

# MINUTES

**Directorate:** Governance

**Minutes of:** Audit Committee

**Date:** 16 June 2022      **Time:** 09.30

**Venue:** Online via MS Teams

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

**Apologies:** Steven Cochran (SC)      Governor

**In attendance:** Darrell DeSouza (DDS)      Group Principal & CEO  
Vik Patel (VP)      Head of Finance  
Tracy Reeve (TR)      Director of Governance  
Shane Woodhatch (SW)      Group Director Finance & Resource Planning

**Part:** Andy Miller (AM)      Exec Director Corporate Services (*item 6-7 only*)  
Chris Rising      McIntyre Hudson (internal auditors) (*item 7 only*)

## 1. Chair's Agenda Item

The Chair informed the meeting that he had no business to raise under the Chair's agenda item.

## 2. Apologies for absence

No apologies had been received.

## 3. Notification of any urgent items that 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

There were no declarations of interest.

## 5. Minutes of the meeting held on 10 March 2022

The minutes were approved and would be signed by the Chair.

## 6. Matters arising from the minutes of the meeting held on 10 March 2022

- **Health and Safety** (*Item 6*)

***The Director of Governance confirmed that consideration whether to nominate a 'lead governor' for H&S would be made in the autumn term when the new governors from RuTC joined the HCUC Governing Body.***

The Exec Director Corporate Services (AMi) provided the standing H&S Update Report to Audit Committee. Governors noted that the interim H&S adviser providing cover for HCUC had been more remote from his role than planned due to personal circumstances. However, progress had been made on the 'Five Next Steps' as agreed at the last Audit Committee meeting as follows:

- H&S Policy had been agreed by the Governing Body on 29 March which gave management the mandate to take forward any necessary H&S action.
- H&S Reporting: The College was now using OSHENS for H&S reporting and putting together risk

# MINUTES

assessments. Previously staff were using Smartlog as well as OSHENS and there had been a need to bring it onto one system. AMi confirmed that a workable model was now in place but it needed further development to make it more user-friendly. Governors sought, and were given confirmation, that OSHENS was industry standard.

- H&S Inspections: The meeting noted that events had overtaken this action as there had been two H&S investigations at Harrow Weald – one in construction and one in relation to a learner falling off a kerb in a wheelchair. The meeting was assured that both inspections were very positive in their findings. The College format for future inspections had now been amended and was more understandable with 21 questions in 8 sections. Progress would continue to be made.
- IOSH training: This action had not moved forward. There was now a need for this to be costed after it had been identified which member of staff needed to undertake which level of IOSH training/accreditation. AMi informed the meeting that Smartlog had a H&S module which was valid for 4 years after completion; SLT were considering using this with all staff at the next College Training Day in July.
- Risk Assessment Training: The College was trying to simplify the system by using OSHENS online and this would be continued. AMi confirmed that progress was being made; the Principal at Harrow had now moved the whole of HC to using online Risk Assessments. There had been several key events over the Jubilee Week across HCUC which had been managed well from an H&S perspective. The College was using a generic Health & Safety Authority classroom checklist but where there were specific risks identified, the Risk Assessment had to be completed by the staff within each curriculum area who had the specialist knowledge.

The meeting noted that HCUC was still struggling to recruit a permanent H&S adviser but the salary (although constrained) and Job Description had now been amended and HR were about to go back out to the market. Governors sought confirmation that the JD had not been 'dumbed down' to enable a lower salary. AMi assured the meeting that the revised JDs was less focused on a role of 'policing' H&S and more aimed at engaging College staff with the H&S culture. The CEO (DDS) confirmed that it would be important for the H&S Adviser to interact with staff but there would be an ongoing need to ensure that the appointed H&S Advisers did not get overly involved so that the H&S work became centralised and other HCUC staff felt able to offload their accountability. AMi confirmed that the qualifications and experience sought from candidates had not been reduced and that the College would be working with specialist agencies to try and maximise quality applicants. AMi informed the meeting that the reporting line for the H&S Advisers might be changed back from the Head of Estates to the Exec Director Corporate Services. The meeting was pleased to hear that senior managers were now engaged with the H&S culture and HODs were enforcing good practice in their own areas. The Apprenticeship School (TAS) had recently run a specific H&S Day which was well received.

