

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

**on Monday 21 October 2019 at 5.30pm in Room RW110, Redwood building**

**In Attendance:** David Griffin (Vice-chair) and Pat Flaherty, Nicki Reid and Stephen Haydock.

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

Apologies were received from Sasha Burns (Chair) and John Abbott (Principal)

**AUD 12      Declarations of Interest (agenda item 2) Action**

There were no declarations of interest.

**AUD 13      Minutes of the Previous Meeting and Matters Arising Report 19-20 (agenda item 3)**

**RESOLVED:** that the minutes of the Audit Committee meeting dated 16 September 2019 be agreed and signed by the Chair as an accurate record.

The matters arising schedule was noted, it was agreed to invite the IT Manager to the next appropriate Committee meeting to provide an update on the Security Risk Area and the associated action plan from the PCI vulnerability report.

**AUD 14      Risk Owner Presentation: International Recruitment (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 Director of Marketing Admissions and International provided the Committee with an overview of the International Recruitment risk, and in response to detailed questions further information and clarification was provided on the following areas:

- the international income budget had been achieved,
- there were potentially another five students starting early in the New Year 2020,
- Oak House was full, subject to two male rooms being occupied,
- the College was awaiting its confirmations of acceptance for studies (CAS) allocation for this year. CAS was a virtual document issued by the College to a student to allow them to apply for a student visa under Tier 4. The Tier 4 sponsor licence was in the process of being renewed by the Border Agency, the licence permitted the College to sponsor international students to come to the UK to study under Tier 4 of the Points Bases System,
- the source of students was predominantly from Hong Kong with three students from China, student relationships were being managed in light of the recent Hong Kong democracy protests,
- the Director of Marketing Admission and International reported on her recent visit to Hong Kong and China with the International Student Coordinator, and the impact of the HK protests on student numbers. HK families wanted to send their children abroad to study to avoid the protests and associated conflict,
- the Director of Marketing Admission and International had developed a strong working relationship with HK agents by visiting over the past five years, it was harder to recruit from China. There was no OEA in China and this was a potential reason for the difficulty to recruit. The Overseas Education Allowance (OEA) assisted civil servants in educating their

children, there were more international HK students attending Richard Huish with a civil service background,

- in 2020 six EU students would be enrolled at the College,
- other source areas were discussed such as Japan, India, Bulgaria. British Council Exhibitions, with agency links, would be attended in February 2020 in Japan. It was important to make any investment in overseas travel viable,
- the Director of Marketing Admission and International had, during her HK trip, visited a number of agents and school students in Dongguan, China. The Dongguan school, due to a local population explosion, didn't have enough places for pupils and was keen to explore alternatives with foreign exchanges and teacher development,
- there was a watching brief on Brexit negotiations.

The Committee thanked the Director for her update and commended her work on the recruitment of international students for 2019-20.

#### **AUD 15 RHC Risk Register 2019-20 (agenda item 5)**

The VP-F presented the updated risk register with the updated controls sections. The Heat Map was discussed with the number of red, amber and green risks in the net and residual risk areas. The VP-F informed the meeting that the risk register would have a direct correlation with the College Self-Assessment Report (SAR) 2018-19, presented to the Corporation in December, and the Quality Improvement Plan 2019-20.

The meeting agreed that there was a need to improve the external audit assurance, and the Committee Chair asked if Governors fully understood the impact of medium to high risks if materialised. The Committee Chair considered that the risk register was difficult for Governors to understand and to offer the appropriate level of challenge and interrogation. Deep dive tests with more focussed and specialised internal audits were needed.

It was agreed to review the heat map at every Audit Committee meeting to discuss the direction of travel of risks, this would enable Governors to ask the right questions and provide oversight and recommend more specialised internal audits. The generation of a risk assurance map was discussed by the VP-F for a longer term approach in twelve months' time.

**PLO**

**RESOLVED:** that the risk register as presented to this meeting be used as a base version for heat map comparisons going forward, to enable Governors to apply the appropriate level of challenge and scrutiny on any adverse direction of travel.

**PLO**

#### **AUD 16 Internal Audit Final Reports for 2018-19 (agenda item 6)**

##### **(a) ESFA RHC Funding Audit Report 9 September 2019**

The VP-F advised that the ESFA's College funding audit was still in progress and a report would be available for the next Committee meeting. Further evidence had been requested for a number of apprenticeship data areas and the audit was due to be finalised by week commencing 21 October 2019. The VP-F provided a detailed overview of the ESFA funding audit to date and the distinct possibility of claw back funding for the financial year 2018-19.

