

# MINUTES

**Directorate:** Governance

**Minutes of:** Audit Committee

**Date:** 17 June 2020      **Time:** 09.30

**Venue:** Remote access via Zoom video-link

**Present:**

Nasim Khan (NK)	Governor (Chair)
Ketan Sheth (KS)	Governor
Tracey Critchley (TC)	Governor

**In attendance:**

Lydia Gathogo (LG)	Head of Finance
Andy Miller (AM)	Exec Director Corporate Services
Tracy Reeve (TR)	Clerk to the Corporation
Darrell De Souza (DDS)	CEO/ Group Principal
Shane Woodhatch (SW)	Group Director Finance & Resource Planning

Present for item 7:

Imtiaz Aziz (IA)	Director of Human Resources
Chris Rising (CR)	Internal Audit Director, MacIntyre Hudson LLP

## 1. Chair's Agenda Item

There was no Chair's agenda item.

## 2. Apologies for absence

There were no apologies.

## 3. Notification of any urgent items members may wish to raise under Any Other Business

There was none.

## 4. Notification of Interests Members may wish to declare relating to any item

No interests were declared.

## 5. Minutes of the meeting held on 4 March 2020

The minutes were approved as presented and signed by the Chair.

## 6. Matters arising from the minutes of the meeting held on 4 March not already on agenda

There were no matters arising that were not already covered by the agenda.

## 7. Internal Audit Report from MacIntyre Hudson LLP: Human Resources

The Internal Audit Director (CR) presented the report from MacIntyre Hudson which had been written after the recent internal audit review of key financial controls, undertaken at the beginning of March 2020. Audit Committee members were reminded that this audit had been commissioned by the College as part of the annual internal audit strategy. The remit of the audit was to provide assurance over the operation of key systems and processes within the HR department, including those for; recruitment, induction, training and appraisals, sickness Management and leavers together with the accuracy of HR records held. The audit also included a high-level review of the College's HR policies and procedures to ensure that they were compliant with current legislative requirements. The meeting noted that the overall assurance assessment was 'Adequate'. CR reminded the meeting of the detailed descriptors for each of the 4 assurance levels on page 26 of the report: substantial, adequate,

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limited and no assurance. Overall, McIntyre Hudson had found that that the College's HR policies were compliant with current legislative requirements, although the design and implementation of controls relating to HR, in respect of the audit areas detailed above, were in need of development in a number of areas in order to be fully effective. Although, there had been no significant systems weaknesses identified there were opportunities to tighten compliance to the processes and controls. The Audit noted 6 'Medium' and 1 'Low' priority findings, and 1 'Advisory' finding. These were in relation to the following aspects of HR work: Incomplete Recruitment Records; Induction Process; Induction Evaluation Forms; Training and Development Resources; Sickness Management; Leaver Process; Policies and Procedures (low priority); and one advisory finding in relation to the Leaver Acknowledgment Letter. The Chair sought additional clarity on what had stopped the audit yielding a 'substantial' assurance; CR confirmed that the numbers of medium issues identified were in relation to application of the systems in place, there were no inherent structural weaknesses. The 'adequate' grading was due to issues around compliance rather than control, the requisite systems and policies were already in place so it would not be hard for the College to move to a level which would produce 'substantial' assurance. The very detailed findings were considered by the meeting along with the detailed recommendations. The HR Director (IA) confirmed that HCUC management had accepted all the recommendations and Audit Committee members were given assurance that an action plan to implement the recommendations had already been put in place; the proposed actions and deadlines for completion were noted by the meeting. Governors sought assurance that the recommendation on induction and training would be implemented as soon as possible. IA confirmed that the move to online systems for appraisals had netted real benefits, the same would occur as CPD and training records were moved online as well as the submission of sickness data. The meeting also noted that the induction process for new starters had now moved to an online process due to the Covid-19 lockdown; this would address several of the issues raised by the audit. IA highlighted that pre-merger the two colleges had two staff members working on Training and Induction equal to 1.1 FTE, post merger this had been reduced to 0.6 FTE. The Principal highlighted the ongoing benefits of the new cross-College HR system via i-Trent; although there had been initial 'teething' problems the system was now working well under the supervision of an I-Trent specialist member of staff. The HR Director assured Audit Committee members that he was confident that the College could move to 'substantial' assurance quite quickly. IA confirmed that the timetable was for the HR Team to implement all of the recommendations by the end of October 2020 but there was a strong possibility that a delay could occur as the Covid-19 pandemic lockdown continued to impact on usual College operations. The Chair thanked the HR Director and his Team for their contribution to what was a positive report; the capacity to improve that had been identified by the audit was a good thing.