AMi assured the meeting that although there was still work to be done the College continued to operate in a safe environment with all major risks mitigated. Governors sought further assurance on the H&S investigations that had taken place at Harrow Weald; they specifically wanted to know that lessons had been learnt and remedial actions were in place. AMi confirmed that this was the case, the report conclusion clearly identified lessons learned and practical advice which had been shared with the relevant Head of Department. AMi also highlighted the progress made with the control of contractors which had now been tightened up across all four campuses. There was now a requirement for advance notice of sub-contractors being on site, and a very strict risk assessment process which ensured that their scope of work was clearly understood by all. The Chair thanked AMi for the comprehensive update and reminded him that this would remain a standing agenda item for Audit Committee until all the recommended H&S actions were cleared.

*[AMi left the meeting.]*

There were no other matters arising that were not already on the agenda.

## ITEMS FOR APPROVAL

## 7. To receive, re-consider and approve the internal audit reports

- Key Financial Controls

The meeting considered the report from McIntyre Hudson after their recent audit of Key Financial Controls at HCUC. Director of McIntyre Hudson (CR) presented the audit report which confirmed that *'the internal controls in place with regards to the central nominal ledger, internal account reconciliations, payroll, payments, receivables, and payables were appropriately designed and operating effectively'* at HCUC. The meeting was pleased to note the audit opinion of 'substantial assurance'. CR highlighted the improvement in the controls environment which had been secured so that there had been only one low level recommendation in relation to a Purchase Order Guide. The audit report noted that there were good internal controls in place such as "segregation of duties" and "authorization level" regarding the general ledger, purchases, invoices, and payments. These preventative controls were complemented by detective controls such as: month-end account procedures, different reconciliations related to internal accounts, aged debtors and creditors, and management accounts. However, although, the College had addressed the recommendations provided by internal audit in previous reports - such as making greater use of 'global' or periodic purchase orders (PO) - more clarity concerning the usage of a single PO against different suppliers, multiple invoices and contracts should be provided.

McIntyre Hudson had also followed up on the recommendations made at the previous Key Financial Controls audit undertaken in 2020/21. They had verified the completion and effectiveness of the actions taken by management to address the underlying causes to the risks identified in the report. CR highlighted that the follow-up review had confirmed that six actions had been fully implemented and three actions were partially implemented largely due to the impact of Covid-19. Head of Finance (VP) confirmed that these three outstanding actions had been included on the Register of Outstanding Audit Recommendations since April 2021. Audit Committee members were reminded that the tagging of Fixed Assets was underway but would take time to complete. The meeting sought confirmation from management and CR as an external opinion that sufficient action was being taken to complete these three outstanding recommendations. CR confirmed that he believed that the direction of travel was going the right way and these complicated recommendations could not be completed with a quick-fix, it was more important to complete them fully and effectively to ensure long-term benefit for HCUC. CR also confirmed that, as internal auditor, he was content with the proposed completion date for the new Purchase Order Guide recommendation. The Chair (NK) pointed out an error of terminology in the audit report with Corporation Members/ Governors referred to as Board Trustees. NK also highlighted a typographical error on page 12 of the report where 'repair' was shown as 'repaid' (column 1 referencing Harrow College). **CR confirmed he would amend the report for the final file version.**

GDFRP (SW) highlighted that he was very pleased with the 'substantial assurance' within the audit report. He stressed that having good internal controls would be key for all colleges moving forward as finances within the FE sector tightened. It would allow HCUC to pick any issues up early and be proactive rather than reactive. The Governors concurred with this point and agreed that the report highlighted the good work that the Head of Finance (VP) and his team were doing. The Chair asked SW and VP to pass on the thanks of the Audit Committee to the Finance Team for the strong controls and effective work practices in place. The CEO (DDS) thanked CR for the report and sought his opinion on whether the finance systems used at HCUC were the most effective or whether HCUC could adopt anything else to enhance the current controls environment. CR confirmed that within the FE sector HCUC was fully in line with the expectation of what should be in place. The meeting agreed that due to the range of controls, complexity and size of HCUC the Key Financial Controls audit should continue to be undertaken on an annual basis.