In response to detailed questions and challenge further information and clarification was provided on the following areas:

- the ESFA funding audit had used up a high level of staffing resource that would, at this time of year, be focussed on generating new apprenticeship starts. In addition, the apprenticeship team had seen some significant turbulence in staffing across delivery and manager positions,
- the new Director of Apprenticeships had been appointed to start towards the end of November 2019 with a key focus on improving processes, compliance with audit and

funding rule requirements in the apprenticeship team. SLT were reviewing service management arrangements so that there were clear levels of accountability and clear performance management expectations,

- immediate resourcing of the apprenticeship team was discussed,
- Governors asked for deeper reassurance that the areas highlighted in the audit had been understood, that there was the required level of competence and accountability within the apprenticeship team, a remedial action plan was requested with the required mitigating actions. The ESFA audit report would be circulated to the next Audit Committee meeting with a remedial action plan highlighting the interventions in place,
- the current internal processes for apprenticeships and the level of challenge and penetration of the current internal auditor's annual audit on student numbers,
- regular funding audits that would be implemented for SLT and Governor assurance going forward,
- currently, it was still uncertain as to the overall financial impact of the funding audit. A provision of £20K had been included in the 2018-19 accounts on the assumption that there were no material, systemic adjustments. Any further reduction would not impact this financial year but would negatively impact on the 18-19 outturn and year-end financial health score. There was a possibility that the financial health score for 19-20 could be placed from 'Good' into the 'RI' category. This could trigger an early intervention from the College oversight regime,
- the College did not sub contract out the delivery of apprenticeships,
- there were currently 430 apprentices, and current enrolment processes, procedures and administration were discussed.

#### **(b) Review of Internal Audit Plan for 2019-20**

At the request of the Chair it was agreed that this agenda item would be discussed at the same time as agenda item 13, 'Internal Auditor Role Review'.

#### **(c) Governance Review – Board Reporting**

The Committee Chair agreed that it was logical to periodically review the College's board reporting. Key performance indicators (KPIs), both financial and non-financial, were an important component of the information needed to explain the College's progress towards its stated goals/objectives. The Committee Chair asked whether Governors were self-critical enough and the Board KPIs should enable Governors to ask probing and challenging questions of SLT on areas that were underperforming.

#### **RESOLVED:**

1. that the ESFA funding report for 2018-19 and the remedial action plan be submitted to the next Audit Committee meeting on 18 November 2019, with an assurance that robust systems and controls were in place going forward to mitigate any risk, **PLO**
2. that the newly appointed Director of Apprenticeships convene a meeting with the Audit Committee, prior to the end of the autumn term, to present a recovery plan and lessons learned, **PLO**
3. that an additional Audit Committee meeting be convened, if necessary, in early 2020, for an updated action plan report on apprenticeships, **Clerk**
4. that the KPIs be revised as an indicator to Governors that the identified areas of concern were not reoccurring, **Audit**
5. that the Clerk provide an update of the annual Governance Business Cycle with regular committee and board reporting for information, **Clerk**
6. that apprenticeship funding training be provided to Governors in early 2020 to enable a greater level of scrutiny and challenge, **PLO**
7. that a specialist funding audit be implemented annually with an appropriate level of challenge and scrutiny. **PLO**

**AUD 17 LGPS Briefing Note (agenda item 7)**

Governors NOTED the Local Government Pension Scheme report dated 10 June 2019 and the potential impact of the McCloud/Sargeant's ruling on pension accounts disclosures. An actuarial valuation from the LGPS had been provided last year to support the accounts.

**AUD 18 Draft Annual Audit Committee's Report 2018-19 (agenda item 8)**

The report was a requirement of the Post 16 Audit Code of Practice (ACOP) 2018-19. The report was written for the Governing Body and the Principal (College accounting officer), summarising the work of the Audit Committee over the year and confirming that the Committee had fulfilled its responsibilities as set out in its terms of reference and in the Post 16 Audit Code of Practice.