***The internal audit report on Key Financial Controls was RECEIVED and APPROVED.***

## 8. Review of previous audit recommendations

The meeting noted the detailed Register of Outstanding Audit Recommendations. This register contained recommendations from: the Funding Audit of HCUC in October 2018; the Key Financial Controls audit undertaken in February 2019; and from the internal audit of Human Resources in November 2018. SW confirmed that the recent recommendations from the March 2020 HR Audit would be added to the Register for the September 2020 meeting of the Audit Committee. Ongoing action against the higher priority recommendations not yet completed was discussed by the meeting. LG informed the meeting that progress had now been made against the recommendation in relation to Skills Scan training needs analysis at enrolment for all Apprentices; there was now a mandatory requirement for a skill scan at sign-up for all apprentices. However, two additional issues in relation to the application of the Skill Scan had now been raised; the completion date of the recommendation would be revised from February 2020 to reflect this. The Chair sought additional clarification on what progress was being made and he was given assurance that the MIS Team were working closely with the Work Based Learning Team and the Business Development Consultant to ensure full compliance was mandatory at the start of any apprenticeships.

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Head of Finance (LG), outlined progress against the outstanding recommendations in relation to the Finance Audit of February 2019. The meeting considered the recommendation in relation to dual signatories on the BACS system; LG confirmed that the College had now moved to Barclays and dual signatories were now in place or all payment batches over £1 million. Governors suggested that this figure was too high and that dual signatories should be required for payment batches in excess of £150,000. SW reminded the meeting that the system also included segregation of duties with completion and authorisation of BACs being separate however he agreed that he would amend the HCUC Finance Regulations to reflect this lower figure and take it to Resources Committee on 1 July for approval. The meeting noted the likely delay on the update of the Fixed Asset Register due to the Covid-19 College closure; although this process had been started the timetabled completion date of July 2020 was unlikely to be met. The recommendation in relation to College servers had also now been partially actioned as new servers had been installed and IT staff were in the process of migrating data to the new servers. SW informed the meeting that this was an interim measure and the SLT were currently working on an IT Strategy for the future which included reviewing the ongoing need for IT storage; SW confirmed that any new system would be modular to allow future bolt-on.

***The Register of Outstanding Audit Recommendations was NOTED.***

***GDFRP to amend HCUC Finance Regulations to include a requirement for dual signatories for payment batches in excess of £150,000 (amended from the current figure of £1,000,001). This would be taken to Resources Committee for approval.***

## 9. To receive report on any fraud/corruption issues and additional work required by auditors 2019/20

- ***Fraud***

There had been no attempted fraud or corruption issues to report.

- ***Additional work undertaken by auditors***

No additional audit work had been commissioned by HCUC during 2019/20.

***Noted***

## 10. Progress Report on Internal Audit Strategy 2019/20

The meeting noted an update on progress against the Internal Audit Plan 2019/20 which had been provided by the Group Director Finance and Resource Planning (GDFRP), Shane Woodhatch. The report confirmed that there had been no changes to the plan for the current year as originally approved by the Audit Committee at the start of the year and by the Corporation in December 2019. The meeting noted the current committed spend of circa £40,500 which was the full year budget for Internal Audit 2019/20. SW confirmed that a funding audit would definitely be undertaken in autumn 2020 as this had been unavailable in 2019. The Chair asked for the timeline for the audit strategy 2020/21 – 2022/23 to be agreed and noted that this would be brought to the September 2020 Audit Committee. Governors sought, and received, confirmation that a GDPR audit would be included in the 2020/21 internal audit plan.

