies were received on behalf of Mark Sterling
<b>2</b>		<b>Declarations of Interest</b>
		In her capacity as representing the current internal audit service provider, Clare Parkes declared her interest in agenda items 5.1, Review of Internal Audit Performance Indicators and 5.2, Process for Appointment of Internal Auditors.
<b>3</b>		<b>Minutes of Audit Committee Meeting held 14 June 2022 and Matters Arising</b>
		<p>The minutes of Audit Committee Meeting held 14 June 2022 were approved as a correct record.</p> <p>Under Matters Arising the Clerk updated members on current actions listed:</p> <p>From the Audit Committee Meeting 8 March 2022,</p> <ul style="list-style-type: none"> <li>Item 9a, Review of Whistleblowing, the External Auditors had agreed for their contact details to be included in the College's policy and supporting leaflet.</li> </ul> <p>From the Audit Committee Meeting 14 June 2022;</p> <ul style="list-style-type: none"> <li>Item 4.2a, External Audit Plan; the Related Party Transaction form template from the Bishop Fleming had been utilised for staff and most governors and a report on conflicts of interest would be provided for the Corporation.</li> <li>Item 8a, Progress Report on Governance Review Action Plan; the monitoring of remaining actions continued to be an agenda item until all actions are confirmed.</li> <li>Item 9a, Health and Safety Incidents Monitoring; data from comparator groups had been sought but were not available, however, the College was able to do its own year on year comparisons in a more meaningful way post Covid.</li> <li>Item 12a, Review of Audit Committee Terms of Reference and Cycle of Business; A trial of a revised cover report proforma remained to be actioned.</li> </ul> <p>With regards to project working arrangements with Fircroft College, Jacquie Carman outlined the joint work to deliver to an identified need in leadership and management training and that under the funding stream this did not classify as subcontracting, hence a nil return with the ESFA.</p>
<b>4</b>		<b>Accountability and Assurance</b>
	4.1	<b>Summary of Assurance relating to Systems of Financial Control and Corporate Governance</b>

	<p>Jacque Carman presented the annual review of sources of assurance in relation to the responsibilities of the Corporation. The report also included a review of evidence against the key areas of concern as identified in Colleges with regularity concerns, as provided in annexe C of the Audit Code of Practice.</p> <p>Members asked about the current practice in review of Management Accounts for all governors to meet their fiduciary duty. The provision of accounts and access to the Repository was discussed, and the range of financial reporting across the committee system and the Corporation was outlined. Focus was on ensuring budget setting and monitoring responsibilities were met, with any issues arising being reported.</p> <p>The Audit Committee noted the summary of assurance provided, which further supported the opinion in the annual report.</p>
4.2	<p><b>External Audit Findings Report: Key Issues for Discussion year ended 31 July 2022</b></p>
	<p>Nathan Coughlin of Bishop Fleming presented the outcome of their first year of external audit provision, which addressed the key risk areas highlighted in their plan.</p> <p>Members noted that the report included a review of how well the process had worked and that subject to finalisation of reports, unmodified audit opinions on Financial Statements and Regularity were achieved.</p> <p>There were no significant issues across the key areas of work incorporating management override of controls, fraud in income recognition, pension assumptions, accounting for capital projects and capital grant funding.</p> <p>Members noted the challenges and volatility on pension liability in relation to evaluation and subsequent accounting, which was addressed in accordance with accounting standards.</p> <p>It was noted that a balance of £70,500 remained relating to funds received in the previous year and while awaiting guidance this would be held in creditors.</p> <p>Members asked about payroll and risk of fraud, given the materiality of the pay budget. Members were assured that while payroll was straightforward regarding process, it was, due to the volume, subject to much testing.</p> <p>Members also noted the distinction in levels of 'material' and 'trivial' errors addressed in relation to percentage of income.</p> <p>In response to questions on the prudent approach to bad debt, Jacque Carman responded that the current cost of living pressure could increase the level of bad debt. In relation to this, the College sought to focus on courses for adults which could be accessed free of charge for the learner.</p>
	<p>The Audit Committee resolved to recommend to the Corporation the acceptance of the Bishop Fleming Report on Key Issues for Discussion year ended 31 July 2022 and noted that the letters of representation and the assurance therein were provided within the Annual Report and Financial Statements.</p>
4.3	<p><b>Annual Members' Report and Financial Statements year ended 31 July 2022</b></p>
	<p>The Committee received a presentation on the Halesowen College Annual Report and Financial Statements for the year ending 31 July 2022, to support the review of this required, detailed annual return.</p> <p>The report included the consolidated position for both College and the wholly owned subsidiary Halesowen College Enterprises Limited and had been prepared in accordance with the SORP (Statement of Recommended Practice), the College Financial Handbook and the Casterbridge model.</p> <p>The College had achieved a surplus and while less than the previous year, was in accordance with budget. It was noted that surplus had reduced across the</p>

