

MINUTES

Directorate:	Governance	
Minutes of:	Audit Committee	
Date:	16 September 2021	Time: 9.30
Venue:	Executive Meeting room, Uxbridge Campus	
Present:	Nasim Khan (NK)	Governor (<i>Chair</i>)
	Tracey Critchley (TC)	Governor
	Ketan Sheth (KS)	Governor
Apologies:	Steven Cochran	Governor
In attendance:	Glen Bott * (GB)	Cooper Parry Group Ltd. (External Auditors) <i>(Items 1-6 and 11 only)</i>
	Darrell DeSouza (DDS)	CEO/ Principal
	Andy Miller	Executive Director Corporate Services
	Vikash Patel (VP)	Head of Finance
	Tracy Reeve (TR)	Clerk to the Corporation
	Shane Woodhatch (SW)	Group Director Finance & Resource Planning
	<i>(* Remote attendance via MS Teams)</i>	

1. Chair's Agenda Item

There was no specific Chair's Agenda item.

2. Apologies for absence

Apologies had been received from Steve Cochran.

The Chair (NK) welcomed Glen Bott (GB) from Cooper Parry Group Ltd who would be acting as external auditors for HCUC financial statements 2020/21. The meeting agreed to take the external audit item (agenda item 11) at the start of the meeting as GB had another commitment.

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

There were no items notified.

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

There were no interests declared.

5. Minutes of the meeting held on 16 June 2021

The minutes were approved by the meeting and signed by the Chair.

6. Matters arising from the minutes of the meeting, 16 June 2021, not on the agenda

The Chair sought confirmation that the planned Funding audit of HCUC and Richmond Upon Thames (RuTC) learner number records had taken place as planned during the summer term. SW confirmed that the Funding audit of the ILR had now taken place at both colleges and the reports were expected to be received by 17 September 2021.

The funding audit reports would be presented to both colleges audit committees to aid transparency; it was AGREED that a joint meeting should be set up to enable KPMG to present their findings to both of the Audit Committees at the same time.

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

[Glen Bott presented agenda item 11 – see minutes on page 7 and then left the meeting.]

7. Internal Audit Report: Health & Safety Audit

The meeting noted the internal audit report from SQR Group Ltd, who had visited HCUC to undertake the biennial Health and Safety (H&S) Audit in June 2021. SQR had used the AoC template to review H&S compliance at HCUC as with previous H&S audits. However, the meeting noted that the overall score for HCUC at 209 points was only a 'Meets requirements' grade when it had always previously been 'Exceeds requirements'. The Exec Director Corporate Services (AMi) highlighted the poor standard of English used in the report and informed governors that there were several anomalies within it in terms of scoring and the narrative comments. AMi informed the meeting that HCUC had struggled to find a company who would come on site to undertake the H&S audit and SQR had been the only available option. The auditor was a small independent H&S specialist and the College had not contracted with SQR Ltd before. AMi reminded the meeting that the longstanding H&S Officer left the College at the end of 2020/21 and his replacement would join HCUC in October 2021. In the meantime, the deputy H&S Officer had stepped into the role on an interim basis, but he was also leaving HCUC. AMi assured the meeting that he would be securing cover for the two-week period in advance of the designate taking up the H&S Officer role.

The meeting discussed the audit report from SQR Ltd and considered the areas of H&S where full compliance had been graded as 'No' and recommendations had been made:

- Q6 Control of Substances Hazardous to Health (COSHH): the recommendation to enhance COSHH paperwork had been accepted by management and a new software package was being investigated.
- Q9 Lesson Observation issues addressed: and
- Q34 Investigation of accidents: AMi informed the meeting that the auditor from SQR had reviewed the Oshens system but did not look at Safesmart even though he was directed to do so. The 'No' classification for both questions was unfounded.
- Q14 Regular consultation with employees on H&S: This was marked as 'No' for compliance, but the grading was '3: mainly meets requirements'. AMi assured the meeting that managers across HCUC regularly reviewed H&S performance, the Heads of School discussed at meetings with the Assistant Principals and then it went to SLT. Governors noted that the College was now putting in a system of H&S champions within schools to embed awareness and action at a lower level. AMi also assured the meeting that H&S was discussed regularly with the Trade Unions and at Staff Focus Groups. The meeting was informed that the College H&S Committee would now look more closely at Staff Wellbeing as directed by recent Health & Safety Executive (HSE) guidance.
- Q17 SFA pre-tender questionnaires vetted by H&S staff: AMi confirmed that this 'No' classification was accurate and that a revised process had now been put in place to remedy this.
- Q21 All Staff expected to carry out risk assessments trained and competent: AMi highlighted that he was disappointed in this 'No' response. The commentary was not correct as there were an additional three members of the College Estates Team who were fully trained in this area. The HSE guidance was to appoint at least one competent person and HSE supplied a template for the training. Again, this question was marked as 'No' but graded as 3 'mainly meets requirements'. AMi gave the meeting full assurance that the College was fully compliant in the area of Risk Assessments. The Staff Governor (TC) also highlighted that all HCUC staff were expected to do online H&S training which covered risk assessments.
- Q26 Emergency evacuation plan and PEEPs: AMi confirmed that although graded as 'Yes' the reference to some fire doors opening the wrong way – they opened against the flow of traffic not against – had been accepted. The meeting was assured that this had already been corrected.
- Q28 Storage of flammable liquids: The meeting noted that there had been one incidence within Engineering at Uxbridge College where cleaning fluid was not in a locked cupboard.

