

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Minutes of the Audit Committee meeting held on Wednesday 18th November 2020 at 5.30pm via TEAMS [members of F&GP were also invited to attend]

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

Also Present:

Mr A Theakston	[Clerk to the Corporation]
Mr D Hankey	[Principal]
Mrs K Dales	[Assistant Principal]
Mrs L Robson	[RSM UK Audit LLP]
Mrs S Wilson	[RSM UK Audit LLP]
Mr S Pringle	[Wylie & Bisset]
Mrs L Thornton	Governor
Mrs L Watson	Governor
Mr M Ward	Governor
Mrs C Menzies	[Minute Clerk]

1	<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 was to facilitate an open and honest discussion regarding the delivery of their work, availability and access to information and interactions with college management during 2019/20, leading to the production of the draft external audit report. SI also asked for RSM to comment on the impact of the quality of their work as a result of Covid-19.</p> <p>LR said the process had not been smooth due to Covid-19 restrictions, remote work, staff absence and ESFA audit. LR said there was no lack of commitment from the team but merely situations out of anyone's control and KD has kept governors up to date on developments. LR said workload and correspondence had increased due to the lack of face to face discussions which would usually take place when doing an audit onsite. Whilst the impact of Covid-19 was acknowledged, RSM took the necessary measures to ensure the quality of work was not affected.</p> <p>The Audit Committee noted the update from RSM.</p> <p>Executive Committee members joined the meeting.</p>
2	<p>Apologies for absence</p> <p>There were no apologies for absence. SI confirmed with AT that the meeting was quorate. New internal auditor Stephen Pringle was welcomed to the meeting.</p>
3	<p>Declarations of interest relevant to the business of the meeting</p> <p>There were no new declarations of interest although SI reminded the committee that he has previously registered his declarations of interest with the Clerk for his employment at North Tees and Hartlepool NHS Foundation Trust and as a Trust member representative on North Tees & Hartlepool Solutions LLP Board (a subsidiary of the Trust).</p>
4	<p>Minutes of the meeting held on 24th June and 24th September 2020</p> <p>Accepted as a true record and to be signed by the Chair in due course.</p>

<p>5</p>	<p>Matters arising and action points</p> <p><u>From 3rd March 2020</u></p> <ul style="list-style-type: none"> • [4] List of QA policy dates to go to Board 10/12/20 [actioned] • [6] Safeguarding & Prevent WBL going to Curriculum & Standards [actioned] • [6] cost to upgrade mobile devices to be reported to the Audit Committee [deferred until next Audit Committee meeting] <p><u>From 24th June 2020</u></p> <ul style="list-style-type: none"> • [5] handover between RSM and W&B [actioned] • [6] delegated approval RSM letter of engagement [actioned this meeting item 12] • [7] management plan to be prepared for apprenticeship funding assurance findings [deferred until next Audit Committee meeting] • [8] updated risk register [actioned item 16 this meeting] • [9] Board ratification of W&B [actioned] <p><u>From 24th September 2020</u></p> <ul style="list-style-type: none"> • [3] June and September Audit Committee minutes approved [actioned item 4 this meeting]
<p>6</p>	<p>Issues arising out of FEC visit</p> <p>SI introduced this item and noted that FEC actions were agreed to be reported to the Audit Committee for oversight and assurance regarding progress to implement and to provide upward assurance to the Board.</p> <p>DH gave an update on progress of the seven recommendations in the report included with the meeting papers:</p> <ul style="list-style-type: none"> • Recommendation 1 – complete • Recommendations 2 and 3 – ongoing, appraisals booked in calendars • Recommendation 4 – 9 people including 2 students interested in being governors • Recommendations 5 and 6 – work is ongoing in relation to training and a strategy day for governors • Recommendation 7 – complete <p>SI noted that the reported position reflects good progress to demonstrate the implementation of the agreed recommendations but stressed that focus must remain on implementing the outstanding recommendations and supporting evidence should be retained.</p> <p>DH reported an update will be presented to the Board meeting in December.</p> <p>SI asked a further update is provided at the next Audit Committee meeting.</p> <p>The Audit Committee noted the update and good progress against implementing the FEC recommendations.</p>
<p>7</p>	<p>Update on David O’Hara review</p> <p>DH provided an update on the progress made against implementing the originally agreed recommendations. DH noted that deadlines have been reluctantly extended to December 2020 due to unavoidable effects of Covid-19 on college operations. Work on actions is ongoing and an update will be given at the December Board meeting.</p> <p>SI acknowledged the impact of Covid-19 and commented that it was important that the outstanding</p>

