

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

on Monday 16 September 2019 at 5.30pm in Room RW110, Redwood building

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

Also in Attendance: John Abbott (Principal), Xanne Blythe (Clerk), Steen Gourlay (TIAA IAS), Paul Lonsdale (Vice Principal-Finance) and Nathan Coughlin (Bishop Fleming External Auditor - Director)(part).

Apologies were received from Nicki Reid and Stephen Haydock.

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 18-19 (agenda item 3)

RESOLVED: that the minutes of the Audit Committee meeting dated 29 April 2019 be agreed and signed by the Chair as an accurate record.

The matters arising schedule was noted.

AUD 3 External Auditor Bishop Fleming – Audit Plan for 31 July 2019 (agenda item 4)

The Audit Plan set out the proposed approach to the audit of the financial statements of Richard Huish College for the year ending 31 July 2019 and brought Governors' attention to the key aspects of the audit. The plan covered overall strategy and scoping; the audit timetable, the approach to materiality (1% -2% of income), ethical issues, related parties; and identified the following significant risks and areas of focus to be addressed by the audit:

- management override of controls,
- fraud in revenue recognition, and
- pension assumptions.

Discussion centred on the following:

- BF would carry out a series of journal testing with software, with a focus on any adjustments and corrections,
- Local Government Pension Scheme (LGPS) legal cases and the potential impact of the McCloud/Sargeant's ruling on pension accounts disclosures. (Reported to the F&GP Committee on 9 Sept 2019). An actuarial valuation from the LGPS had been provided last year to support the accounts,
- an evaluation of the depreciation rates to be included within the audit,
- the recent ESFA apprenticeship funding audit and the potential for clawback, the final audit report would be provided to the next Audit Committee and Bishop Fleming,
- the potential for onerous leases would be reviewed, and it was anticipated that there would be no change to last year's outcome,
- the ownership of land by the RHC Foundation Trustees was due to be formalised and a letter for 2019 was requested from Trustees to confirm that nothing had changes since 2018,
- the cash flow forecast for 2020-21 and the funding implications,
- the real risk of the pension liability in the sector, the pension fund's performance and

available benchmarking. The F&GP Committee had asked VP-F to request performance benchmarking for pension fund managers as part of the Somerset Group of Colleges. The pension liability for Huish College was misaligned with other sixth form colleges. The Committee asked the auditor to look at the pension's benchmark assumptions and the deferred staff member pensions for any data anomalies over a period of time. The College paid £7K per month to the pension fund and if reduced would enable the College to be within the Good Financial Health score,

- the September F&GP Committee meeting had discussed the College's financial health score for 2017-18 and 2018-19.

Further discussion centred on the Apprenticeship Audit dated wc 9 Sept 2019, the funding rules and the leadership capacity and experience in the apprenticeship team. The Audit Committee asked for assurance that a process was in place to revise the necessary processes and procedures going forward. The required evidence for the audit was being sent to the ESFA within a month and the potential for funding clawback was discussed.

RESOLVED: that the external auditor's audit plan for the year ending July 2019 be noted.

Bishop Fleming was also the external auditor for Richard Huish Trust and the BF Director assured their objectivity and independence with a totally separate audit team.

AUD 4 College Accounts Direction 2018 to 2019 (agenda item 5)

The College Accounts Direction 2018 to 2019 (Feb 2019) set out Education and Skills Funding Agency's (ESFA's) financial reporting requirements for sixth-form and further education corporations. Compliance with this accounts direction was a requirement in corporations' funding agreements with ESFA. Key changes in this version were highlighted in the report:

- that corporations and their auditors need to be mindful of the new insolvency regime in preparing accounts,
- that annex D had been substantially updated to include additional reporting and transparency arrangements in the members' report.

RESOLVED: that the College Accounts Direction 2018 to 2019 be noted.

**** At this point the External Auditor left the meeting****

AUD 5 Risk Owner Presentation – Safer Recruitment (agenda item 6)

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.

A safer recruitment audit had been undertaken on 21 June 2019 by an external HR Consultant. A full report had been considered by SLT and a post audit action plan produced. College Managers had met on several occasions, the HR team led by the Principal, in the absence of HR Director, had also met regularly to monitor progress against actions. An updated post audit action plan was presented to the Committee by the Principal with actions completed.

Governors discussed the action plan in detail and the following points were raised in particular:

- accountability and the Single Central Record checks by a senior member of staff,
- processes and procedures in place,
- an Ofsted monitoring visit for Oak House was scheduled for 18 September 2019 as a follow up to the visit dated 27 – 29 November with the Social Care Common Inspection Framework Residential Provision of FE Colleges,
- the external HR consultant that undertook the safer recruitment audit was supporting the College with additional days to provide independent checks and deep dives for external validated assurance,

- HR capacity was discussed and an HR consultant was available one day per week for staff,
- the Personnel Committee had reviewed the post audit safer recruitment action plan in August 2019, the Audit Committee asked for the Personnel Committee to continue to monitor the post safer recruitment action plan to completion,
- in response to the Vice-chair's question, the Principal confirmed that he was keeping the Corporation Chair updated and that he had the right amount of support to overcome particular challenges.

