

Minutes of the Audit and Assurance Committee Meeting held on 16 November 2017

Present Mark Johnson (*Chair*), Peter Coley (*Vice Chair*), Amanda Allen

In attendance David Williams (*Principal*)
Jacquie Carman (*Director of Finance and Corporate Services*)
Paul Foster (*RSM UK Audit*)
Peter Harrison (*TIAA Ltd*)
Jennifer Sunter (*Clerk to the Corporation*)

(The meeting commenced at 6.15pm)

1 Apologies

There were none.

2 Declarations of Interest

There were none.

3 Minutes of Meeting held 22 August 2017 and Matters Arising

The minutes of the meeting held 22 August 2017 were approved as a correct record.

The Committee noted that all actions had been addressed.

4 Accountability and Assurance

4.1 Accountability Review Self-Assessment year ended 31 July 2017

Jacquie Carman outlined the historical completion of self-evaluation questionnaires and that while these were no longer a requirement, the College had continued to undertake a review against the key elements relating to Accountability Reviews. There were no issues arising from this.

Members discussed information flow in relation to the South Black Country Education. Jacquie Carman noted that a memorandum of understanding was in place and that it was good practice to share the financial accounts.

The Audit and Assurance Committee noted and recommended to the Corporation the Accountability Review Self-Assessment year ended 31 July 2017, 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 received the summary of assurance provided to support the signing of the Annual Members' Report and Financial Statements for the year ending 31 July 2017. In particular, provision from both internal and external audit providers was noted.

Committee members asked a range of questions about review of accounting policies and accounting for liability limitations regarding South Black Country Education. Jacquie Carman responded that external audit considered the College accounting policies as part of its review and it was agreed that this be made more explicit in the report. Jacquie Carman also outlined that in relation to South Black Country Education, risk to Halesowen College had been addressed and that a subsequent audit would be reported to the Audit and Assurance Committee.

The Audit and Assurance 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 Auditor

5.1 RSM UK Audit Findings Report year ended 31 July 2017

Paul Foster reported the key audit findings to the Committee addressing audit planning, key areas of audit focus and any issues arising. Any unadjusted/adjusted misstatements were as outlined and with no impropriety or significant deficiencies the result was a very clean audit.

Members noted that the audit could not be finalised until the final reconciliation from the Education and Skills Funding Agency had been received.

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 2017 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 2016/2017**

Jacque Carman reported that the Annual Members' Report and Financial Statements 2016/2017 had been prepared in accordance with appropriate financial and accounting guidance and outlined the range of information that was covered within the comprehensive report.

Performance against financial targets was strong, the final outturn was in accordance with the budget and the College continued to be in outstanding financial health.

Members commented on how comprehensive the report was, particularly noting the strong financial base and that the College remains a going concern.

The Audit and Assurance committee resolved to recommend to the Corporation that they approve the Annual Members' Report and Financial Statements 2016/2017 and that 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 2016/2017**

Jacque Carman explained that the Halesowen College Enterprises Ltd Directors' Report and Financial Statements 2016/2017 had been prepared and approved by the directors of the company in preparation to be lodged with Companies House.

Overall performance was in accordance with budget. While the profit achieved by Halesowen College Enterprises Ltd had reduced in 2016/2017, this would be covenanted to The Halesowen Foundation and accounted for under the terms of Gift Aid.

Members discussed the causes of reduced profit which was being addressed and monitored. In response to questions Jacque Carman also detailed the ethos and the basis for the covenant to The Halesowen Foundation and how money was used to support students.

The Audit and Assurance Committee resolved to recommend to the Corporation approval of the Halesowen College Enterprises Ltd Directors' Report and Financial Statements 2016/17.

8 **Audit of Pension Contributions**

In receiving the outline of the Teachers' Pension Scheme and the Local Government Pension Scheme, members asked a range of questions about pension scheme offer and requirement, noting the increased contributions and pressure on pay budgets.

Jacque Carman explained the historical position regarding the Local Government Pension Scheme and where this varied with staff who were employed through South Black Country Education.

Paul Foster reported that in regard of the audit of the Teachers' Pension Scheme there were no adjustments.

The Audit and Assurance Committee noted the audit work conducted by RSM UK Audit LLP on the TPA return 2016/2017.

9 Audit and Assurance Committee Annual Report year ended 31 July 2017

The Clerk outlined the summarised review of the Audit and Assurance Committee role and information supporting the provision of an opinion for the Corporation and the Principal as Accounting Officer. The report would be provided for the Education and Skills Funding Agency, along with the Annual Members' Report and Financial Statements.

