

**Minutes of a Meeting of  
the Audit Committee**

**on Monday 17 September 2018 at 5.30pm in Room C6, Cedar Building**

**In Attendance:** Sasha Burns (Chair), David Griffin (Vice-chair), Pat Flaherty and Stephen Haydock.

**Also in Attendance:** John Abbott (Principal)(part), Xanne Blythe (Clerk), Steen Gourlay (TIAA IAS), Paul Lonsdale (Vice Principal-Finance) and Liz Williams (Director of Marketing, Admissions and International)(part).

Apologies were received from Nicki Reid.

**AUD 1    Declarations of Interest (agenda item 2)**

**Action**

There were no declarations of interest.

**AUD 2    Minutes of the Previous Meeting and Matters Arising Report 17-18 (agenda item 3)**

**RESOLVED:** that the minutes of the Audit Committee meeting dated 4 June 2018 be agreed and signed by the Chair as an accurate record.

The matters arising schedule was noted, with the following updated comment: risk management training to be offered to all Governors as part of an Audit Committee meeting in 2018-19.

**AUD 3    Risk Owner Presentation: International Student Recruitment Risk Area (agenda item 4)**

The Committee had agreed to invite individual risk owners to each Committee meeting for further in-depth scrutiny of risks, a greater understanding of the associated controls and to offer a supportive role. The Committee had requested a presentation on the international student recruitment risk area for the September meeting.

The Director of Marketing, Admissions and International presented the international student recruitment risk and the following areas were highlighted:

- recruitment had been slower this year, due to an increase in other institutions offering Foundation Courses for international students, with a guaranteed progression to a university course and the low English skill level requirement to access these courses. The Clerk was asked to circulate the Director's report with links to websites for further reference,
- losing students at the end of the first year was also a threat imposed by Foundation Courses. New for this year also was a January start Foundation Course with entry for the September of the same year,
- there has been a marked increase in competition from new entrants to the market and existing institutions,
- despite lower recruitment every room in the boarding house was occupied although less students were in homestay. There were six UK students either boarding or flexi boarding this year which had had a positive impact on the house mix. A further downturn in student numbers would have a negative impact on Oak House and the College as a whole,
- as students matured they rebelled against the perceived restrictive nature of life in a boarding house. Procedures to ensure good work and mental health practices were unpopular. Strategies had been put in place to increase international student engagement with the curriculum enrichment,
- an unsatisfactory residential Ofsted report would be damaging for both Oak House and the

**Clerk**

College. The new national minimum standards had been adopted at Oak House from September 1st but were still untested. An internal mock inspection was planned week commencing 24 Sept 2018 and an external consultant to test procedures and policies was in place for October 2018,

- a range of opportunities were discussed staff members to be in place in the country during key recruitment times, greater time spent on exploring the reasons for non-conversion, work with the British Council and Study International to explore new markets for 2019, greater diversification of the College's offer in other countries and optimising Oak House over the summer period,
- the challenges were delivering a more secure flow of students with greater lead in time, moving the catering facility to be self-sustaining,
- the overall project net income was discussed.

#### **AUD 4 Risk Register (agenda item 5)**

A revised alternative risk register template with a revised strategic risk heat map was presented to the Committee connected to the College's strategic targets. The register started with gross risks, showed mitigating controls to produce net risks and an additional column showed additional controls planned within the next 12 months and resourcing requirements to produce the residual risk. Further risk validation work was required with input and review from CMT prior to the next Audit Committee meeting.

The risk register's strategic risks would be submitted to the Audit Committee, each operational team within the College would score and mitigate their operational risks in delivering their part of the College business. The Committee asked for an operational governance tab and its associated risks to be added to the risk register template.

**PLO  
Clerk**

The Committee agreed that the template was coherent with everything in one place, discussion ensued on whether each College Committee should be allocated strategic risk areas or strategic drivers to fit their terms of reference and for the Audit Committee to have the overall oversight of all strategic risks. It was agreed that strategic driver risk areas could be apportioned to Committees and discussed at the September 2018 Corporation meeting.

Once in place the College Risk Management Policy would need to be updated and approved by the Corporation.

**RESOLVED:** that the new validated College risk register be in place by December 2018, with the production of a board assurance map to drive an audit plan, and for each College Committee to have an area of risk for oversight linked to their terms of reference.

**PLO**

#### **AUD 5 Internal Audit Reports (agenda item 6)**

##### **5.1 TIAA Annual Report for 2017-18**

The TIAA Representative presented the annual internal audit report which summarised the outcomes of the reviews carried out on the College's framework of governance, risk management and control. The report was designed to assist the Audit Committee in making its annual governance statement.

TIAA had carried out four reviews, which were designed to ascertain the extent to which the internal controls in the system were adequate to ensure that activities and procedures were operating to achieve the College's objectives. For each assurance review an assessment of the combined effectiveness of the controls in mitigating the key control risks was provided. Three reviews had received substantial assurance and one review reasonable assurance for 2017-18.