**Subject to the amendments highlighted above the meeting NOTED and RECEIVED the Key Financial Controls audit report from McIntyre Hudson.**

*[CR left the meeting.]*

# MINUTES

- **Sub-contractor Controls Report 2020/21 and 2021/22**

Group Director Finance & Resource Planning (SW) presented the two audit reports from KPMG dated April 2022. He informed the meeting that the Director Funding and Information services (KR) was not attending the meeting as there was nothing new that had been raised by this audit. SW reminded the meeting that it was a GLA requirement for all Colleges receiving their funding to undertake a sub-contracting audit. The definition of a sub-contractor in the GLA guidance was noted as *'any legal entity that has an agreement with the provider to deliver education and training funded by the GLA'*. SW confirmed that HCUC (along with other colleges) had undertaken an audit of sub-contracting in March 2022 using the GLA auditors but after a national review it was decided that this arrangement was not sufficient or ethical and so a second review would be undertaken (at all affected colleges) by KPMG.

The meeting noted that the KPMG audit on both years' sub-contracting activity had taken place from 23-29 March 2022 and had covered seven areas:

- General subcontracting;
- Selection and procurement;
- Entering into a subcontract;
- Monitoring;
- Second level subcontracting;
- Reporting on subcontracting; and
- Fees and charges.

The meeting noted that in each year there was only one 'low' priority recommendation in relation to a formal contingency plan being in place for learners in the event that sub-contracting provision was withdrawn. SW confirmed that monthly project monitoring meetings were held with sub-contractors and if there were any issues with delivery, HCUC would pick up the provision or allocate it elsewhere. However, KPMG had recommended that the contingency plan needed to be formalised so that the process of transfer and mitigation that was in place was written down. There were no other issues raised by the audit. DDS confirmed that HCUC had very tight quality monitoring procedures in place and only worked with two sub-contractors in 2021/22 (three in 2020/21) who passed this high quality threshold. DDS highlighted that one of the current sub-contractors relied on online provision but HCUC did need to think about enhancing the mitigation and action planning for stepping in if the online platform crashed or the provider failed. DDS confirmed that SLT was looking at options to enhance HCUC online learning platforms for the college delivery as well as potentially stepping in for sub-contracted provision. The meeting noted that once the report was finalised, the College was required to complete and submit a certificate to the GLA confirming that the report identified no recommendations, or that any recommendations identified had been actioned in the form of an implementation plan with dates for completion agreed.

***The meeting NOTED and RECEIVED the Sub-Contractor Controls Report from KPMG.***

***It was AGREED that SLT should examine the options for enhancing the college online platforms for its own provision as well as providing a contingency for online sub-contracted delivery.***

The Chair highlighted that both of the presented internal audit reports – KFC and GLA - contained very few recommendations which were all low priority. Audit Committee agreed that this gave them good assurance around there being tight controls and good practice at HCUC. ***Governors commended the management team and asked SW to pass on Audit Committee thanks to KR and her team.***

## ITEMS FOR INFORMATION

### 8. Review of previous audit recommendations

The Head of Finance (VP) presented a report on progress against the previous audit recommendations.

## MINUTES



This register contained one recommendations from the Key Financial Controls audit undertaken in February 2021, one from the audit of Safeguarding also undertaken in February 2021, and three from the Funding audit in November 2021. Ongoing action against the higher priority recommendations not yet completed was discussed by the meeting.

Item 2.2 and 3.5 Fixed Assets: The meeting considered the recommendation from the February 2021 Key Financial Controls audit in relation to Fixed Assets inventory now RAG rated as 'amber'. VP confirmed that the count of assets was now underway and the IT Team were tagging assets using a robust system and clear descriptors. SW highlighted that this process would actually be ongoing so the previous completion date of August 2022 had been amended to reflect this.

