



**MINUTES**  
**of the Audit Committee**  
**held on Monday 2 December 2019**

Present: - Mr Tony Ford (Chair)  
Cllr Sebastian Bowen  
Mr Jeremy Nicholls

In attendance: - Mr Edward Gwillim (Director of Finance)  
Mrs Clare Perez (Finance Manager)  
Mrs Linda Watkins (Clerk to the Corporation)  
Ms Louise Tweedie (RSM)  
Ms Laura Goodwin (RSM)  
Ms Carol Davey (Mazars)

The meeting was quorate as three members were present.

- |  | <b>Action</b> |
|--|---------------|
| <p><b>5. Apologies for Absence</b><br/>Mr Kevin Tong.</p>  |               |
| <p><b>6. Declarations of Interest</b><br/>Tony Ford declared an interest as a trustee of Vision Links who work with Deaf Direct, one of the College's sub contractors.</p>   |               |
| <p><b>7. I. Approval of the Minutes of the Meeting</b><br/>The Chair signed the minutes of the meeting held on 10 June 2019 as a true and accurate record.</p> <p><b>II. Matters Arising</b><br/>No matters arising.</p> <p><u>The Committee agreed:</u> -</p> <ul style="list-style-type: none"><li>• To approve the minutes</li></ul>  |               |
| <p><b>8. Value for Money Annual Report to 31 July 2019</b><br/>The value for money policy requires the Corporation, through its committees, to give assurance that value for money is achieved throughout the College and that satisfactory arrangements are in place to promote economy, efficiency and effectiveness. Procurement and collaboration practices adopted by the College were outlined</p> <p><u>The Committee agreed:</u> -</p> <ul style="list-style-type: none"><li>• To endorse the value for money annual report which would be presented to the Board.</li></ul> |               |

## 9. **ACOP regularity self assessment**

The ACOP requires completion of the self assessment to provide clarity of the accountability framework, key requirements and evidence to support the statement of regularity, propriety and compliance in the financial statements. The Chair suggested further detail about processes to ensure the College meets funding rules in future. There was a question if the College has a complaints policy and the Clerk confirmed this and that an annual complaints report was presented to the last Q&S Committee.

The Committee agreed: -

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

## 10. **Annual Report and Financial Statements to 31 July 2019 and assurance**

Draft financial statements were presented which the F&E Committee had looked at the financial data. In summary the pension deficit had increased and the actuarial loss had increased causing the balance sheet to deteriorate. The pension deficit could potentially further deteriorate by c£2M when the NSC deficit calculation is updated which is a non-cash cost for the College which is driven by the stock exchange and fluctuates each year. There was an enhanced pension charge which had increased from £10k to £21k which was inherited from NSC.

- I. RSM Internal Auditor's Annual Report for the year ended 31 July 2019: Louise Tweedie presented the annual report which provided an overall opinion that the College had an adequate and effective framework for risk management, governance and internal control. This was the second level opinion which was usually awarded to GFE colleges. It recognised that further enhancements had been recommended in some audit reports during the year; however, there several additional points had been raised by the auditors acknowledging that the merger had taken place. The internal control framework needs to become more robust this year or the audit opinion would decrease. The Chair would include concerns in the Audit Committee's annual report so that the Board are aware of the opinion and issues around governance risk management and internal control. The Committee agreed it is important to work towards achieving the best audit opinion possible.

There were several outstanding recommendations in the follow up report which would be discussed on the recommendation tracker.

- II. Mazars' Audit Completion Report for the year ended 31 July 2019: Mazars outlined the report covering 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 2019. The approach was followed in line with the audit approach agreed in June 2019.

Significant risks and key judgement areas were tested. The fixed assets register and potential fraud and risk to manipulating the financial results and revenue recognition was tested with no issues identified. Assets and liabilities from the merger had been transferred correctly with adjustment reflected in the financial statements. Mazars are awaiting confirmation from Barclays Bank that the bank loan had been written off.

The auditors tested if the College is a going concern noting that its financial health score had been determined by the ESFA which had not considered income received from the Transaction Unit. The auditors concluded that the College is a going concern for the next twelve months.

Pension tested by actuaries which had not included the valuation in respect of potential GMP liability arising or the McCloud case.

Auditors found that some expense claims had not been processed properly.

Recommendations and control points were outlined which would be addressed. It was confirmed that some control points from last year's recommendations are ongoing. Governors sought assurance that recommendations would be completed. The Director of Finance confirmed that Keith St Peters Ltd accounts have been sent to Mazars and that the bank account had been closed. 2019 recommendations were partially resolved. Contracts have been issued to employees; however, some contracts have not been returned to the College.

- III. Risk Management Annual Report to 31 July 2019: This outlined the approach to risk management. The risk register is a tool to manage risk. Implementation of risk registers within departments has been embedded across College.
- IV. Audit Committee's Annual Report to 31 July 2019: 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 2019. The Committee requested their concerns to be added to the report; namely, the timescale officers had taken to respond to audit reports and action recommendations during the year, and acknowledgement of the increased

T Ford/  
L Watkins

work load as a result of the merger which had impacted on the control environment in 2018/19.

- V. Committee to approve the annual report and financial statements to 31 July 2019 and make a recommendation to the Board: This was deferred as the final report was not available; this would be issued on 4 December.
- VI. Letter of representation: This is a standardised letter. The Board are required to approve the letter to be signed by the Chair of the Corporation and Principal along with the ACOP regularity self-assessment which provided further evidence to areas tested by Mazars.

