

**Minutes of the Meeting of the Audit Committee
held on Monday 20 November 2017**

- Present: -** Mr Mike Rookes (Chair)
Mr Graham Briscoe (Co-opted Member)
Dr Elizabeth Halford
Ms Alison McLean
Ms Katie Seekings
- In attendance: -** Mr Tim Williams (Finance Director)
Miss Jane Simons (College Accountant)
Ms Abigail Appleton (Principal)
Mrs Linda Watkins (Clerk to the Governors)
Ms Louise Tweedie (RSM)
Mr Jon Marchant (Mazars)
Ms Carol Davey (Mazars)

The meeting was quorate as five Members of the Committee were present throughout the meeting.

3. Apologies for Absence

4. Declarations of Interest

Graham Briscoe: Role in an organisation in the housing sector whose auditors are Mazars.

5. I. Minutes of the Last Meeting

The Chair signed the minutes of the meeting held on 13 June 2017 as a true record.

II. Matters arising from the Minutes of the Last Meeting

- A. The Clerk confirmed that the Committee's terms of reference met requirements of the Audit Code of Practice.
- B. Risk scenario testing had taken place for staff as part of staff development at the end of term with enthusiastic engagement.
- C. The OFFA return would be reported to the AQ&S committee in March 2018.
- D. The Finance Director would amend dates on the recommendation tracker in readiness for the next meeting.

ACTION: FINANCE DIRECTOR

The Committee agreed:-

- To approve the minutes

6. RSM Internal Auditor's Annual Report for the year ended 31 July 2017

Louise Tweedie presented the annual report which provided an overall positive opinion that the College had an adequate and effective framework for risk management, governance and internal control. The second level of opinion was given as some further enhancements had been recommended in some audit reports during the year. It was agreed that the Internal Audit Service added value as recommendations made would make improvements to systems.

The Committee agreed: -

- To recommend the Board approve the Internal Auditor's Annual Report to 31 July 2017

7. **Financial Statements to 31 July 2017**

Jon Marchant outlined the management letter which covered the purpose of the financial statements audit, financial performance, significant risks, accounting and audit issues to provide assurance for the Corporation to sign off the financial statements to 31 July 2017.

Appreciation was recorded to the Finance Director and College Accountant for their cooperation during the first audit conducted by Mazars which had gone smoothly with no significant issues.

The majority of the report was complete with a few final minor areas to complete which were not of major concern. Significant findings in the report were outlined with questions duly answered. ESFA clawback provision was allocated which would be confirmed by ESFA imminently. A Governor raised the Office for Students (OfS), specifically the requirement to publicise HE expenditure. This would be challenging for FE Colleges which provide HE; the F&GP Committee would address this.

Key judgement areas had been tested. The financial statements confirmed that the College was a going concern and Mazars would issue an unqualified opinion. The College is in a strong financial position based on its balance sheet, income and bank balance. Provisions assessed included clawback assumptions and the Local Government Pension Scheme (LGPS). Benchmarking data on pension assumptions showed that the College was broadly comparable with the sample tested in the sector. FRS102 would be discussed further by F&GP Committee next week. A Governor asked for clarification about the lease accrual; the Finance Director explained that the accrual related to the previous lease at the Higher Education Centre. The accrual was a precautionary measure relating to costs that were disputed and not resolved. The accrual would be reversed after six years. .

Three housekeeping internal control recommendations were made which management had accepted. The summary of misstatements was not material. £45,000 FRS102 disclosure would be reported as a finance charge in the statement of comprehensive income and not as a staff cost. The prior year comparative amendment would ensure consistency and it was agreed that this amendment would be made to the financial statements.

ACTION: FINANCE DIRECTOR

The representation letter was presented for approval to be signed by the Chair of the Corporation and Principal along with the ACOP regularity self-assessment which provided further evidence to areas tested by Mazars.

A Member suggested holding a combined meeting of the F&GP Committee and the Audit Committee to discuss the financial statements in future years. Jon Marchant commented that an alternative could be to hold the Audit Committee on a later date to the F&GP Committee which was agreed. The members' report and financial statements would be circulated.