Item 4.2 Effective lockdown procedure and drill: The meeting noted that Uxbridge College had not yet run a Shelter in Place drill (previously titled Lockdown Drill) and the Exec Director Corporate Services re-joined the meeting to provide an update. The meeting noted that the delay had been caused by awaiting the installation of 'Rapid Reach' software across the college. Staff had necessarily been focussed on Ofsted inspection during the spring term 2022. However Governors were informed that that IT Services had installed and tested the necessary systems over the May half-term. SLT were now considering whether it would be more productive to undertake the drills early in the new academic year rather than in the last half-term of 2021/22. AMi confirmed that training materials had gone out to staff and learners so some progress had been made. Governors asserted the importance of this 'shelter in place' drill for learners and that it should be undertaken early in the 2022/23 academic year.

***The meeting AGREED with the Chair's suggestion that it would be better to defer the drill until autumn 2022 but it would be beneficial to undertake a walk through/ talk through for staff before the end of the summer term.***

Funding Audit (November 2021):

Item 1.1 Prior attainment and NI details: The meeting noted that this recommendation was currently in progress with a revised, realistic completion date of July 2022. VP highlighted that the field for NI Number would be a mandatory field on learner records for 2022/23.

Item 1.2 ALS Funding: The meeting noted that the ALS checks had not yet commenced but initial learning support claims had been verified before going into the ILR. VP informed the meeting that this area had been suggested to be included for review on the internal audit schedule 2022/23 in order to provide full assurance for management and governors.

Item 1 Data accuracy of ILR and apprenticeship funding: The meeting noted that this recommendation was ongoing. VP confirmed that invoices for co-investment from employers had now been raised and issued for 2021/22. All other actions were on track for completion by July 2022.

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

## 9. Progress Report on Internal Audit Strategy 2021/22

The meeting noted a verbal update on progress against the Internal Audit Plan 2021/22 which had been provided by the GDFRP (SW). 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 2021. The Key Financial Controls audit and the GLA required sub-contracting audit had both now been completed (as discussed earlier in the meeting). SW highlighted the two additional audits planned for 2021/22: an audit of High Needs in June or July at an estimated cost of £7,000; and H&S within Apprenticeships in June or July at a cost of £6,000. Both of these areas had been a focus for Ofsted and were in the post-Ofsted action plan. These two final audit reports for 2021/22 would be brought to the next meeting of the Audit Committee in September 2022.

SW confirmed that there was now only approximately £4,400 headroom against the £58,600 annual budget for internal audit work 2021/22. The Audit Chair commended the work to ensure that the whole

# MINUTES

internal audit budget for 2021/22 was spent.

The meeting discussed whether there was a need to go out to tender for the external audit provider at HCUC. It was noted that this was not necessary at the current time but the Chair asserted the need for the College to make sure that the relationship between management and auditors never became too comfortable. The meeting was reminded that specialist companies were used for internal audit on a call-off basis so there was no internal audit contract.

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

## 10. Receive report on fraud/corruption issues and additional work required by auditors 2020/21

### • ***Fraud***

SW confirmed that there had been no attempted fraud or corruption issues that management were aware of to report since the last audit Committee meeting (10 March 2022). The meeting sought an update on whether charges had been pressed against the member of staff who took away some obsolete iMacs from Uxbridge College (reported to Audit Committee in March 2022). SW reminded the meeting that the individual had left HCUC immediately and confirmed that no further action had been taken by management. Governors (KS) sought clarity on why the College did not press charges against the individual. SW highlighted that the person had resigned immediately, the goods were returned (and subsequently scrapped as planned) and there had been no material loss to the College. The meeting agreed that this course of action made sense.

### • ***Additional work undertaken by auditors***

No additional audit work had been commissioned by HCUC during 2021/22.