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 2016/17 and the opinion contained therein and forward this report to the Education and Skills Funding Agency, alongside the Annual Members' Report and Financial Statements 2016/2017.

The opinion contained therein being;

'For the period 1 August 2016 to 31 July 2017 the Audit and Assurance Committee is satisfied that the College's audit arrangements, governance framework¹, 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 16 November 2017. 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 2017.'

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

10 Progress Report on Audit Action Plans

Jacque Carman reported that overall progress had been made in addressing actions from audits undertaken.

In response to questions, Jacque Carman explained how progress was addressed and that the Principal would see actions where they related to areas of business in which he was directly involved.

The Audit and Assurance Committee authorised that closed items be removed from the list of audit actions dated 16 November 2017.

11 Risk

11 Review of Risk Action Plan 2017-2018

Members considered the first termly review of the risk action plan, noting that key actions had enabled the closure of a number of recommendations. Additionally, a number of actions had been addressed which reduced risk, particularly relating to safeguarding training and disaster management, including lockdown arrangements.

A formal mid-year review would be returned to the Committee for consideration.

Action 11a Detailed questions were asked of Jacque Carman regarding the assignment of dates and responsibility against some risks. Jacque Carman explained the basis in response to each query and would consider these as part of the next review.

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.

12 Review of Audit and Assurance Plan 2017/2018

Members received the first term update regarding planned audit work, noting that the first round of lesson observations with external consultants had been undertaken.

13 Provider Financial Assurance Review Report

The detailed findings of the Education and Skills Agency Funding Assurance Review 2016/2017 for the College, was provided for members and it was appropriate for the Committee to consider this as part of their monitoring and tracking role.

The review was rigorous, and a range of technical recommendations were made. However, adjustments were minor with no clawback of funding. Jacque Carman further explained that work relating to apprenticeship reform was being addressed at the time of the audit.

Members noted that detailed work was being addressed.

14 Internal Audit

14.1 Internal Audit Progress Report TIAA

Peter Harris reported on the planned work commencing in January 2018.

The report was received.

14.2 Internal Audit Letter of Engagement TIAA

In line with procedure the Internal Audit Letter of Engagement was provided for members and would be signed and returned to TIAA.

Members asked a range of questions to discern that quality and value was gained through internal audit provision. Peter Harrison explained the staff base together with company experience in the sector. Jacquie Carman reported that the calibre of staff on site was impressive.

The Audit and Assurance Committee received the Internal Audit Letter of Engagement which would be signed and returned

15 Review of Anti-Fraud Suite of Policies

Jacquie Carman highlighted key changes to the suite of policies surrounding anti-fraud, highlighting that there was a new central register for gifts and hospitality and that there was relevant training for staff. Regarding the Whistleblowing Policy, general raising of awareness was needed as was training to ensure that managers were aware what to do under this policy.

Action Members asked questions about the Gifts and Hospitality Policy and the Clerk agreed that governors could be asked to review their own returns annually.

The Audit and Assurance Committee reviewed and recommended to the Corporation the approval of the suite of Anti-Fraud Policies comprising; Anti-Fraud Policy, Anti-Fraud Response Plan, Anti-Bribery Policy, Gifts and Hospitality Policy, Anti-Money Laundering and Proceeds of Crime Policy, Whistleblowing Policy.

16 Any Other Business

FE Commissioner Letter – Assessment

Jacquie Carman provided a report 'Department for Education Termly Letter' in response to the key points raised in the letter from Richard Atkins dated October 2017.

The report addressed how the College targeted inefficiencies, guarded against over optimistic forecasting and systematically worked to manage the pace of change. Moving forward Jacquie Carman explained the wish to develop a costed curriculum plan, with income and expenditure provided by division.

17 Date of Next Meeting

The next meeting of the Audit and Assurance Committee was scheduled for Tuesday 13 March 2018 at 6pm.

The meeting closed at 7.55pm

Actions from Meetings		
Audit and Assurance Committee Meeting 16 November 2017		
11	Review of Risk Action Plan 2017-2018	JCa
11a	Detailed questions were asked of Jacquie Carman regarding the assignment of dates and responsibility against some risks. Jacquie Carman explained the basis in response to each query and would consider these as part of the next review.	
15	Review of Anti-Fraud Suite of Policies	JSu
15a	Members asked questions about the Gifts and Hospitality Policy and the Clerk agreed that governors could be asked to review their own returns annually.	