RESOLVED:

1. that the safer recruitment audit (21 June 2019) post action plan be noted, and that the Personnel Committee continue to monitor the action plan to its final completion,
2. that the following risk owners' presentations be agreed for 2019-20 Audit Committee meetings:
 - 21 October 2019 International Recruitment
 - 18 November 2019 Academic Standards
 - 20 April 2020 GDPR Compliance
 - 8 June 2020 tbc

AUD 6 RHC Risk Register 2019 (agenda item 7)

The VP-F presented the updated risk register following the senior team day in August 2019. The risk 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. The meeting focused on the strategic risks and noted the governance assurance areas highlighted throughout.

RESOLVED: that the risk register be noted with the addition of operational risks following the College's self-assessment report cycle for 2018-19.

AUD 7 Internal Audit Reports for 2018-19 (agenda item 8)

The following internal audits had been completed for the 2018-19 summer term and the final reports were presented to the Committee by the internal auditor from TIAA.

| Internal Audit | Date | Assurance Assessment and Action Points |
|---------------------------------------|-----------|---|
| Compliance Review of Debtors | May 2019 | Reasonable Assurance 4 action points (1 important and 3 routine/operation) |
| Assurance Review of Budgetary Control | June 2019 | Substantial Assurance 1 operational action point |
| Compliance Review of Learner Numbers | June 2019 | Reasonable Assurance 3 action points (2 important and 1 routine) |

It was noted that the overseas debt was not technically due.

RESOLVED: that the above internal audits for 2018-19 be noted and that the internal audits for 2019-20 be presented to the Audit Committee on 21 October 2019.

**PLO
TIAA**

AUD 8 (a) Post 16 Audit Code of Practice 2018-19 (agenda item 9)

The post-16 audit code of practice (the 'Code') set out a common standard for the provision of assurance in relation to funding of post-16 providers. It set out:

- the overarching assurance arrangements for post-16 providers, and

- the specific responsibilities within the assurance framework for sixth-form and further education corporations, and their external auditors/reporting accountants.

Changes in this version included:

- additional guidance to help post-16 providers, including corporations, prevent and manage fraud, including a new anti-fraud checklist at annex D,
- emphasising that corporations must have procedures in place to identify fraud, theft, bribery, corruption, irregularity, or major weakness in accounting or other control frameworks,
- the alignment of the regularity self-assessment questionnaire to this document,
- clarification that the scope of the terms of reference for the regularity assurance engagement (annex B), and the reporting accountant's assurance report on regularity (annex E), included all public funds.

The Clerk had checked that the Audit Committee's terms of reference was aligned to the requirements as set out in the Post 16 Audit Code of Practice.

(b) Regularity Self - Assessment Questionnaire (RSAQ) for 2018-19

The ESFA had developed a regularity self-assessment questionnaire (RSAQ) to provide clarity of the accountability framework, key requirements and the type of evidence to provide; it supported corporations in drafting their statement of regularity, propriety and compliance for the external audit. Corporations must provide a copy of their completed RSAQ to the reporting accountant, signed by the accounting officer and chair of governors. The 2018-19 RSAQ would be circulated electronically to all RHC Governors for review prior to being signed off.

A copy of the completed RSAQ was circulated to the Audit Committee and this, with the required evidence, would be uploaded to the external auditor's portal by the Clerk, in advance of the external audit week commencing 23 September 2019.

(c) Draft Annual Audit Committee's Report 2018-19

The report was a requirement of the Post 16 Audit Code of Practice (ACOP) 2018 to 2019 published February 2019. The report was written for the Governing Body and the Principal, as the accounting officer for the College, summarising the work of the Audit Committee over the year and confirming that the Committee had fulfilled its responsibilities set out in its terms of reference and in the Post 16 Audit Code of Practice. The Committee noted the draft Audit Committee report and would approve the final version prior to submission to the Corporation meeting in December 2019.

RESOLVED: that the Post 16 Audit Code of Practice 2018-19, Regularity Self-Assessment Questionnaire 2018-19 and draft Annual Audit Committee Report 2018-19 be reviewed and noted.

AUD 9 Bournville Letter to College Chairs and 15 Actions for Governors (agenda item 10)

Governors NOTED the Bournville letter and investigation report to College Chairs dated July 2019, previously circulated to all Governors electronically. The ESFA letter to chairs with 15 actions had been completed by the Clerk with compliance against the actions in relation to Richard Huish College. The Corporation had agreed to revisit adopting the AoC SPH Remuneration Code, the next Remuneration Committee was due to meet in November 2019 and this would be discussed.

AUD 10 Fraud Reporting (agenda item 11) There had been no attempted fraud to report.

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

The date of the next meeting was noted as Monday 21 October 2019.

Items for the next agenda:

- 2019 Sept ESFA Funding Audit- Draft Report
- 2019 RHC Expenses (Governors) Gifts and Hospitality Policy
- 2019 Anti-Bribery and Corruption Policy
- 2019 Anti Fraud Policy

With no further business the meeting concluded at 7.00pm.

The minutes were agreed and signed.

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