

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Minutes of the meeting of the Audit Committee held on Wednesday 13 November 2019 at 5.30pm in Conference Room 4

[Finance & General Purposes Committee members were also invited to attend this meeting]

Present: Mr S Irvine [Chair]
Mr S Salvin
Mrs J Regan
Mrs M Roberts

Also Present:

Mr A Theakston [Clerk to the Corporation]
Mr D Hankey [Principal]
Mrs K Dales [Assistant Principal]
Ms L Robson [RSM UK Audit LLP]
Mrs S Wilson [RSM UK Audit LLP]
Mr P Church [RSM Audit Risk LLP]
Mr M Ward [F&GP member]
Mrs L Watson [F&GP member]
Mrs C Menzies [Minute Clerk]

	<p>Meeting with External Advisers Only</p> <p>Prior to the main Audit Committee meeting SI asked for separate meetings with the internal audit team and external auditors. The purpose of the meeting was to facilitate an open and honest discussion regarding the delivery of their work, availability and access to information and interactions with college management. DH, KD and AT were requested to leave the meeting on each occasion.</p> <p><u>Internal audit</u></p> <p>PC confirmed that there were no issues to report regarding the delivery of the internal audit plan and reports were finalised on a timely basis. PC advised that college management agreed all recommendations raised in the audit reports to assist in strengthening internal control.</p> <p><u>External</u></p> <p>LR confirmed there has been frequent dialogue with KD throughout the year and information has been shared regarding the FE Commissioner visits meaning no surprises as KD has been transparent in raising any concerns and there has been full co-operation from KD and the finance team meaning a smooth audit process throughout. A new External Audit Manager has been onsite and the team have responded well. There are a couple of minor issues in the report which need to be finalised and will be discussed in the main meeting. LR advised that these would be resolved in the next couple of weeks.</p>
1	<p>Apologies for absence</p> <p>Apologies received from P Mitchell and L Monaghan [ESFA].</p> <p>SI asked for round the table introductions and Suzanne Wilson was formally introduced to members of the committee.</p> <p>SI opened the meeting and stated that the F&GP members were invited to the year-end Audit Committee meeting to facilitate a joint overview and scrutiny process with Audit Committee members in considering the annual accounts.</p>
2	<p>Declarations of interest relevant to the business of the meeting</p> <p>There were no new declarations of interest.</p> <p><i>[SI has previously registered his declarations of interest with the Clerk for his employment at North Tees and Hartlepool NHS Foundation Trust].</i></p>

3	<p>Minutes of the meeting held on 26th June 2019 The minutes were approved and signed by the Chair.</p>
4	<p>Matters arising and action points SI asked that the action to consider a mechanism to assure the Board on the outcomes of internal audit reports is carried over to the next meeting and that members give this some thought.</p> <p>All other actions were confirmed as implemented.</p> <p>As part of noting actions from this meeting, SI asked that recommendations contained in the external audit be added to the audit tracker. In the absence of the tracker being presented to this meeting, SI requested a copy of this document be circulated to members for information and comment.</p> <p><i>Commercially sensitive.</i></p>
5	<p>Any issues arising out of FEC or Governor Review Visit [verbal update] DH advised that since the financial notice to improve in April 2019, the FE Commissioner Team visited again in June 2019 and issued their report on 3rd October 2019, which contained 7 recommendations. A further visit took place on 23rd and 24th October 2019 and the feedback from the visit was very positive, acknowledging progress and improvements to overall to achievement rates. A draft informal Stocktake report has been received from the FE Commissioner that will not be formally or officially published. There are no new recommendations raised in the report and the next FE Commissioner visit will be in March 2020.</p> <p>The recommendation for a review of governance is in progress and it was noted that this review would have been completed, had the FE Commissioner Team visit not conflicted with the initial planned start date. A formal feedback meeting for the governance review is scheduled for 20th November. The long-term sustainability action is ongoing.</p> <p>SI noted the positive report from the FE Commissioner and on the basis that this won't be officially published, suggested that DH and KD should consider who the report should be shared with to demonstrate the continued improvement of the college.</p>
6	<p>To consider the external audit findings for the year ended 31 July 2019 of the financial statements and regularity auditor RSM LR gave an overview of section 1, page 2, [introduction and coverage] stating that following the audit of the financial statements a clean audit report is anticipated. Outstanding information relating to procurement has since been resolved, the letter of support is on the agenda and People Plus income is still awaited.</p> <p><i>Commercially sensitive.</i></p> <p>Section 3, page 7 – to be removed from the final version of the report.</p> <p>Section 4, page 8 – second row, other income deferred capital grants £41k will be removed. KD commended finance staff as this is an excellent result considering the difficult circumstances for staff members. SI commented that the list of adjusted/unadjusted corrections was very small and relayed his thanks on behalf of Audit Committee members to KD and the finance team.</p> <p>Section 5, page 9 – no actions.</p>

