

Minutes of the Audit and Assurance Committee Meeting

held on Tuesday 8 November 2016

Present Harvey Owen (*Chair*), Peter Mitchell

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

1 Apologies

Apologies were received on behalf of Mark Johnson.

2 Declarations of Interest

There were none.

3 Minutes of Meeting held 23 August 2016 and Matters Arising

The minutes of the meeting held 23 August 2016 were approved as a correct record.

There were no matters arising.

4.1 Accountability Self-Assessment year ended 31 July 2016

Jacque Carman explained the self-assessment work undertaken in relation to Accountability Reviews, specifically the evaluation of management, financial management and internal control arrangements.

Jacque Carman highlighted the College's response and evidence base against key module areas and drew out two emerging factors, that of a change in College leadership and of the development of two new ventures, a Multi Academy Trust and South Black Country Education Limited. Change in leadership had been specifically risk assessed and an update report on shared services, under the South Black Country Education Limited, was provided.

Peter Mitchell asked questions about control regarding design and completion of the College's own self-assessment process, and was assured that this was based on the modules associated with the three elements of accountability review. Following further questioning, members noted that the exercise provided a basis for considering the completeness of assurance evidence.

The Audit and Assurance Committee noted the accountability review self-assessment which is used 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

Members considered the summary of assurance report, to support the Committee's role in advising the Corporation in the signing of the Annual Members' Report and Financial Statements. Evidence across the work of the Corporation and the Audit and Assurance Committee provided assurance that all required work had been undertaken and that there were no items of risk preventing the Corporation from signing the report.

The Audit and Assurance Committee noted the report the contents of which have supported the opinion in the Annual Report.

5 RSM UK Audit Findings Report year ended 31 July 2016

Paul Oxtoby reported that the Financial Statements were completed for the College and Halesowen College Enterprises. (Members noted the change in regulator from The Department for Business Innovation and Skills to the Department for Education, which could require adjustment of report headings).

Key points were made by Paul Oxtoby. A funding statement from the Skills Funding Agency was awaited before the statements could be signed. Pension Scheme Liability was accounted for and the College remained a going concern. There were no issues under management override control and work had been completed under the new Further Education and Higher Education Statement of Recommended Practice, whereby there was little change to calculations, however, presentation had changed.

Peter Mitchell asked if all calculations remained the same and both Paul Oxtoby and Jacquie Carman described key changes to areas including pension accounting, holiday pay and the basis of depreciation and confirmed that all disclosures were fully compliant with the new accounting practice.

Paul Oxtoby referred to adjusted and unadjusted items and in response to Peter Mitchell noted that these were not material. Members further discussed materiality in relation to financial health.

Paul Oxtoby referred members to the independence of RSM UK Audit LLP, the draft letters of representation for Audit of Financial Statements and Regularity Assurance and that there were no issues of internal control, or points to bring to the attention of the Audit and Assurance Committee.

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 2016 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.

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 2015/2016

Jacque Carman provided key points from the 2015/2016 Annual Accounts. The College final outturn and surplus remained in accordance with the budget set.

Jacque Carman explained that due to changes to accounting standards there was no longer a historic cost surplus nor statement of gains and losses, however, the consolidated statement before other gains and losses was provided.

Members discussed in detail the actuarial loss regarding pension scheme deficits. Harvey Owen sought clarification on Further Education and individual College liability. Paul Oxtoby noted the importance of managing the contributions required and Jacque Carman noted, that while this position was not affecting the College's financial health, it was a noticeable area of risk. Harvey Owen asked further questions about affordability in the sector and potential for increased costs. Jacque Carman explained that the calculations were based on both current and past liabilities and contributions were standardised.

Jacque Carman emphasised the importance of reserves in relation to loan covenants and summarised that the College was performing well and remained in a strong position going forward, with no unexpected variances.