	<p>recommendations were implemented as this was a recommendation in the FEC report. SI asked DH if there were any recommendations that were at risk of not being implemented by the end of December. DH was comfortable with progress made and assured the Audit Committee that the recommendations would be implemented by the end of December.</p> <p>DH noted that an update on the progress of implementing the recommendations in Governance report will be made at the Board meeting in December.</p> <p>SI requested a final update report to the next Audit Committee meeting to confirm the implementation of all recommendations.</p> <p>The Audit Committee noted the update and progress made in implementing the recommendations in the Governance Report.</p>
8	<p>To consider the external audit findings for the year ended 31 July 2020 of the financial statements and regularity auditor for recommendation to the Board for approval</p> <p>SI noted that he had asked LR for feedback [agenda item 1] on the completion of the external audit review and effects Covid-19 had on the quality of work. LR noted that the logistical issues were not due to a lack of commitment or ineffective management, but workarounds were identified to ensure the audit was completed.</p> <p>LR provided a very detailed overview of the report:</p> <ul style="list-style-type: none"> • The audit work was substantially completed. • Page 3 details the expectation of an unmodified opinion and the outstanding items were explained and include; <ul style="list-style-type: none"> ○ Going concern ○ Direct ESFA income confirmations ○ Confirmation of no Tees Valley AEB clawback ○ Post balance sheet work ○ Final financial statements review ○ Sundry outstanding information requests • Pages 8 and 9 details the recommendations • Pension liabilities and contributions in the medium to long term are unknown • LR thoroughly explained the position in income recognition, management override of internal controls, pension scheme liabilities and going concern • There were only two adjustments requested to be made to the accounts, which were agreed by KD. <p>LR noted that it won't be until January 2021 until a view can be formed regarding going concern as detailed forecast for 12 months from approval and it would be a requirement of governors to make a decision regarding the assessment and adoption of the going concern basis when producing the financial statements.</p> <p>LR noted that there were four recommendations raised in the report which sought to address weaknesses in controls. SI asked KD whether these recommendations were accepted and would be implemented, KD confirmed the recommendations were accepted.</p> <p>One recommendation related to procurement processes. SI requested a regular report to be presented to the Audit Committee in instances where approved procurement processes are waived,</p>