	<p>previous seven years and that while overall outstanding financial health was retained, the EBITDA ratio remained weaker.</p> <p>The College remained largely reliant on grant funding, highlighting the crucial relationship between learner numbers and income profile. There had been growth in additional learners, however, tuition fee income was lower. Staff expenditure had increased as had non pay costs.</p> <p>The report included a strategic overview and vision, with key risks to the approach and how the College was operating. The report also now included new information on energy and carbon reporting.</p> <p>It was noted that regarding Halesowen College Enterprises Limited, the College would not be calling the company in as a creditor to support the financial recovery underway.</p> <p>The governance statements to be signed were provided, underpinned by suitable policy, standards and controls and the understanding that the College and its subsidiary remained going concerns.</p> <p>Members noted volatility of pensions as reported and audited.</p> <p>Members asked if the reclassification of Colleges to the Public Sector would impact the report and the College moving forward. Jacquie Carman noted that appropriate statements would be included for the Corporation and that information about any change to accounting year ends was currently unknown.</p> <p>Members acknowledged a good set of accounts with financial performance in accordance with the revised budget, recognising that while there was strong performance there were financial challenges going forward as reported.</p> <p>Accounts would be submitted to the ESFA and Companies House following appropriate governor and director approvals.</p>
	<p>The Audit Committee resolved to recommend to the Corporation that they approve the Annual Report and Financial Statements 2021/2022 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>
4.4	<p><b>Halesowen College Enterprises Ltd Directors Report and Financial Statements year ended 31 July 2022</b></p>
	<p>Jacquie Carman reported that the Company had performed in accordance with budget and that the directors were scheduled to consider and approve the report prior to the Corporation meeting on 13 December 2022.</p>
	<p>The Audit Committee recommended to the Corporation the Halesowen College Enterprises Ltd Directors Report and Financial Statements 2021/2022 subject to approval by the company's directors.</p>
4.5	<p><b>Audit of Pension Contributions</b></p>
	<p>Members noted that Bishop Fleming had conducted the annual review of the teachers' pensions for the TPA return 2021/2022, with no issues raised.</p>
4.6	<p><b>Audit Committee Annual Report year ended 31 July 2022</b></p>
	<p>Members considered the scope of their report to be provided for the Corporation and the basis of their opinion.</p> <p>The structure and scope of the Committee and the work it had undertaken, together with the sources of assurance from internal and external audit and management work was addressed.</p> <p>The Clerk noted that the statements from Bishop Fleming included, would be updated in line with their final report.</p>

	Action 4.6a	Members briefly discussed the Committee Terms of Reference with regard to the provision for matters to be carried over between meetings, which was noted for the annual review of terms.
		<p>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.</p> <p>For the period 1 August 2021 to 31 July 2022 the Audit Committee is satisfied</p> <ul style="list-style-type: none"> <li>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 arising up to the date of the preparation of the Annual Report,</li> <li>with adequate disclosures and that the College remains a going concern moving forward,</li> <li>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,</li> <li>that there were no significant matters of internal control included in the management letters or reports from auditors or other assurance providers.</li> </ul> <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 2022.</p>
5		<b>Internal Audit</b>
	5.1	<b>Review of Internal Audit Performance Indicators</b>
		Members noted the strong level of service received and acknowledged that while the current performance indicators remained valid, they should be reviewed in relation to any new service provider.
		The Audit Committee noted the evaluation and reapproved the performance measures for 2022/23.
	5.2	<b>Process for Appointment of Internal Auditors</b>
		Jacque Carman outlined the planned process for the appointment of an internal audit service from 2023. The process had been delayed from the previous year to support the first year of new external audit provision. Members discussed the process and timescale.
		Following consideration the Audit Committee approved the list of audit firms and timescales for the Internal Audit tender and appointment process.
6		<b>Risk Reporting</b>
	6.1	<b>Risk Report Risk Management Policy and Procedure, Risk Register, Risk Plan and Risk Action Plan</b>
		Jacque Carman emphasised that while members were being asked to consider an annual review of the risk register the register remained a live document throughout the year. The College had adopted a new approach with review

