



**Minutes of the Meeting of the Audit Committee
held on Monday 3 December 2018**

- Present: -** Mrs Alison McLean (Chair of the meeting)
Mr Graham Briscoe (Co-opted Member)
Dr Elizabeth Halford
- In attendance: -** Mr Tim Williams (Finance Director)
Miss Jane Simons (College Accountant)
Mrs Linda Watkins (Clerk to the Governors)
Ms Abigail Appleton (Principal) Arriving during the meeting
Ms Laura Goodwin (RSM)
Ms Louise Tweedie (RSM) Arriving during the meeting
Mr Jon Marchant (Mazars)

The meeting was quorate as three members of the Audit Committee were present

1. **Apologies for Absence**
Mr Mike Rookes and Ms Katie Seekings
 2. **Declarations of Interest**
None declared
 3. **Confidential discussion with Auditors and without Officers present**
The Auditors confirmed that there were no issues to raise without officers present. The process and progress of the financial statements audit was reflected in the reports presented. There were no comments from RSM.
 4. **I. Minutes of the Last Meeting**
Alison McLean signed the minutes of the meeting held on 11 June 2018 as a true record.
 - II. Matters arising from the Minutes of the Last Meeting**
AoC are providing GDPR training for DPOs. The Finance Director had tested some generic online training but found it to be not to be effective. Training for charity trustees was available online which would be forwarded to Governors.
ACTION: CLERK TO THE GOVERNORS
- The Committee agreed:-
- To approve the minutes
5. **Value for Money Annual Report to 31 July 2018**
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. Staff utilisation had been reviewed with staff costs as a percentage of income at 61%; however, overall costs are increasing whilst income is remaining at the same level which had been agreed by the Board.

A Governor asked about course viability and if shared modules and timetabling are considered as part of this review. The Finance Director confirmed that course viability did not go to this level of detail. Teaching across HE was added to HE courses and not specifically to courses. Costs that could not be allocated to a course or to HE or FE were allocated to HE and FE on a 50/50 basis.. A suggestion was made to look at granular costs in more detail as the next step. The Head of HE is reviewing HE delivery and timetabling to create efficiencies. More sophisticated information would be required to provide detailed costing information. It was agreed that summary of course costings was useful particularly with the new HE body OfS.

The Committee agreed: -

- To recommend that the Board endorse the value for money annual report to 31 July 2018 which provided assurance of practices

6. Report on non-competitive-tendered contracts to 31 July 2018

This reported that there were no contracts that were over £30,000 that were not tendered in the year to 31 July 2018. The College has a limited number of contracts and tenders.

A Governor raised asbestos and potential risks to colleges asking if this is managed which was confirmed.

The Committee agreed: -

- To note the report on non-tendered contracts to 31 July 2018

7. ACOP regularity self assessment

A Governor raised the HE Research Act 2017 noting that it was anticipated that this would be incorporated into the self assessment next year.

The Committee agreed: -

- To recommend that the Chair of the Corporation and Principal sign the regularity audit self assessment which Mazars had tested.

8. Annual Report and Financial Statements to 31 July 2018 and assurance

- I. RSM Internal Auditor's Annual Report for the year ended 31 July 2018 provided an overall positive opinion that the College had an adequate and effective framework for risk management, governance and internal control. The second level opinion was given as further enhancements had been recommended in some audit reports during the year.
- II. Mazars' Management Letter for the year ended 31 July 2018 was outlined 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 2018.

The approach was followed in line with the audit approach agreed in June 2018 with confirmation the finance team had provided relevant information.

Key judgement areas were tested. The financial statements confirmed that the College was a going concern and Mazars would issue an unqualified opinion. Mazars assessed the College's viability for the 12 months from the date of signing the financial statements. Mazars confirmed that even though there will be a loss in the next financial year, the strength of the balance sheet meant that there

were no going concern issues for the College. The College had already taken action as part of its strategy to mitigate future financial challenges. There was a question if the College's systems are appropriate to robustly manage finance and provide assurance to Governors. There are effective systems which included the F&GP Committee monitoring recruitment and implementation of the digital curriculum. ESFA undertook a monitoring visit which was positive. The ESFA wanted assurance there were no immediate issues and requested the College to send quarterly accounts to them. Mazars confirmed that they scrutinise systems and ensure financial statements declare all areas required to provide assurance. Discussion progressed to the Audit Committee's role to monitor risks which could be discussed further at a future meeting.