The Audit and Assurance committee resolved to recommend to the Corporation that they approve the Annual Members Report and Financial Statements 2015/2016 and that the statement of 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 2015/2016

Jacque Carman emphasised that Halesowen College Enterprises Ltd remained a wholly owned subsidiary of Halesowen College. The final outturn position was in accordance with budget, with no significant variances. The company's year had been successful, generating £102,563 profit, following taxation adjustments, to be covenanted to The Halesowen Foundation.

Peter Mitchell asked about assurances regarding the College company. Jacque Carman outlined the board membership, reporting arrangements and annual external audit.

The Audit and Assurance Committee resolved to recommend to the Corporation approval of the Halesowen College Enterprises Ltd Directors Report and Financial Statements 2015/16.

8 Audit of Pension Contributions

Jacque Carman provided an outline of the audit of pension contributions under the Teachers' Pension Scheme (TPA) and the Local Government Pension Scheme (LGPS).

The Audit and Assurance Committee noted the audit work conducted by RSM UK Audit LLP on the TPA return 2015/2016.

9 Audit and Assurance Committee Annual Report year ended 31 July 2016

Members considered the Draft Annual Report of the Committee prior to its recommendation to the Corporation. The report summarised the work of the Committee, its sources of assurance and audit opinion.

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 2015/16 and the opinion contained therein and forward this report to the Skills Funding Agency alongside the Annual Members' Report and Financial Statements 2015/2016.

The opinion contained therein being;

'For the period 1 August 2015 to 31 July 2016 the Audit and Assurance 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 sources of assurance for the year are summarised in the paper 'Summary of Assurance relating to Systems of Internal Control and Corporate Governance' which was considered at the meeting held on 8 November 2016. 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 Corporate Governance and Internal Control within the Annual Members' Report for the year ended 31 July 2016.'

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

10 Progress Report on Audit Action Plans

Members considered progress made against all remaining audit actions.

The Audit and Assurance Committee authorised that closed items be removed from the list of audit actions dated 8 November 2016.

11 Risk

11.1 Review of Risk Action Plan 2016-2017

In reviewing the current Risk Action Plan good progress was noted. Jacquie Carman reported on the work undertaken to increase rigour in teaching learning and quality assurance, enhanced work on Safeguarding, launch of the new finance system and Data Platform, in addition to the opening of Block 13 and establishment of shared services under the South Black Country Education Limited.

The Audit and Assurance Committee noted the progress made on the Risk Action Plan and approved the removal of the closed items from the term one review.

11.2 Update on Shared Services and Multi Academy Trust

Jacquie Carman provided members with a review of arrangements for the new ventures of the Multi Academy Trust and South Black Country Education Limited. This addressed board, executive and financial arrangements including a shareholder agreement.

Peter Mitchell asked how costs and surplus were addressed and Jacquie Carman explained that this was calculated relating to staff roles and service delivery.

Harvey Owen asked about pensions for staff transferring under TUPE. Jacquie Carman explained the basis of two scheme options for staff.

With regards to both the co-sponsored Multi Academy Trust and South Black Country Education Limited, legal issues were being addressed by an external audit service with a report on responsibilities and due diligence to be provided for the Committee.

12 Review of Audit and Assurance Plan 2016/2017

The first review of the plan was considered by members and provided assurance on the planned work as addressed and to be undertaken.

Harvey Owen was assured that appropriate time had been allocated for work planned.

The report was received.

13 Internal Audit Letter of Engagement

Peter Harrison reported that engagement remained fixed for the second year of contract, 2016/2017.

The Audit and Assurance Committee received the Internal Audit Letter of Engagement.

14 Any Other Business

There was none.

15 Date of Next Meeting

The next meeting was noted, as scheduled for 7 March 2017.

Actions from Meetings		
Audit and Assurance Committee Meeting 23 August 2016		
4	Risk Management Report It was agreed that research be undertaken regarding appropriate assurance reporting for the College regarding both Shared Services and Multi Academy Trust arrangements. 8 November 2016 – Committee update report and minute regarding an external audit report for the Committee. (Also the report from a planned summer internal audit is due in 2017).	JCa March 2017.