	<p>Section 6, page 10, both items, fixed asset register and intercompany recharge, have been reported in previous years, with slightly different wording, and are not priority but to be acknowledged. It was noted that there is no impact on the net book value as the assets are fully depreciated. These are recommendations for when managers have more time. Although RSM is comfortable with the intercompany recharge it is recommended a formal agreement is prepared and signed by both entities.</p> <p>Section 7, page 11, Accounting practices including accounting policies and financial statement disclosures – a review of the accounts has been performed and there will only be slight wording changes to a few points but nothing of substance.</p> <p>Section 8 – fees have been held at the same rates as last year.</p> <p>Section 9 – PC reported that internal audit has received full support of the relevant teams.</p> <p>Appendix A – letters of representation [placed as agenda item 12] and Appendix B emerging issues are for information purposes.</p> <p>SI asked DH about the Mental Health Charter – DH advised this is being discussed and likely something the college will sign up to.</p> <p>SI thanked LR and the wider external audit team for the report and delivery of the external audit process. On the basis that the external audit report required updating, SI requested that the final document be circulated to Audit Committee members for information and final comment prior to submission to the Board.</p>
7	<p>To consider the audit committee’s annual report 2018/19 for recommendation to the Board for approval</p> <p>SI presented the Audit Committee’s annual report for 2018/19. SI asked in relation to terms of reference if the college had a policy on counter fraud – KD confirmed it does.</p> <p>KD is to update the references around teachers’ pension fee and joint audit code of practice for the ESFA.</p> <p>PC recommended including comments from the SAR as this is something he advised other colleges include.</p> <p>With recommended updates the paper was accepted and recommended to the Board for approval.</p>
8	<p>To consider the audit committee’s self-evaluation for 2018/19 for recommendation to the Board for approval</p> <p>Accepted by members and recommended to the Board for approval.</p>
9	<p>To consider the draft consolidated reports and financial statements for the period 1 August 2018 to 31 July 2019 for recommendation to the Board for approval</p> <p>KD stated this is a positive report with a big change compared to the 2018 deficit outcome showing an operating surplus of £468k for 2019, before LGPS provisions and a net surplus of £45k after. The College has achieved a financial health rating of good which was required by the ESFA financial</p>

	<p>notice to improve. No queries were raised and MW commented how well the team had done to deliver this outcome.</p> <p>It was agreed that they be recommended to the Board for approval.</p>
10	<p>To consider the draft HCDC Ltd directors report and accounts for the period 1 August 2018 to 31 July 2019 for recommendation to the Board for approval</p> <p>KD advised there will be a small surplus with a tax computation to take place, which LR confirmed was in draft form. SI asked about the long-term view in terms of the operation of the subsidiary company. KD advised that for the time being this is required for the cohort of apprentices it employs as part of the Apprenticeship Training Agency. The majority of apprentices are on a 4-year programme so the continuance of the subsidiary can be reviewed once they are complete.</p> <p>SI noted the debt reduction to £343k from £509k last year asking KD if this is likely to continue otherwise it could become a liability for the college. KD hopes this would be the case saying it depends on activity.</p> <p>The report and accounts were recommended to the Board for approval and would also be considered by the board of HBDCL.</p>
11	<p>To consider the letter of support from the College to the Company for recommendation to the Board for approval</p> <p>Accepted by members and recommended to the Board for approval.</p>
12	<p>To consider the letters of representation from HCFE and HBDCL to RSM for recommendation to the Board for approval</p> <p>There are two letters, one for financial statements and one for regularity assurance. LR noted that although RSM make enquiries on fraud and non-compliance and find no evidence of such instances reminded governors on the importance of their role to advise of any such matters. It was agreed that there were no issues to declare and the letters were recommended to the Board for approval.</p>
13	<p>To receive and consider any risk reports from committees</p> <p>There are no risk reports to consider however SI noted that other committees actively contribute to the content of the risk register.</p>
14	<p>To consider and approve the Risk Register 2019/20</p> <p>KD informed that the risk register was reviewed following recommendations from the FE Commissioner visit in June 2019 and this was presented at the last Audit Committee. SI commented that the register continues to improve in terms of content and articulation of the risks facing the college.</p> <p>SI notes that further work is required on the risk register to ensure mitigating actions are assigned to all risks with a view to reducing the target risk score.</p> <p>SI also noted for a number of risks that the current risk rating has the same score as the target risk saying this should be reviewed and updated for the next meeting.</p> <p>The Committee noted the risk register.</p>
15	<p>RSM internal audit summary assignments completed</p> <p>PC reported that 5 reviews were carried out during 2018/19:</p>