Mazars' actuaries reviewed the work and assumptions of the LGPS actuaries – Mercers.. The CPI assumptions used by Mercers was 0.1% outside Mazars acceptable range. Mercers were contacted to explain this variance and a satisfactory explanation received. The higher CPI figure increases the estimated pension deficit and is a more prudent position. A post-balance sheet note was proposed to the pension note regarding a High Court case for Lloyds Bank with equalisation of men and women's pensions. The potential impact for each scheme will be calculated by the actuaries which could potentially increase the deficit. At this stage it was impossible to quantify the impact on the scheme.

There were only minor misstatements which were very positive with no significant issues identified during the audit.

Internal control recommendations were RAG rated and discussed noting that actions will be added to the College's recommendation tracker.

[Louise Tweedie arrived during item II]

- III. The Audit Committee's Annual Report to 31 July 2018 was discussed. 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 to 31 July 2018. A Governor suggested minor amendments to the content of the report for next year.
- IV. The Principal was not present at this point of the meeting and therefore unable to make a recommendation to approve the narrative of the report. Instead, assurance was provided that the F&GP Committee had reviewed the financial statements focusing on financial reporting. The College's strategy had been incorporated into the members' report.
- V. The Finance Director recommended the financial statements for approval. A Governor asked the Auditors if the College should have a reserves policy which is practice in some organisations. This was not necessary as the Board had agreed actions if reserves decreased to an optimum level at its confidential Board meeting in July 2018.

There was another question about restricted and non-restricted income and if it was possible that funding could be restricted in the future. It was confirmed that income is not restricted.

[The Principal arrived]

- VI. The Committee agreed to recommend the Board approve the members' report and financial statements to 31 July 2018 based on reports presented and assurance provided in the previous items.
- VII. The letter of representation was in a standard format and presented for approval to be signed by the Chair of the Corporation.

The Committee agreed: -

- To note RSM's annual report which would be presented to the Board which provided independent assurance
- 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.
- To note the management letter confirming that Mazars had given HCA an unqualified audit opinion
- To recommend the Board approve the members' report and financial statements to 31 July 2018
- To approve the letter of representation
- To thank the Finance Director and College Accountant for their role to prepare the financial statements

9. RSM Internal Auditor's Reports

- I. GDPR: This is an advisory review with work in progress which was reflective of the sector. The key recommendation was to complete data mapping. In addition, electronic and paper records needed to be included in the data mapping exercise. Training was required for staff and Governors about management of personal data to evidence reasonable and practical actions have been taken to prevent liability. The majority of personal data held is student and staff data with legal requirements to collect based on ESFA and HMRC requirements respectively. Consent was required from graduates to maintain their personal data. A Governor enquired if the timescale to complete the actions was realistic as there are significant actions; the Finance Director said the data mapping may be a challenge but would work to the date agreed.
- II. Progress report and client briefings: programme for 2018/19 were noted. Briefings included reference to the post-18 education sector review, which may impact student fees and potentially recommend different funding rates for different qualifications. For example higher tuition fees for STEM subjects.

The Committee agreed: -

- To note the Internal Auditor's reports and useful sector updates

10. Risk Management Register and Report

There was discussion about high-scoring risks noting risk scores had not increased for any risks and three scores had decreased.

The Finance Director explained that TPS employer contribution increases and the College's investment strategy will increase staff pay costs to 69% of income moving this to a significant risk. Governors were reminded that the Board had approved the strategy and would closely monitor potential risk. The Lloyds Bank High Court case could increase pension costs further.

The previous 5-year strategy included HCA becoming an HEI which was not part of the current strategy. The Committee agreed this risk should be removed.

ACTION: FINANCE DIRECTOR

The College received confirmation of OfS registration on 13 November 2018 with some internal conditions which are being addressed.

The Principal and Finance Director had preliminary discussions with the developer who is purchasing CRC from RNC. The Principal has also had meetings with Herefordshire Council regarding student accommodation with nominations agreements drafted. Further meetings are arranged to progress and the Principal would continue to report progress to the group of Governors as agreed by the Board and provide reports to the Board.

The Committee agreed: -

- To note the risk register

11. Recommendation Tracking

The Finance Director outlined the tracker which SLT had reviewed and removed several items.

The Committee agreed: -

- To note the recommendation tracker and progress

12. FOI Policy and Procedure

This policy was based on the best practice and ICO models, particularly the publication scheme which was for FE colleges.

FOI requests would be included in future Audit Committee annual reports.

ACTION: CLERK TO THE GOVERNORS

The Committee agreed: -

- To approve the revised FOI Policy and Procedure

13. Any Other Business

No items

14. Date and Time of the Next Meeting

The next meeting was arranged for Monday 18 March 2019 commencing at 1.30pm.

Signed as a true record of proceedings:

Chair: **Date:**