The Committee noted the Audit Committee's annual report could now be finalised as the internal auditor's annual report dated October 2019 had been received. The 2018/19 Annual Report by TIAA detailed the internal control environment at Richard Huish College. The annual internal audit report summarised the outcomes of the reviews carried out on the organisation's framework of governance, risk management and control. The report was designed to assist the Audit Committee in making its annual governance statement and would be appended to the Committee's final annual report for 2018-19.

**RESOLVED:** that the draft Annual Audit Committee Report 2018-19 be noted and the final version be submitted to the Audit Committee meeting on 11 November 2019 for final approval.

**AUD 19 Policy Review (agenda item 9)**

The meeting noted that the following policies were in need of renewal and these would be circulated to the next appropriate Committee in November 2019 or early 2020.

- 2019 RHC Expenses (Governors) Gifts and Hospitality Policy
- 2019 Anti-Bribery and Corruption Policy
- 2019 Anti Fraud Policy

**AUD 20 Huish Strategic Development Plan 2019-22 (agenda item 10)**

Governors NOTED the Huish Strategic Development Plan 2019-22. Governors had been involved in its formation during strategic discussions at a meeting in February 2019 and the Plan's approval at subsequent Corporation meetings.

**AUD 21 FE and Sixth Form Governance Guide – June 2018 (agenda item 11) [www.gov.uk/guidance/fe-governance](http://www.gov.uk/guidance/fe-governance)**

The Chair of Governors, at a Corporation meeting dated 23 September 2019, had requested that each Committee review its individual compliance with governance arrangements. The Audit Committee had received an annual compliance check list on the adopted AoC Code of Good Governance (29 April 2019) and it was proposed that the AoC Code be used as the annual governance self-assessment tool for 2018-29.

The FE and Sixth Form Governance was an additional guide and detailed the legal and regulatory requirements and recommended practice applicable to FE and sixth form corporations. This guide replaced the 'College Governance: a guide', published by the Department of Business, Innovation & Skills (BIS) in 2014. The guide should be read in conjunction with the Instrument and Articles of Government, standing orders and the AoC Governance Code adopted by the Corporation in 2015.

The Clerk informed the meeting of a number of updates to include the AoC Remuneration Code to be reviewed for adoption by the Corporation in December 2019, and the introduction of

the HMRC Fit and Proper Persons check for Governors and managers to be included on the annual self-assessment declaration of interest and eligibility form. The definitions of related parties (per FRS 102) and close family had been updated on the annual declaration form going forward.

**RESOLVED:** that the compliance check list against the FE and Sixth Form Governance Guide (June 2018) be noted.

**AUD 22** **Fraud Reporting (agenda item 12)** There had been no attempted fraud to report.

**AUD 23** **Internal Auditor for 2019-20/ Review of Internal Audit Plan for 2019-20 (agenda item 13)**

The Clerk informed the meeting that the internal auditor's term had come to an end for 2018-19, now that TIAA's annual internal audit report 2018-19 had been received.

Governors agreed that a series of focussed and targeted internal audits were required for 2019-20 to provide Governors with a source of external assurance. Specialised internal audits were required to provide greater challenge and scrutiny and the risk register would identify these key risk areas for 2019-20.

**RESOLVED:**

1. that the term of engagement for TIAA (Internal Auditor) not be renewed for 2019-20, and that the VP-F inform the internal auditor, **PLO**
2. that internal audits for 2019-20 be commissioned by targeted specialists for greater challenge, scrutiny and Governor reassurance,
3. that the Chairs of all Committees plus the Corporation Chair and Vice-chairs be invited to the next Audit Committee on 18 November 2019 to agree a number of high strategic risk areas (from the risk register) for specialised internal audits for a 2019-20 assurance plan for Corporation approval. **Clerk**

**AUD 24** **Any Other Business/ Items for Next Agenda (agenda item 12)**

The date of the next meeting was noted as Monday 11 November 2019 (Joint Audit and Finance) at 8.30am and 18 November 2019 at 5.30pm.

It was agreed that the Audit Committee meeting on 18 November 2019, would comprise only two agenda items (i) ESFA Funding Audit Report and remedial action plan, (ii) RHC Internal Audits/Assurance Plan for 2019-20.

Items for the 2020 Audit Committee agenda:

- 2019 RHC Expenses (Governors) Gifts and Hospitality Policy
- 2019 Anti-Bribery and Corruption Policy
- 2019 Anti Fraud Policy
- PCI vulnerability report

With no further business the meeting concluded at 7.40pm.

The minutes were agreed and signed.

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