	<p>including the nature of the purchase, value and rationale.</p> <p>SI and Audit Committee members were in agreement that the outcome of the audit and minor findings was an excellent result, especially given the challenges faced with remote work due to Covid-19 and significant staff absence. SI thanked RSM and college staff for their dedication to ensure the external audit review was completed in accordance with planned timescales.</p> <p>The Audit Committee;</p> <ul style="list-style-type: none"> • Noted the draft External Audit Report and the outstanding work that was required to be completed, including the decision regarding going concern; and • Recommended the report to the Board for approval
<p>9</p>	<p>To consider the draft consolidated reports and financial statements for the period 1 August 2019 to 31 July 2020 for recommendation to the Board for approval</p> <p>SI noted that the Finance & General Purposes Committee meeting was to follow the Audit Committee meeting, where the accounts would be reviewed in detail. SI asked KD to update on the key highlights in the accounts.</p> <p>KD highlighted an operating surplus of £507k for 2019/20, before LGPS enhanced provision charges which results in a deficit of £335k. KD stressed that this is a non-cash transaction. KD reported a 'good' rating of financial health required for the ESFA and bank loan covenants. However, although the accounts were largely complete ESFA income still required determining and the going concern section needed to be expanded including reference to Covid-19.</p> <p>The cash balance was £2.772m, which is an improved position compared to £1.886m in 2018/19.</p> <p>KD noted that there was still work to do on "going concern" before the accounts could be finally approved and for the auditors to give an opinion they needed further info from KD for 20/21 and 21/22. It was unlikely that the financial information would be available in time for the Board meeting in December, therefore Governors would be asked to approve the accounts subject to being able to certify that the college was a going concern in due course.</p> <p>The Audit Committee;</p> <ul style="list-style-type: none"> - Noted the draft consolidated reports and financial statements for 2019/20; - Recommended the report and financial statements to the Board for approval, subject to the going concern status and any comments raised by the F&GP Committee meeting.
<p>10</p>	<p>To consider the draft HBDC Ltd directors report and accounts for the period 1 August 2019 to 31 July 2020 for recommendation to the Board for approval</p> <p>KD provided an overview of the HBDC Ltd report and accounts for 2019/20. KD noted that Covid-19 has affected commercial work, gym and catering functions resulting in a loss of £44k rather than the small surplus anticipated.</p> <p>SI noted that the liability owed to the college had slightly increased from £343k in 2018/19 to £348k in 2019/20 and asked whether the college has clear intentions for using the subsidiary company moving forward. KD advised that the last cohort of apprentices finished in October so it would be possible to close however the intercompany balance would transfer to the College. LR said</p>

	<p>assurances would be needed in relation to going concern moving forward for this debt. It was agreed that this matter will be discussed at Finance & General Purposes Committee meeting later today.</p> <p>The Clerk advised that he would arrange a meeting of HBDCL Directors to approve the report and accounts.</p> <p>The Audit Committee;</p> <ul style="list-style-type: none"> - Noted the draft JBDL Ltd Directors Report and accounts for 2019/20; and - Recommended the report and accounts to the Board for approval, subject to the going concern status and any comments raised by the F&GP Committee meeting.
11	<p>To consider the letter of support from the College to the Company for recommendation to the Board for approval</p> <p>KD explained the letter of support required from the college to HBDL Ltd,</p> <p>The Audit Committee recommended the letter 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>LR noted that these were standard format letters, fees have already been agreed and T&C's reviewed.</p> <p>The Audit Committee recommended the letters of representation to the Board for approval.</p>
13	<p>To receive and consider any risk reports from committees</p> <p>AT noted that there were no risk report updates from Board sub-committees. SI requested a discussion in due course with committee Chairs to agree a periodic reporting process to assure the Audit Committee on the management of relevant risks by sub-committees.</p>
14	<p>To consider the audit committee's annual report for 2019/20 for recommendation to the Board for approval</p> <p>SI introduced and explained the annual report of the Audit Committee which demonstrates compliance with the terms of reference of the committee, SI thanked AT and CM for producing the report.</p> <p>The Audit Committee recommended the annual report to the Board for approval.</p>
15	<p>To consider the audit committee's self-evaluation for 2019/20 for recommendation to the Board for approval</p> <p>SI introduced the self-evaluation report. It is a requirement of the Post-16 Audit Code of Practice to consider the effectiveness of the committee and how it has fulfilled the terms of reference.</p> <p>The Audit Committee was satisfied that it had operated effectively during 2019/20.</p> <p>The Audit Committee recommended the self-assessment report to the Board for approval.</p>
16	<p>To consider and approve the Risk Register 2020/21</p> <p>KD informed that the risk register was aligned to the strategic objectives of the college. Covid-19</p>