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

		<p>through a regular meeting of a risk group, which reported through to the College Leadership Team meetings highlighting rising risks.</p> <p>Jacque Carman further outlined the review of actions and evidence to mitigate risks identified and the subsequent further review of risks scored outside the risk appetite, under the traffic light system.</p> <p>Members understood that the current climate had resulted in a higher level of risks rated red, particularly around staff recruitment and retention. The College hoped to see a resolution to the pay dispute, to address new staff contracts and would be taking a fresh look at marketing and recruitment approaches, particularly to improve use of social media.</p> <p>Other risk factors included student attendance and retention, meeting complex and challenging student needs, increasing financial pressures and achieving the capital development programme.</p> <p>Members discussed amber risks around financial resilience and learner numbers across the 16-18 and Adult contracts.</p> <p>Members asked about the status of Apprenticeship provision and understood that while the Rapid Improvement Plan had been discharged there remained challenges to address.</p> <p>Members also asked about risks relating to T Levels and noted that their place in the educational offer remained less well understood and that the College had done well in delivery of Early Years but not had a positive experience in Health and Science.</p> <p>Members also asked about the testing of the Disaster Management Plan and Jacque Carman reported on the in-year exercise undertaken with an exercise planned for 2023.</p>
		The Audit Committee resolved to recommend the approach to Risk as outlined in the Risk Register Executive Summary for Corporation acceptance, recognising the risks that remain outside the risk appetite.
	6.2	<b>Prevent Risk Assessment Update</b>
		<p>Members received the update on assessing risk, which had utilised the Prevent for FE and Training model. The local terror level was now lower, however, local intelligence indicated a rise in far-right and gang related activity.</p> <p>Self-Assessment had been undertaken with actions identified against the model's requirements. Actions highlighted included greater differentiation in staff training, conduct of a phishing exercise with students to support and test impact of online safety awareness training and student consultation in Prevent Policy and Strategy.</p> <p>Members discussed training and were assured that all staff were required to do basic Prevent Training.</p> <p>The Prevent Risk Assessment Update was noted.</p>
	7	<b>Audit Plan and Reports</b>
	7.1	<b>Review of Audit Plan 2022-2023</b>
		<p>In accordance with the cycle the Audit Plan was reviewed and no changes were recommended at this time.</p> <p>Members were alerted to the introduction of further audit work around Department for Education grant funding and that this would probably be an additional role for internal rather than external audit service providers going forward.</p>
		The Audit Committee recommended that the Corporation adopt the final Audit Plan for 2022/23 as provided.
		<i>Nathan Coughlin left the meeting.</i>

	7.2	<b>TIAA Internal Audits</b>
	7.2a	<b>Key Financial Controls</b>
		<p>Clare Parkes presented the findings of the internal auditors on Key Financial Controls, the scope being 'Post Brexit Review of Procurement Strategy and Standing Orders Relating to Contracts and review of Management accounting and financial regulations for HCE Ltd.'</p> <p>Substantial assurance had been awarded, with one routine action point.</p>
	7.2b	<b>Admissions</b>
		<p>Clare Parkes presented the findings of the internal audit on Key Financial Controls the scope being 'procedures for admissions and support including claims for high needs funding and the workflow from marketing, schools and admissions for all modes of learning'.</p> <p>Substantial assurance had been awarded, with three routine and one operational action point.</p> <p>Members further questioned the College approach to learners' self-declaration of their employment status. Jacquie Carman confirmed that this remained solely a self-declaration with individual not College liability. This was in line with funding agreements. It was noted that the College did sometimes get queries from benefit agencies that learners were enrolled at the College.</p>
		The Audit Committee received the Internal Reports on Key Financial Controls and Admissions, noting the assurance provided and the management responses to findings.
	7.3	<b>Progress Report on Audit Action Plans</b>
		<p>Members received the update on progress made against actions from audit recommendations, with most items closed.</p> <p>Jacquie Carman reported that following closure of a previous audit action regarding the use of PayMyStudent software, she wished to bring back the audit recommendations to support a thorough review. This would address that while now completely stopped, a few payments had continued through this system. A complete check of the systems had been undertaken, with no material impact to the College. A reinstatement of the audit actions would give assurance that the College had robust arrangements in place.</p>
		The Audit Committee noted progress on actions and authorised the removal of closed actions from the list arising from audits.
	Action 7.3a	The reinstatement of audit actions on student finance was agreed.
	7.4	<b>Governance Action Plan</b>
		<p>The Clerk reported on progress against actions from the Governance Review which had not yet been completed, including that progress had been made on improving governor visibility and impact.</p> <p>From Self-Assessment actions, it was felt that while continuing to promote a culture of in person attendance at meetings, blended meetings remained a necessary option and were, on the whole, working more effectively. It was noted that in addition to that already provided, Finance Training would be addressed further at the January Development Day.</p> <p>Members discussed governor engagements in 'deep dives' and how these were best provided to be valid for all governors, with value noted in opportunities to meet staff and receive presentations on subject areas.</p>

