

**Minutes of a Joint Meeting of
the Finance and General Purposes Committee and the Audit Committee
on Monday 12 November 2018 at 5.30pm in Room C6**

In Attendance:

Audit Committee: Sasha Burns (Chair), David Griffin (Vice-chair), Pat Flaherty and Stephen Haydock.

Finance and General Purposes Committee: Jonathan Langdon (Chair), David Tomaney (Vice-chair), Guy Adams, Duncan Alexander, Barbara Barratt, Karuna Tharmananthar and David Tomaney.

Also in Attendance: Xanne Blythe (Clerk to the Corporation), Nathan Coughlin (Bishop Fleming Representative), Clive FitzGerald (TIAA Representative) and Paul Lonsdale (Vice Principal-Finance).

Apologies: John Abbott and Nicola Reid.

The joint meeting of the Audit Committee and Finance and General Purposes Committee was held to look at the Members' Report and Financial Statements for the year-end July 2018. The Audit Committee would be concerned with the annual Audit Report and opinion from the Financial Statements and Regularity Auditors whilst the Finance and General Purposes Committee would scrutinise the detail of the Financial Statements, each Committee providing different assurances to the Corporation.

The Finance and General Purposes Committee Chair, presided as Chair for agenda items 1 to 4, and welcomed visitors to the joint meeting of the Finance and General Purposes Committee and Audit Committee.

JOIN 1 Declarations of Interest (agenda item 2)

Action

The Chair explained that the normal declarations of interest were in place. Governors with links to the Richard Huish Trust, under agenda item 3 and 4, would not be counted in the quorum and would not take part in any vote when recommending the Members' Report and Financial Statements 2018 to the Corporation for approval.

JOIN 2 Members' Report and Annual Financial Statements for the Year Ended 31 July 2018 (agenda item 3)

The Members' Report and Financial Statements for July 2018 (MRFS) had been circulated in advance of the meeting. In response to detailed questions, further information and clarification was provided. The following points were highlighted in particular:

- a small correction to page 5 under the Performance Indicator for achieved borrowings as a percentage of income was made to give an updated reading of 16.91 % (Target 17.40%),
- there was a small operating surplus of £4K at the year end, and there were no differences when compared to the management accounts,
- historic issues for aged creditor balances held on the balance sheet had been discussed and highlighted in the Auditor's Key Issues Discussion Document,
- the College had continued to invest in the College estate, there had been a prolonged period of capital investment and this had had an impact on the College's cash and liquidity,
- banking covenants had not been breached,

- the different pension assumptions on the balance sheet and the increase of service costs,
- whether detailed reconciliations could be included for the lay person within the MRFS,
- discussion ensued on whether the report could better reflect the difficulty of the operating environment and the potential impact on the College's financial health and the increased risk for greater context under the section entitled 'Principal Risks and Uncertainties'. It was agreed to add a preamble to the risk section of the Members' Report, to reference the medium term sustainability of the College and the impact of the potential risks,
- the new apprenticeship funding model was dependent on what had been delivered in the month and had an impact on the cash flow,
- there had been a reduction on international income for 2018-19, until the demographic upturn started to have an impact, there would be tight constraints on cash flow for 2018-19,
- part of the governance remit was to evidence that work on risk had been carried out routinely, the newly formatted risk register would be rolled out in January 2019 and each Committee would be allocated risks for regular updates and duplication would be avoided,
- there were no impairments this year in respect of the property portfolio, and a Governor asked whether a physical asset reconciliation would be worth considering.

RESOLVED: that the Members' Report and Financial Statements dated 31 July 2018 be recommended unanimously for Corporation approval on 3 December 2018.

JOIN 3 External Auditor's Key Issues Discussion Document (KIDD) and Letter of Representation (agenda item 4)

The External Auditor's Key Issues Discussion Document (KIDD) had been circulated in advance of the meeting. The Letter of Representation was a standard format and would be circulated to both Committees electronically, in advance of the December Corporation meeting.