The Head of Internal Audit was satisfied that sufficient internal audit work had been undertaken to

allow a positive conclusion as to the adequacy and effectiveness of Richard Huish College's risk management, control and governance processes. Richard Huish College had adequate and effective management, control and governance processes in place to manage the achievement of its objectives.

## **5.2 Appraisal Review for Transition to New Apprenticeship Levy 2017-18**

The TIAA Representative presented the overall assessment report which had been awarded reasonable assurance. The College had appropriate arrangements in place to ensure the accuracy of the Apprentice Levy paybill. Three apprentices had been employed to date within the College utilising the fund, a formal plan would be put in place to determine how the College would maximise the Apprentice Levy funding going forward.

## **5.3 Health and Safety Visit Reports – College and Oak House 2018**

The action plan had previously been circulated to the Audit Committee in June 2018 and had identified a number of actions to improve safety management. The Committee had showed disappointment at the accumulation of amber rated actions in the report and asked for a copy of the updated action plan to be circulated before the end of the summer term and represented at the next Audit Committee meeting in September 2018.

The Committee noted that all the required actions had been treated as a priority and put in place. Annual health and safety audit reports would be brought to this Committee and was under continuous review by SMT.

## **5.4 Draft Audit Strategy 2018-19**

The Committee agreed the following internal audits for 2018-19, with further internal audit areas to be agreed once the revised risk register and board assurance map was in place:

- financial control around the management and recovery of debt,
- student number compliance,
- an external consultant would be commissioned to provide IT penetration testing.

The management accounts financial forecasting accuracy was discussed although this would be covered within the annual external audit and duplication should be avoided.

### **RESOLVED:**

1. that the Internal Auditor's Annual Report for 2017-18 be noted,
2. that the Appraisal Review for Transition to New Apprenticeship Levy 2017-18 be noted and circulated to the Corporation for information,
3. that the health and safety reports for the College and Oak House be noted with further reports to be submitted to this Committee for an annual review,
4. that three focus areas be agreed for internal audits with further areas to be agreed once the revised risk register was in place:
  - a. financial control around the management and recovery of debt,
  - b. student number compliance,
  - c. an external consultant would be commissioned to provide IT penetration testing.

## **AUD 6 Draft Annual Report of the Audit Committee 2017-18 (agenda item 7)**

The Annual Report of the Audit Committee had been drafted by the Clerk, summarising the work of the Committee for 2017-18 and confirming that it had fulfilled its responsibilities as set out in its terms of reference and in the Post 16 Audit Code of Practice.

The Post 16 Audit Code of Practice required the Committee to give an opinion to the Governing Body on the comprehensiveness and effectiveness of the College's assurance framework. This

included the adequacy and effectiveness of the College's audit arrangements, systems of internal control and arrangements for risk management, control and governance processes, and securing economy efficiency and effectiveness (value for money).

The Committee would need to arrive at an opinion on the effectiveness of the College's audit arrangements. An opinion on the External Audit Service could not be provided until the financial statements audit was finished. It was noted that there were still some gaps highlighted in yellow where reports or information was awaited.

**RESOLVED:** that the Committee's annual report be submitted to the next Audit Committee meeting in November 2018 for final approval, prior to submission to the December Corporation meeting and to the Education and Skills Funding Agency (EFSA) with the College's Members' Report and Financial Statements for 2017-18.

**AUD 7 ESFA Regularity Self-Assessment Questionnaire (agenda item 8)**

The Assistant Clerk had drafted the self-assessment questionnaire of compliance with regularity and propriety requirements, which would be signed by the Principal and Chair of Governors when complete and presented to the Corporation. The document supported the Statement on Regularity, and would be included in the Corporation's Corporate Governance and Internal Control Statement. It formed the basis of regularity testing for the independent auditor and was the minimum basis on which their regularity report would be based. New questions and new evidence provided this year were highlighted.

**RESOLVED:** that the Post 16 Audit Code of Practice – Regularity self-assessment 1 August 2017 – 31 July 2018 be noted.

**AUD 8 Audit Committee Annual Self-Assessment 2017-18 (agenda item 9)**

An assessment on how effectively the Audit Committee had carried out its responsibilities in 2017-18 had been drafted for consideration based on the Committee's terms of reference.

**Clerk**

**RESOLVED:** that the Audit Committee's self-assessment for 2017-18 be agreed with the overall grade of 'Outstanding' and the following areas of quality improvement for 2018-19:

- Training on risk management and the revised risk management policy to be provided to governors.
- A new risk register template to be adopted with the 'three lines of defence' model. The Audit Committee and SLT had discussed adopting the three lines of defence approach to risk management assurance.

**AUD 9 FOI Requests 2017-18 (agenda item 10)**

**RESOLVED:** that the report with an overview of the work undertaken in complying with requirements of the Freedom of Information (FOI) Act 2000 for 2017-18 be noted.

**AUD 10 Fraud Reporting (agenda item 11)**

Nothing to report.

**AUD 11 Any Other Business/ Items for Next Agenda (agenda item 12)**

The date of the next meeting was noted as Monday 12 November 2018

With no further business the meeting concluded at 7.25pm.

The minutes were agreed and signed.

Chair.....Date.....