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- Q36 and Q39 Risk Assessments carried out and reviewed: The meeting was pleased to note the reference to high quality risk assessments but AMi confirmed that the H&S Team needed better attention to detail as there were some out of date Risk Assessments left on the system when updates had been undertaken. This was noted as a 'Housekeeping' issue.
- Q52 H&S Inspection Walkabouts: AMi also highlighted this question which was graded as Yes to compliance. The suggestion was that the H&S Team should document their regular Safety Walkabouts as Safety Inspection Tours; management fully accepted this recommendation. **Governors suggested that a governor or a member of one of the Stakeholder & Scrutiny Committees could be invited to accompany H&S staff on a Safety Inspection Tour.**

Governors asked management why they had not received the report in draft and then made comments so that the inaccuracies could be corrected. AMi confirmed that this had been done but although some amendments were made several inaccuracies remained. For example, there were four staff at HCUC who held the IoS qualification which had been missed from the report. As the final grade was 'Met Requirements' the College had not pursued the inaccuracies. The CEO suggested that these factual inaccuracies – e.g. number of staff H&S qualified and the lack of scrutiny of the Safesmart system – should be corrected as a matter of record even if the final score was unchanged. The meeting also commented on the format of the audit report where recommendations to take forward were not clearly visible. The Clerk highlighted, and AMi confirmed that as in previous years when the AoC audit template had been used, the College H&S Team would include all recommendations from the audit in the College H&S Action Plan.

The Chair sought confirmation from management that they were comfortable with the outcome from this audit. AMi informed the meeting that he had been concerned that with the recent focus on the Covid-19 pandemic and people away from college buildings for a long time there might be a detrimental impact on H&S. However, the pandemic had made people more aware of the importance of H&S and so it had been a real focus during the last half of the 2020/21 academic year. The meeting was also informed that College Maintenance Staff had undertaken a lot of statutory checks and maintained the usual schedule through the Covid lockdown. The H&S Officer had maintained scrutiny that these had taken place. Staff Governor (TC) confirmed that as a member of staff she had felt more presence from College H&S staff during the last year than ever before, so she was surprised at the negative comments.

The Chair asserted that although the final H&S audit report was satisfactory, the auditor was clearly unsatisfactory. He asserted the need for the College to source a better auditor when the next biennial report was due. Governors sought clarity on the cost of the audit and the Clerk confirmed that it had cost £2,800. The CEO (DDS) reaffirmed his concern about the inaccuracies as this document was in the public domain. Safeguarding and H&S was very high on the HCUC agenda and SLT were very mindful of a pending Ofsted inspection. DDS suggested that a management response to this audit report should be produced to give full assurance to the Audit Committee on any possible vulnerabilities.

The Audit Committee AGREED that it should be formally recorded that they were disappointed with the standard of this H&S audit report from SQR Ltd and could not endorse all the findings while the inaccuracies remained.

It was AGREED that:

- i) SLT should produce a formal rebuttal/ assurance response to this H&S audit report to give Governors full assurance that any negative findings were not material or key to college operations. (This assurance document to be circulated to Audit Committee members in advance of the next AC meeting.)***
- ii) The College should source a more professional and competent H&S auditor for the next biennial audit of H&S (included in the 2022/23 internal audit plan).***

iii) SLT to consider whether lessons needed to be learnt regarding initial briefing and communications with auditors.