During the presentation of the report, the following points were raised during discussion:

- the audit was now substantially complete with no concerns and the financial statements gave a true and fair view of the state of the College's affairs as at 31 July 2018, and of the College's income and expenditure, gains and losses and changes in reserves and the cash flows for the end of the year,
- Bishop Fleming's independence was noted, the external Auditor was also the Auditor for the Richard Huish Trust with separate partners and managers overseeing the audits,
- following the completion of the audit process, a debrief meeting with the RHC management was held to identify areas that could make the process more effective for next year,
- Audit risks were covered with the requirement to cover auditing standards (ISA 240) to consider fraud and management override of controls. One of the tests examined the dataset against Benford's Law, testing followed the expected trend,
- the new Oak House accommodation block, under a 21 year lease, did not meet the definition of an onerous contract,
- related parties, Foundation Trustees and Richard Huish Trust Directors had been reviewed and the Auditor had confirmed that the Trustees/Directors were not in a majority and the College could not control either entity,
- the land and a number of buildings were legally owned by the RHC Foundation, but included on the College balance sheet. The minutes of the RHC Foundation had been reviewed and stated that they were in the process of drawing up a formal agreement that reflected the current arrangement. This lease was not expected to be finalised until 2019. As the formal lease was unavailable, direct confirmation had been forwarded from the RHC Foundation Trustees in a letter,
- aged creditor balances had been held on the balance sheet for sometime, it was recommended that the College management consider reviewing and reversing these balances, as necessary, to reflect an accurate creditor position,
- a summary of the Auditor's view of the key accounting judgements in the preparation of the financial statements were depicted in a graph,
- accounting policies adopted by the College were appropriate and had been applied

- consistently,
- the Auditor's work had not identified any regularity issues, nor any instances of non-compliance of the financial statements with the College Accounts Direction for 2017 to 2018 nor the Statement of Recommended Practice: Accounting for Further and Higher Education,
- two management letter points were raised (i) set limits for journal posting and (ii) that a list of related parties is compiled from the annual declarations of interest and circulated to the finance team and senior management.

The Bishop Fleming representative took the opportunity to thank the VP-F and the staff members involved in the preparation of the statutory accounts for their co-operation and assistance.

RESOLVED:

1. that the Key Issues Discussion Document and Management Letter for the year ended 31 July 2018 be noted and received, and
2. that the Letter of Representation be circulated electronically to both the Audit Committee and Finance and General Purposes Committee in advance of the December Corporation meeting.

At this point all the F&GP Members withdrew from the meeting and the Audit Committee Chair presided as Chair for the remainder of the meeting.

JOIN 4 RHC Audit Committee Annual Report – 31 July 2018 (agenda item 5)

The Chair brought Governors' attention to the small number of updates within the Audit Committee's annual report, the report had been drafted in accordance with the Post 16 Audit Code of Practice. The report would be updated and circulated electronically to the Audit Committee, prior to the December 2018 Corporation meeting, to agree an overall judgement on the quality of the internal and external audit service for 2017-18.

RESOLVED: that the RHC Audit Committee Annual Report for 31 July 2018 be circulated electronically to the Audit Committee prior to its submission to the Corporation meeting on 3 December 2018.

JOIN 5 Closed Discussion – Opportunity for Committee Members to meet with Auditors independent of senior managers (agenda item 6)

The VP-F left the room at the request of the Chair, to allow the opportunity for Governors to meet with the Auditors independently.

The Bishop Fleming representative explained that the external audit work was brought forward this year, the finance team had been both engaged and transparent. There had been staff sickness in the finance team and the VP-F had been more involved with the external audit. There had been no concerns or issues. A Governor raised the issue around the unadjusted audit items as listed on page 16 of the Key Issues for Discussion Document.

The Committee thanked the Bishop Fleming team for their work involved in the preparation of the statutory accounts for their first year.

The Internal Audit representative forwarded positive feedback to the College teams involved with the internal audits for 2017-18 and stated that staff had been incredibly helpful. There were difficulties in arranging internal audit review dates initially, but this was common with all clients.

The Audit Committee also extended their thanks to the RHC VP-F and the finance team involved with the external audit.

JOIN Any Other Business, Date of Next Meeting (agenda item 7)

6

The Audit Committee agreed to defer the next meeting dated 19 November 2018 to a date in 2019 to enable the risk register template to be revised.

With no further business the meeting concluded at 6.50pm

The minutes were agreed and signed

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