		The Audit Committee having considered progress against the actions listed approved the removal of actions addressed or overtaken from the list.
<b>8</b>		<b>Annual Reviews</b>
	8a	<b>Freedom of Information and GDPR monitoring</b>
		Jacque Carman reported on the small number of Freedom of Information requests received. Members asked if there had been any requests rejected and this was confirmed regarding commercially sensitive information. Members also asked about transparency and noted that while the policy was published, requests were not. It was also noted that two GDPR breaches had been reported with no action taken against the College, however, lessons learned were being passed through to staff. The report was noted.
	8b	<b>Health and Safety Annual Report and incidents monitoring</b>
		Members received the College's Health and Safety Annual Report. The culture across the College had remained similar to the previous year with an effective and well attended Health and Safety Forum. The Forum had a wider remit incorporating staff well-being. Objectives were set to support the culture of continuous improvement which would be monitored through the Forum. Block inspections were also scheduled. Members understood that reported incidents were in flux as previously impacted by College Covid closures and moving forward would see a reduction due to the closure of the College Nursery. Members asked about reporting near misses and noted that this was relatively newly introduced. Awareness was being raised of the importance of reporting near miss accidents. The report was noted.
<b>9</b>		<b>Office for Students</b>
	9a	<b>Minutes of the Office for Students Correspondence Group</b>
		Members noted that there was a rigorous approach to monitoring the Office for Students requirements. The minutes of the Office for Students Correspondence Group held 2 November were received.
<b>10</b>		<b>Any Other Business</b>
<b>11</b>		<b>Date of Next Meeting</b> The next meeting of the Audit Committee is scheduled for 7 March 2023.

The meeting closed at 8:10pm

<b>Audit Committee Meeting 30 November 2021</b>		
Action	External Audit Appointment	JCa March 2022
5.2a	It was agreed that the approach to procurement for both Internal and External Audit services would be returned to the Committee. Closed.	

<b>Audit Committee Meeting 8 March 2022</b>
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Action 9a	<b>Review of Whistleblowing</b> It was agreed that the College's external auditors be approached regarding adding their contact details in the policy and leaflet. June 2022 Bishop Fleming to be asked. Closed	Jca <del>March 2022</del> June 2022
Action 11a	<b>Review of Disaster Management</b> The Audit Committee further agreed to monitor progress against the action points identified in the desk top exercise.	Jca June 2022 Achieved.
Action 12a	<b>Health and Safety Incidents Monitoring</b> Members requested that future reports incorporate year to date accumulated data.	Jca June 2022 Achieved.
Action 14a	<b>Overview of Governor Development and Training</b> It was agreed that the Clerk would convene a round table discussion of members on governor training.	Jsu June 2022 Achieved.
<b>Audit Committee Meeting 14 June 2022</b>		
Action 4.2a	<b>External Audit Plan</b> Members discussed the mechanism for provision of governor declarations and asked that a move to the Bishop Fleming forms be undertaken. Closed. Nove22	Jsu August 2022 Achieved
Action 8a	<b>Progress Report on Governance Review Action Plan</b> That the monitoring of remaining actions be confirmed to the Committee	Jsu Nov 22
Action 9a	<b>Health and Safety Incidents Monitoring</b> Members further asked about the use of data for benchmarking from potential comparator groups and suggested this be investigated. Closed Nov 22.	Jca Nov 2022
Action 12a	<b>Review of Audit Committee Terms of Reference and Cycle of Business</b> As the Audit Committee did not want to fragment the wholistic reporting of risk it was proposed that a section addressing risk impact be trialled on the standard reporting cover sheets.	Jsu <del>Nov 22</del> Spring 23
<b>Audit Committee Meeting 23 November 2022</b>		
Action 4.6a	<b>Audit Committee Annual Report year ended 31 July 2022</b> Members briefly discussed the Committee Terms of Reference with regard to the provision for matters to be carried over between meetings which was noted for the annual review of terms.	JSu June/July 2023
Action 7.3a	<b>Progress Report on Audit Action Plans</b> The reinstatement of audit actions on student finance was agreed.	JCa June 2023