The Committee agreed: -

- To note RSM's annual report which would be presented to the Board which provided independent assurance
- To note the management letter confirming that Mazars had given HLNSC an unqualified audit opinion
- To note the risk management annual report
- 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 members' report and financial statements to 31 July 2019 would be issued imminently for approval by the Board
- To approve the letter of representation

**11. Internal Audit Progress Report**

RSM presented the following reports.

- I. Further Education risk analysis: This showed key risks in the FE sector amongst RSM's clients this year. The top five risks are finance and strategy, recruitment/HR, student experience, government policy and compliance.
- II. Benchmarking Report 2017/18. This showed the number and level of recommendations made at HLNSC compared across the sector. The College had been given a band 2 opinion from the assurance framework which was akin to other GFE colleges. The College will aim to be solidly positioned within the second opinion this year.
- III. Arrangements for engagement of hourly paid staff: The draft report had been discussed at the last meeting. There was concern that the draft was issued in December 2018 with the final in November 2019.
- IV. Human resource controls: The draft report had been discussed at the last meeting. There was again concern that the draft report was issued in December 2018 and the final in November 2019. The Committee acknowledged that the merger had had a significant impact on workload evidencing there were insufficient staff resources. It was concluded that, in hindsight, it was felt that Governors should have been more assertive to ensure that there were sufficient resources.

- V. Learner number systems: This tested compliance with the new apprenticeship framework introduced in 2017. Apprenticeship enrolments are funded either via the apprenticeship levy or co-funded by the employer and ESFA. There were 9 medium and 4 high priority recommendations which were accepted by management and useful to clarify controls. This was a highly complex area with issues identified common in the sector. Examples included the requirement for 20% off the job activities which, if calculated or delivered incorrectly, can result in ESFA clawback. There are several agreements between the College, employer and apprentice which must be signed in a specific order. NSC students with EHCPs need a payment to be made to employers within a specific timescale. The College delivers apprenticeships from three sites. The sector has commented on the complexity of the apprenticeship framework. Recommendations from the follow up audit showed all actions had been implemented or superseded.
- VI. Curriculum planning: Reasonable assurance was provided in the annual review of courses for their performance and financial viability. There were two medium recommendations which were accepted. The Principal holds curriculum efficiency meetings to ascertain space allocation for courses and ensure appropriate skills of teachers to deliver courses to the cohort of students. It would be important to share the spreadsheet and knowledge widely, particularly as part of succession planning.
- VII. Progress report December 2019: The first audit in 2019/20 had reviewed strategic planning. The capital projects audit has been deferred to January. RSM referred to the briefing requiring colleges to have a counter fraud strategy in accordance with the ACOP. ESFA have provided a self assessment checklist to counter fraud in colleges agreeing to use the questions to facilitate self assessment at the next meeting. A Governor asked if there had been any incidents of fraud and the Director of Finance responded that there had been one significant attempted case from a perpetrator claiming to be a quantity surveyor involved with a capital project at Walford Campus. This had been identified and reported to the fraud action line but did not achieve a result. ESFA's education and skills contracts 2019/20 included a new requirement to comply to ISO27001 requiring colleges to achieve compliance by 2021. AoC has been lobbying on behalf of the sector. If ISO27001 remains a requirement following the election then a gap analysis should be pursued in February 2020.

L Watkins

The Committee agreed: -

- To note the internal auditor's reports and importance to address recommendations which are high priority and a risk

- 12. RSM audit: Sub Contracting provision**  
 This was an independent report and not part of the internal audit process. It is a requirement by ESFA for all FE colleges with sub contracting funding exceeding £100K. The report tested compliance with ten recommendations made which are technical funding compliance issues.
- The Committee agreed: -
- To note the audit report on sub contracting provision and recommendations which would be addressed
- 13. Audit Recommendation Tracking Report**  
 This was noted with the following questions from Governors. The Financial Regulations are reviewed every three years unless there are specific changes. In view it was agreed that this should be removed from the tracker.
- The fixed asset register is checked annually as part of closing the accounts. This would be removed as Mazars have completed this.
- It was noted that the date for completion of several recommendations was September 2019. The Director of Finance anticipated that these will be completed by the next meeting.
- The Committee agreed: -
- To note the tracking report
- 14. Risk Management Register**
- The revised Risk Management Policy was presented which included an explanation about how the risk register is used. Governors requested the table showing how risk is scored to be added to the policy.
  - The Risk Register was noted agreeing that the risk to potential fraud and irregularity needed to ensure that there are sufficient levels of mitigation. The risk to a change in senior postholders would be increased following notice from the Principal to retire at the end of the academic year. Brexit would also be added as a risk.
- The Committee agreed: -
- To recommend that the Board approve the Risk Management Policy
  - To note the risk register agreeing amendments
- 15. Any Other Business and comments**  
 No items.
- 16. Date and time of next meeting**  
 The next meeting of the Audit Committee was arranged for Monday 30 March 2020 commencing at 4.15 pm.

E Gwillim

E Gwillim

E Gwillim

E Gwillim

E Gwillim

**Signed as a true record of proceedings**  
**Chair:** ..... **Date:** .....