***Noted***

## 11. To receive the Risk Register update

The meeting received the HCUC Risk Register that detailed the risks mapped to the Strategic Aims and Corporate Goals of the College. SW also presented a new executive summary which highlighted the 'mission-critical' red rated risks which were unlikely to ever secure a lower RAG rating. 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 unchanged at 12 'red').
- 1.09 *Failure to recruit sufficient staff, qualified at the appropriate level.* (Risk score still at 12 'red'). The meeting was reminded of the ongoing project work looking at innovative ways to recruit for hard to fill vacancies as discussed at the Governors' Strategy Day in October 2021 and regularly at Resources Committee. Initiatives being considered included paying premium salaries as 'golden handcuffs' and to meet industry rates. However, parity with other College roles needed to be considered.
- 1.12 *Project Work fails to prepare the College for T levels, CDF and the Transition Fund.* (Risk remains at 15 'red')
- 1.14 *College fails to retain Highly Trusted Status (HTS) for international students (Risk score reduced from 12 'red' to 10 'amber').* It was confirmed that although HTS had been secured for the current year this would continue to be monitored as a high-risk area.
- 2.05 *Inflexible delivery models for Apprenticeships could restrict growth* (Risk score remains at 12 'red'). DDS reminded the meeting that the SLT were currently developing a five-year strategy to develop plans for growth in Work Based Learning (WBL), Institute of Technology provision, and commercial income. This had been discussed in detail at the Governors' Strategy Day in April 2022.

# MINUTES

- 3.02 Insufficient enrolment on employability pathways for adult unemployed learners will reduce spend of ESFA contract. (Risk score remains at 12 'red').
- 3.11 Underachievement of funding targets (Risk score still at 15 'red'). The need to meet learner number targets for 2022/23 would remain a focus for the SLT and all staff during the last half of the summer term. This was also a key factor in the combined financial plan for HCUC and Richmond Upon Thames College as discussed at the merger Joint Steering Group. SW reminded the meeting that the decrease in the 16-18 funding allocation from the ESFA for 2022/23 was a loss of £2.4m (equivalent to 300 learners). SLT were mindful of the need to get enrolment levels back to pre-Covid numbers for the September 2022 enrolment.
- 3.12 Failure to secure and respond to large levy paying employers could impact on apprenticeship income (Risk score remains at 15 'red'). The College's Business Development Consultants (BDCs) had worked hard to stay in touch with employers during the Covid-19 business disruption and this area was now picking up post pandemic.
- 3.19 16-18 and 19+ mainstream recruitment target not met, leading to a reduction in funding in current and future years. (Risk score remains at 12 'red').
- 3.20 WBL non-levy 16-18 and 19+ apprentices target not met. (Risk score still at raised level of 15 'red'). Current WBL delivery against the ESFA allocation was being closely monitored but had been severely impacted by the Covid-19 pandemic.
- 4.05 Failure to achieve IoT targets (Significant red risk with a score of 12.) The ongoing dialogue with the DfE around targets continued.
- 5.11 Compliance with GDPR and other data related regulation (Risk score remains at 15 'red'). As previously discussed by Governors at Corporation and Strategy days the SLT were still working to improve current HCUC practice on the destruction of obsolete data in a timely manner. The meeting was assured that progress was being made but the risk score had not yet been reduced in order to maintain focus. The ongoing work to strengthen IT security was also noted.
- 5.12 College loses IT capability and/ or data following a cyber-attack. (Risk score remains at 12 'red'). This risk was very real despite IT Services using up to date security software and policies.

The meeting commended the new Executive Summary which enabled Audit Committee to clearly focus on 'red' risks rated 12 and above and gave governors a clear view on what were the 'mission-critical' risks. SW informed the meeting that as he was now also seconded over to RuTC to provide the finance lead pre-merger he would look at their Risk Management process and review it against HCUC's very robust system.

**The HCUC Risk Register was NOTED and RECEIVED.**

## 12. Revised Post-16 Audit Code of Practice

The Director of Governance (TR) presented the revised Post-16 Audit Code of Practice 2021/22. This was revised each year and issued as guidance for colleges on the assurance and accountability requirements for post-16 providers including FE colleges. TR confirmed that she would review the Audit Committee Terms of Reference and work schedule to ensure that HCUC was still fully compliant but there appeared to be no amendment required.

**NOTED**

## 13. To confirm and agree the dates and times for the meetings in 2022/23

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

- Thursday 22 September 2022 at 9.30am

# MINUTES



- Wednesday 23 November 2022 (joint meeting with Resources Committee)
- Thursday 9 March 2023 at 9.30am
- Thursday 15 June 2023 at 9.30am

#### 14. Any Other business

There was no other business.

The meeting closed at 10.50.

Signed ..... *Nasim Khan (Chair)*

Date.....

