



**MINUTES**  
**of the Audit Committee**  
**held on Monday 3 December 2018**

- Present: - Mr Norman Moon (Chair)  
Cllr Sebastian Bowen  
Mr Tony Ford  
Mr Kevin Tong (Co-opted Member)
- 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)  
Mr Jon Marchant (Mazars)

The meeting was quorate as four members were present.

- |   | <b>Action</b> |
|---|---------------|
| <b>5. Apologies for Absence</b>   |               |
| <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.  |               |
| <b>7. I. Approval of the Minutes of the Meeting</b><br>The Chair signed the minutes of the meeting held on 11 June 2018 as a true and accurate record.  |               |
| <b>II. Matters Arising</b><br>No matters arising.   |               |
| <u>The Committee agreed:</u> - <ul style="list-style-type: none"><li>To approve the minutes</li></ul>   |               |
| <b>8. Value for Money Annual Report to 31 July 2018</b><br><u>The Committee agreed:</u> - <ul style="list-style-type: none"><li>To carry forward the value for money annual report.</li></ul>   | E Gwillim     |
| <b>9. ACOP regularity self assessment</b><br><u>The Committee agreed:</u> - <ul style="list-style-type: none"><li>To recommend that the Chair of the Corporation and Principal sign the regularity audit self assessment which Mazars had tested.</li></ul> |               |
| <b>10. Annual Report and Financial Statements to 31 July 2018 and assurance</b>   |               |

- I. RSM Internal Auditor's Annual Report for the year ended 31 July 2018: Louise Tweedie presented the annual report which provided an overall positive opinion that the College had an adequate and effective framework for risk management, governance and internal control. The second level opinion was given as further enhancements had been recommended in some audit reports during the year. Reference was made to the recent apprenticeship audit which required improvements to the evidence base. It was possible that a funding audit could be triggered at the end of the year following the merger with a potential risk of clawback.

A Governor asked about the implications of outstanding follow up actions; this meant that control audit recommendations identified would remain outstanding. It was reiterated that there were no high priority risks; however, medium priorities needed to be addressed. A Governor asked when recommendations would be addressed; these have been tracked and would be followed up in readiness for the next meeting.

- II. Mazars' Management Letter for the year ended 31 July 2018: The management letter had not been issued to Governors. Jon Marchant outlined the draft in detail explaining that this covered 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 2018. The approach was followed in line with the audit approach agreed in June 2018.

Significant risks and key judgement areas were tested. Disposal of property was carried forward from the previous financial year. Potential fraud and risk to manipulating the financial results and revenue recognition was tested with no issues identified.

The methodology to calculate clawback provision was accurate. ESFA would clawback c£200K in January 2019 which was more than last year. A Governor asked the level of clawback budgeted which was less.

Merger and the potential impact post-year end showed that there was no material impact in the accounts.

The College has a healthy balance sheet and was anticipated to be a going concern; this was subject to finalising work. A going concern opinion was based on remaining financially sustainable for 12 months after the financial statements have been signed. There could be a post-merger impact on the going concern of HLNSC. There was further discussion noting that standalone budgets have been provided for HLC and NSC which was part of the bid submitted to the TU. A combined budget including income from the TU would assist the Board to decide if the College was a going concern.

Governors reiterated that, if necessary, a Special Board Meeting should be arranged to approve the financial statements and the judgement of the College as a going concern.

Mazars' actuaries calculated the LGPS deficit. The salary growth expectation used by the scheme actuaries is higher which will increase the estimated deficit, a prudent position. A post-balance sheet note was proposed to the pension note regarding a High Court case for Lloyds Bank with equalisation of men and women's pensions. The potential impact for each scheme will be calculated by the actuaries which could potentially increase the deficit. A Governor asked if this could impact on the budget or if this would be an accounting entry that the deficit increases. The College is on a fixed rate deficit reduction.

Recommendations and control points were outlined which would be addressed. It was confirmed that last year's recommendations have all been resolved.

In summary, financial reports were accurate and are not expected to change. The TU bid provided assurance to Governors that the implication of the merger would not have an impact on the College as a going concern.

- III. Risk Management Annual Report to 31 July 2018  
This outlined the approach to risk management. The risk register is a tool to manage risk. Implementation of risk registers within departments is sporadic and would be embedded across College. Governors reinforced the importance of managing risk at departmental level suggesting reminding managers of this. It was recognised that internal control issues are a concern and the likelihood that these could increase as the organisation grows.
- IV. Audit Committee's Annual Report to 31 July 2018: 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 2018. Governors agreed that managers should attend meetings to discuss reports if specialist areas are being discussed.
- V. Finance Director's recommendation to approve the financial statements: Draft reports were provided with no recommendation at this stage.
- VI. Committee to approve the annual report and financial statements to 31 July 2018 and make a recommendation to the Board: Draft reports were noted at this stage.
- VII. 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 HLC 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 recommend the Board approve the members' report and financial statements to 31 July 2018 subject to receipt of the management letter
- To approve the letter of representation

**11. Internal Audit Progress Report**

Louise Tweedie presented the following reports.

- I. GDPR: This is an advisory review with work in progress which was reflective of the sector. The key recommendation was to complete data mapping. In addition, electronic data needed to be included in the data mapping exercise. Training was required for staff and Governors about management of personal data to evidence reasonable and practical actions have been taken to prevent liability.

*K Tong left the meeting*

A Governor asked why there was no opinion from RSM or scale to recommendations noting that this was difficult to judge as all organisations are in the same position. All recommendations are high priority with exception of updating job descriptions. The risk level was acknowledged and importance to ensure compliance. Governors requested the DPO to attend the next meeting to answer any questions to ascertain if the October deadlines have been achieved.

E Gwillim

- II. Post 1 May 2018 apprenticeships framework review: The framework required the College to provide additional evidence to demonstrate eligibility for funding. Recommendations are high priority and require immediate action as there is a potential risk of clawback.

The Committee agreed: -

- To note the internal auditor's reports and importance to address recommendations which are high priority and 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. Additional checks were required for sub contracting provision with Deaf Direct. The College need a supply chain policy which should be published on the website.

Recommendations meet mandatory requirements which will be followed up as part of next year's audit and are on the audit recommendation tracking report.

The Committee agreed: -

- To note the audit report on sub contracting provision and recommendations which would be addressed as a priority

**13. Audit Recommendation Tracking Report**

The Committee agreed: -

- To note the tracking report which would be discussed with greater depth at the next meeting

**14. Risk Management Register**

The Committee agreed: -

- To note the risk register which would be discussed with greater depth at the next meeting

**15. Any Other Business and comments**

- I. The Clerk reported that the Search and Governance Committee are discussing Board and Committee membership including the vacancy on the Audit Committee.
- II. RSM and Mazars would discuss audit requirements for HLNSC with the Director of Finance.

E Gwillim

**16. Date and time of next meeting**

The next meeting of the Audit Committee was arranged for Monday 19 March 2019 commencing at 4.00 pm.

**Signed as a true record of proceedings**

**Chair:** ..... **Date:** .....