***The Internal Audit Strategy update report was NOTED.***

## 11. Risk Register Update

Governors considered the Risk Register that detailed the risks mapped to the Strategic Aims and Corporate Goals of the College. The meeting discussed risks with changed risk profile and the key 'red' rated risks in more detail and the mitigating actions that had been put into place:

- 1.08 *Insufficiently qualified and equipped staff to support the delivery of study programmes and quality outcomes for learners.* (Risk score at 12 'red').

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- 1.09 Failure to recruit sufficient staff, qualified at the appropriate level. (Risk score remains at 12 'red').
- 1.13 College SAR and/ or Ofsted rating falls below Outstanding. (Risk score remains at 12 'red').
- 3.11 Underachievement of funding targets (Risk score still at 15 'red').
- 3.12 Failure to secure and respond to large levy paying employers could impact on apprenticeship income (This was a new risk with a score at 15 'red'). This risk had become ever more of a threat during Covid-19 lockdown; the college had recognised this and the Business Development Consultants (BDCs) were working hard to stay in touch with employers during lockdown and promote the HCUC offer.
- 3.20 WBL non-levy 16-18 and 19+ apprentices target not met. (Risk score now at raised back to 15 'red' from 9 'amber'). Current WBL delivery against the ESFA allocation was being closely monitored but had been severely impacted by the Covid-19 pandemic.
- 5.13 Operational impact due to Coronavirus (Covid-19). (This was a new risk added since last presented with a risk score at 12 'red'). The meeting was reminded of the measures in place and the adherence to all Public Health England and Government guidelines. The Chair sought clarification on the number of learners now accessing the site since discussions at the Corporation meeting on 5th June when the action plan for a phased return to campus had been approved by HCUC Governors. The Principal (DDS) confirmed that just less than 50 learners had been on site during the last week with circa 40 Hair and Beauty learners on site the previous day to complete practical assessments. The small on-site delivery was being well controlled and managed by HCUC staff. AM confirmed that a full risk assessment had been completed for each work area in consultation with the Head of School and the teaching staff. Learner and Staff views on the new arrangements would be sought as more people accessed the sites.

**West London Institute of Technology (IoT) Risk Register:** The meeting considered the separate Risk Register for the IoT that was also being closely monitored by the HCUC Resources Committee. SW confirmed that the capital project for the new IoT building at Uxbridge campus was still on track for timely completion within the agreed budget. The committee commended the project management skills of external consultant Robert Drury who had managed to keep the project on schedule with only two-weeks slippage despite the Covid-19 restrictions. The meeting noted that the College was currently negotiating with the DfE in relation to IoT learner number targets for 2020/21; HCUC were asking for these to be kept at 2019/20 levels to reflect the impact of Covid-19 which had delayed any IoT marketing and promotion work. In addition, the government – via Office for Students - had recently announced a numbers cap on HE recruitment for 2020/21 which would not allow the previous IoT targets to be met. **The Chair asked that the Audit Committee should formally record a minute of thanks to Robert Drury for his project management input to the IoT project.**

## 12. To confirm and agree the dates and times for the Audit Committee meetings in 2020/21

The dates and times of the meetings were agreed as follows:

- Thursday 17 September 2020 at 9.30am
- Wednesday 25 November 2020 at 9.30am (followed by a joint meeting with Resources Committee).
- Wednesday 10 March 2021 at 9.30am
- Wednesday 16 June 2021 at 9.30am

## 13. Any Other business

- **Provision of External Audit services**

SW informed the meeting that HCUC's current external audit provider, BDO LLP, had just withdrawn

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its services from the FE sector. This would mean the College would have to go out to tender for external audit provision for the 2019/20 financial statements audit. The Chair suggested that Audit Committee members should be involved in the tender exercise as with previous external audit appointments. SW highlighted the very tight timescale with new financial statements auditors having to be appointed in advance of September 2020.

***The resignation of BDO LLP was NOTED.***

There was no other business.

The Audit Committee meeting closed at 10.30am.

Signed .....

Date.....