ACTION: CLERK TO THE GOVERNORS

The Committee agreed: -

- To note the management letter confirming that Mazars had given HCA an unqualified audit opinion
- To approve the letter of representation

- To recommend that the Chair of the Corporation and Principal sign the regularity audit self assessment which Mazars had tested
- The Clerk would circulate the members' report and financial statements and Governors agreed to delegate responsibility to the Chair to recommend to the Board for approval
- To thank the Finance Director and College Accountant for their role to prepare the financial statements

8. Audit Committee's Annual Report to 31 July 2017

The Committee is required to present an annual report to the Board to advise on the adequacy and effectiveness of the College's internal control systems in accordance with the Audit Code of Practice. This was a factual report detailing the work of the Committee in 2016/17.

The Committee agreed: -

- To recommend that the Board endorse the Audit Committee's Annual Report which would also be submitted to ESFA along with the Members' Report and Financial Statements.

9. Value for Money Annual Report to 31 July 2017

Members noted the Annual Value for Money Report outlining procurement processes to ensure value for money. This showed the College had satisfactory arrangements to promote economy, efficiency and effectiveness. The College is generating an operating surplus.

A Governor raised recent HEFCE guidance which will affect future reports. The HE Annual Programme Review (APR) focused on academic issues but identified a more sophisticated review of costs, student numbers and critical mass is required. The Finance Director is working on a model to assess course costings and viability with a breakdown of direct and indirect costs, and contribution to overheads which will be presented to the F&GP Committee. This information would identify costs for existing courses and provide market intelligence to develop new courses. It was agreed that robust course development planning is required underpinned by the cost of provision.

The Committee agreed: -

- To recommend that the Board endorse the value for money annual report 2016/17 which provided assurance of practices

10. Report on non-competitive-tendered contracts 2016/17

This reported that there were no contracts that were over £30,000 that were not tendered in 2016/17.

The Committee agreed: -

- To note the report on non-tendered contracts 2016/17

11. RSM Internal Auditor's Progress Report

The audit plan was outlined particularly noting fieldwork arranged for 2 January would be deferred until later in January or February. This would not affect the date reports would be presented to the Committee. FE, HE and general briefings relevant to the sector were provided for information. Governors agreed that the TEF analysis was useful and of interest. The timing of the GDPR audit was discussed which was arranged for April 2018 just before GDPR came into effect in May 2018.

The Committee agreed: -

- To note the Internal auditor's progress report and sector updates for FE

and HE

12. ESFA Funding Audit

The ESFA instructed independent auditors to audit ILR funding returns for 16-19 in 2016/17.

The Committee agreed:-

- To note the clean independent funding audit report

13. Risk Management Register and Report

There was discussion about high-scoring risks.

Office for Students (OfS) regulations will have financial and administrative implications for the College. SLT preparations have commenced with regular discussion to ensure that the College is prepared for changes.

The College had instructed a property consultant regarding the lease with RNC. A meeting would be arranged with RNC and the property consultant to discuss options. Governors were assured that there was some protection for HCA in the current terms of the lease.

Student applications for 2018 remain a risk at this stage in the year. Proactive marketing strategies have been implemented. Governors will continue to be updated on applications received throughout the year.

Student accommodation options continue to be investigated. The Local Authority had appointed property developers; however, any such accommodation would not be available until September 2019.

There was discussion with HLC regarding provision for artist blacksmithing accommodation. An option could be to review alternative options for ownership of resources.

Brexit was not identified as a separate risk but incorporated in competition from other HEIs as their student numbers could potentially decline.

The Committee agreed: -

- To note the risk register

14. Recommendation Tracking

The Finance Director would add revised dates to future reports.

ACTION: FINANCE DIRECTOR

My Concern, an online reporting system for safeguarding and prevent, had been introduced across the College. This would remove several recommendations.

The Committee agreed: -

- To note the recommendation tracker and progress

15. Whistleblowing Policy and Procedure

This policy was based on the AoC model policy. A Governor asked if the College had a specific policy for bullying and harassment which included sexual harassment. It was understood that this was specifically included in the Bullying and Harassment Policy which would be checked.

ACTION: PRINCIPAL

The Committee agreed: -

- To recommend the Board approve the Whistleblowing Policy and

Procedure

16. Any Other Business

A Governor raised HE student destinations and how the College tracked these, particularly if a graduate took a gap year. The DLHE survey, (external survey completed six months after graduation), currently tracks graduates. The College is developing a graduate launch pad programme with an option for graduates to attend workshops to refresh their professional skills. This could identify some graduates to incorporate into the TEF as qualitative case studies.

17. Date and Time of the Next Meeting

The next meeting was arranged for Monday 26 March 2018 commencing at 1.30pm.