	<p>risks were on a separate document and have now been combined into one document.</p> <p>SI asked for the positive actions taken by the College re: Covid-19 to be clearly highlighted in the risk register. SI also asked for the future actions and timescale columns to be further reviewed and populated to demonstrate the management and mitigation of risk to a minimum level.</p> <p>KD agreed to update the risk register and an updated risk register will be presented to the next Audit Committee.</p> <p>The Audit Committee;</p> <ul style="list-style-type: none"> - Noted and approved the risk register for 2020/21.
17	<p>Subcontracting controls report</p> <p>KD explained this report and certificate have not been needed in the past but is needed now for the ESFA for AEB or apprenticeships contracts in excess of £100k. KD invited SP to give an overview of the content, SP highlighted the following:</p> <ul style="list-style-type: none"> • The report provides satisfactory assurance on systems and controls in place and that the college has appropriate subcontracting arrangements in place. • Page 2 overview and page 3 summary of works • Pages 6 and 7 risk areas and audit tests • Pages 8 – 17 recommendations [5 low and 2 medium] <p>KD confirmed that all recommendations were accepted and would be implemented.</p> <p>SI said the report provided the college with robust independent assurance and thanked SP for the report and work undertaken.</p> <p>SI asked if a copy of the report was required by the ESFA, KD reported they merely wanted a copy of the certificate which has been provided.</p> <p>The Audit Committee noted the Subcontracting Controls Report.</p>
18	<p>Any other business – to approve W&B fees for review of Code of Governance</p> <p>AT updated the Audit Committee on initial feedback from W&B regarding the review of the college's self-certification against the Code of Governance which had over 100 criteria to achieve. There were only 2 recommendations raised in the report relating to training and the college website both of which are being followed up. The college expects to receive substantial assurance in the audit report.</p> <p>SI welcomed the update and noted that this is another example which demonstrates our internal belief that the College is 'outstanding' and upon receipt of the draft report this would be shared with relevant stakeholders.</p> <p>The Audit Committee retrospectively agreed the fees of £1,700 to W&B for the audit work.</p> <p>SI thanked SP for this work. AT thanked CM for her help providing information needed for the audit and for her role generally in supporting the Clerk throughout the year which had contributed greatly to the positive assurance.</p>

	<p>SI noted he looked forward to receiving the final audit report.</p> <p>SI drew the Audit Committee meeting to a close.</p>
19	<p>To note the date and time of the next meeting: Tuesday 2nd March 2021 at 5.30pm</p>
20	<p>Meeting without external advisers RSM and Wylie & Bisset left the meeting.</p> <p>SI asked members and college staff if they were satisfied with the performance of RSM as external auditors in 2019/20. KD said she was very happy with RSM who have been very supportive, whilst retaining a strong level of challenge during the audit process, for what she thinks has been one of the hardest audits. KD said she cannot fault the service and advice given by RSM who have been very responsive.</p> <p>The Audit Committee were in agreement with the satisfactory performance of RSM in 2019/20.</p>

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CHAIRMAN

Action points from the meeting on 3rd March 2020

No	Item	By Whom	By Date
6	Cost to upgrade to mobile devices to be given to Audit Committee	K Dales	Deferred deadline 2 nd March 2021

Action points from the meeting on 24th June 2020

No	Item	By Whom	By Date
7	Management plan to be prepared for apprenticeship funding assurance findings	K Dales	Deferred deadline 2 nd March 2021

Action points from the meeting on 18th November 2020

No	Item	By Whom	By Date
6	FEC recommendations and final actions to be an agenda item at the December/January Board meeting	D Hankey / A Theakston	January 2021
8	An assurance on the procurement recommendation of the RSM external audit report to be provided at the next Audit Committee meeting	K Dales	2 nd March 2021
13	SI requested a discussion with Committee Chairs to assure Audit Committee on the risks reported	SI to provide Clerk with convenient dates	In due course
16	Risk register - SI asked for the positive actions taken by the College re: Covid to be highlighted and future actions to be assigned a timescale, impact score and person responsible. An agenda item at the next Audit meeting	K Dales / A Theakston	2 nd March 2021