	<ul style="list-style-type: none"> • Health & Safety: Machinery & Equipment • Apprenticeship Framework Review • Key Financial Controls – Creditor payments • Follow up on previous internal audit management actions • Course and tutorial procedures <p>A summary of the findings outlined on page 3 of the report was given. There were no questions on the basis the reports had been previously presented and the report was accepted.</p>
16	<p>Any other business</p> <p>To further strengthen the Audit Committee's assurance streams, SI asked for a list of out of date policies to be presented to the next Audit Committee meeting and the plans in place to update them. SI requested that this is a standing agenda item for future meetings.</p>
17	<p>To note the date and time of the next meeting:</p> <p>Tuesday 3rd March 2020 at 5.30pm.</p>
18	<p>Meeting without external advisers (standing item)</p> <p>Internal and External Audit representatives left the meeting.</p> <p>SI explained the importance to review the effectiveness of the audit teams at the end of each year. SI welcomed comments from DH and KD regarding internal and external audit performance and effectiveness. JR said she welcomed senior management comments as governors only see the end result.</p> <p><u>Internal Audit</u></p> <p>KD said that auditors have been instructed to work on areas where managers feel there could be issues and to receive assurance and make improvements where possible. KD stated that the service is always professional and the team are good to work with. SI asked when the contract with RSM was due for review. KD thinks this may be next summer but will check and report back.</p> <p>SI was concerned that RSM do not include an assurance level in internal audit reports, nor do they provide a Head of Internal Audit Opinion upon conclusion of the internal audit plan that would support the Audit Committee in its role to assure the Board on the internal control environment. This would require a future discussion.</p> <p><u>External Audit</u></p> <p>KD stated it has been a difficult couple of years for the college and RSM staff have always been professional in terms of external audit plan delivery and have been prompt and knowledgeable in areas that they provided challenge. The process has created more rigour and experienced staff have provided helpful advice on internal matters. MW stated that there has been no contract renewal for some time but noted the recent change in partner. KD reported that ideally she would like to remain with RSM moving forward on the basis of their knowledge of the college.</p> <p>SI asked for an informal review to determine whether value for money was being delivered by RSM and suggested a benchmarking exercise.</p>

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CHAIRMAN

Action points from the meeting on 11 June 2019

No	Item	By Whom	By Date
5	Consider mechanism to assure the Board on the outcomes of internal audit reports.	S Irvine	13 th November 2019
	Update from 13 November 2019 – SI to carry forward this action to the next meeting asking members to give this some thought.	All members	03/03/20

Action points from the meeting on 13 November 2019

No	Item	By Whom	By Date
4	External audit recommendations be added to the audit tracker and a copy of this document be circulated to members for information.	K Dales	As soon as possible
4	The Letter of Engagement will come to the next Audit Committee for approval.	K Dales	03/03/20
5	Share the findings of the positive findings of the recent FE Commissioner report.	D Hankey/ K Dales	19/11/19
6	Final Audit Findings report to be circulated to Audit Committee before being presented to the Board.	K Dales	30/11/19
7	KD to update the audit committee annual report before presentation to the Board [as outlined in section 7].	K Dales	30/11/19
14	Review risk register prior to next Audit Committee for risks which have the same risk rating score as the target risk	K Dales	Before 03/03/20
16	SI to receive a list of out of date Quality Assurance Policies and Procedures. This to be added as an agenda item at future meetings.	K Dales / A Theakston	31/12/19
18	Contract review date for RSM to be checked.	K Dales	30/11/19
18	Informal review of RSM services for value for money and benchmarking purposes.	K Dales	31/01/20