8. Preparation of Audit Committee Annual Report 2020/21

The Clerk (TR) presented the first draft of the Annual Report 2020/21 of the HCUC Audit Committee. TR confirmed that the report as presented met all the requirements of the Post-16 Audit Code of Practice (March 2021) and reminded the meeting of the importance of the Annual Audit Committee Report within the Board Assurance framework; it provided assurance to the whole Corporation alongside the College Financial Statements. The meeting noted that the statements around the external auditors' opinions would be confirmed after the audit of the HCUC Financial Statements 2020/21 was completed. TR confirmed that she had reflected the actions taken around risk assessment and the Covid-19 pandemic. The Annual Report also reflected the work undertaken during the year in relation to the proposed merger with Richmond Upon Thames College (RuTC). The GDFRP (SW) suggested that the sub-contracting audit which was taking place during the current week should also be added to the report. This had been a late addition to the audit schedule due to the increased reliance on sub-contractors for delivery; this was now over £100,000 of provision.

The draft HCUC Audit Committee Annual Report 2020/21 was APPROVED subject to:

- **confirmation on the 2020/21 financial statements audit.**
- **an addition in relation to the audit of Sub-Contracted provision (September 2021).**

The final Audit Committee Annual Report 2020/21 would be presented for approval at the next Audit Committee, (24/11/2021) before submission to the Governing Body in December 2021.

9. Key Performance Indicators for auditors 2020/21

SW presented the draft performance indicators (KPIs) for 2020/21 for External and Internal Auditors. The external auditors would be judged against the same criteria as used in the prior year based on four elements: Audit arrangements; Conduct of the audit; Professionalism of the audit; and five general indicators covering the working relationship between auditors and College, whether auditors regularly updated College management on sector changes and the availability of auditors throughout the year in response to ad-hoc changes. As several specialists commissioned as required by the College had provided the internal audit provision at HCUC during 2020/21 the College managers who had interacted with the auditors would provide feedback on performance of each of the specialists. College management using subjective factors such as timeliness and the usefulness of the recommendations would also assess 'Value for money' of the individual specialist provision. The meeting noted and agreed that the external auditors, Cooper Parry, would be asked to self-assess against the KPIs in advance of the next Audit Committee meeting. The Clerk confirmed that after the assessment had been agreed by Audit Committee in November 2021, the final completed KPIs would also be sent to the ESFA as an Annex to the Colleges' Audit Committee Annual Report 2020/21.

The meeting noted the additional questions added for 2020/21 in relation to additional audit fees (Q2) and the ease of access to the remote audit portal (Q4). The wording of Q11 had also been amended to include a reference to 'understanding of clients issues and priorities'; SW highlighted that the College needed the external auditors to understand the pressures and priorities to help with forward planning around risks. **KS suggested that Q18 on external audit schedule and Q25 on the internal audit KPIs schedule should be amended to refer to 'timely' update rather than 'regular' update.** VP assured the meeting that the College received ongoing bulletins from Cooper Parry on what was happening in the FE Sector during the year.

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The Chair sought additional confirmation from the GDFRP (SW) and the Head of Finance (VP) around the proposed remote external audit now that Cooper Parry had left the meeting. SW informed the meeting that this remote protocol now seemed the normal way of working for internal and external audits. SW informed the meeting that he would feel less comfortable if Cooper Parry were new auditors who did not know the College but this was not the case. VP also informed the meeting that he had used the new software package Inflow for the upload of audit information in a previous job and it was a good system which was easy to use. The Chair suggested that there might be a reduction in audit fees moving forward if this remote way of working persisted across the sector.

The meeting APPROVED the KPIs for Internal and External Auditors with the suggested amendment to Q18 and Q25 ('timely' replacing 'regular').

It was AGREED that the External Auditors (Cooper Parry) would complete a self-assessment based on the KPIs for 2020/21.

10. **HCUC Annual Risk Management Report 2020/21 for recommendation to Corporation**

The GDFRP (SW) presented the draft annual report of the HCUC Risk Management Group for the period 1 August 2020 to 31 July 2021. The meeting was reminded that the Risk Management Group comprised the Senior Leadership Team, however, the Strategy and its implementation were set and reviewed by the Governing Body. The Audit Committee noted Appendix 1 to the report, which detailed the risks with scores of 12 and above ('significant') at the start of the year, against the end of year score and an explanation. There were seven significant risks at the start of the year, which remained unchanged throughout the year. There were no new risks introduced and six risks where the score increased to significant by the end of the year. The twelve significant risks at the year-end for 2020/21 were:

- Insufficiently qualified and equipped staff to support the delivery of study programmes and quality outcomes for learners (*risk score at 12 throughout the year*).
- Failure to recruit sufficient staff, qualified at the appropriate level (*risk score at 12 throughout the year*).
- Project work fails to prepare the College for T levels, CDF and Transition programme (*risk score raised from 10 to 15 during 2020/21*).
- Inflexible delivery models for Apprenticeship delivery could restrict growth (*risk score raised from 10 to 12 during 2020/21*).
- Insufficient enrolment on employability pathways for adult unemployed learners with reduced delivery against ESFA contract (*risk score raised from 6 to 12 during 2020/21*).
- Underachievement of funding targets (*remained at 15 during the year*).
- Failure to secure and respond to large levy paying employers to deliver apprenticeships could impact on income (*remained at 15 during the year*).
- WBL non levy 16-18 and 19+ apprentices target not met including in-year variation, and cross-year spends, in addition to unknown allocations beyond March 2019 (*remained at 15 during the year*).
- Failure to achieve IoT targets (*risk score raised from 10 to 12 during 2020/21*).
- Compliance with GDPR and other data related regulation (*risk score raised from 8 to 15 during 2020/21*).
- The College loses IT capability and/ or data following a cyber-attack (*risk score raised from 8 to 15 during 2020/21*).
- Operational impact due to coronavirus, Covid-19 (*risk score remained at 12 throughout the year*).

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The Chair sought and was given confirmation from the CEO/ Principal (DDS) that the key risks contained in the report were correct. The meeting sought confirmation from the CEO on how comfortable the SLT were with the numbers of risks at a high score of 12 or above and asked for some clarity on the timeframe for reducing the risk scores to amber or green. DDS highlighted that even though risks had diminished in some areas it would not be safe to remove the red flag e.g. in relation to Covid-19 where HCUC needed to ensure that the College operations met all evolving Public Health England and government guidelines. A similar scenario applied to the risk in relation to Cyber security; although College systems and process had been made much more secure the external threat was still strong. The Clerk highlighted the nature of the Risk Register where there were a number of risks over which the College could exert little control although mitigation to limit impact could be put in place. Some of these 'red risks' would - and should - never be down-graded as they allowed the SLT and Governors to focus attention on the high risk areas associated with the achievement of the HCUC Corporate Goals.

The meeting discussed the risk in relation to 'failure to recruit sufficient suitable qualified staff' in more detail. SW confirmed that the College had now put in place a working group to specifically look at the 'hard to fill' curriculum areas and develop some new and innovative practice. This risk would be downgraded to amber if SLT felt that the new HR Strategies were making real progress. The CEO (DDS) suggested that the commentary on each risk might need to be more nuanced e.g. the specialist element teaching in Engineering was proving particularly problematic but progress had been made in other areas. DDS also informed the meeting that additional work was now being targeted at the Apprenticeship delivery model where the SLT were producing a five-year strategy for the delivery of Work based learning (WBL). The Chair supported the concept of a more nuanced commentary and asked for a realistic timescale for progress to be added wherever possible as this would allow the Audit Committee to appreciate the SLT aspiration to a direction of movement.

The meeting was reminded that since 2016/17 and ongoing through to 2020/21 there had been no specific audit of risk management within the internal audit programme at HCUC. Instead, the work of specialist auditors in the year had concentrated on areas of high priority detailed in the risk register. In addition, each risk on the Risk Register was assigned to a Corporation sub-committee. The relevant contingency and significant risks had been reviewed at each sub-committee meeting in 20120/21 as standard agenda items, with an overview remaining with the Audit Committee. At each Governing Body meeting, officers presented Directorate reports, referencing the major risks. The Principal confirmed that the Risk Register was working well as a live document. It showed 'Red Amber Green (RAG)' rated risks aligned to the Corporate Goals and was embedded throughout HCUC at all levels of management. The report confirmed that each school and service area had reviewed their risk register as part of their development plan. The review of the College Risk Register continued to be a standing item on the agenda for each of the schools and service areas reviewed at the Senior Management Team meetings, and individual risks were monitored on an ongoing basis in the context of updates to the operational plan and corporate goals.

The Audit Committee were given assurance that the Risk Management Group was satisfied that there was a formal ongoing process for identifying, evaluating and managing the College's significant and contingency risks.

The Risk Management Report 2020/21 was APPROVED for submission to the Corporation (in December 2021) subject to confirmation of the compliance with Corporate Governance requirements; to come from the external audit of the financial statements for 2020/21.

The meeting AGREED that:

- i) a more nuanced commentary should be added to the significant risks on the Risk Register and on Appendix 1 to the Risk Management Report***
- ii) a realistic timescale for progress to be added wherever possible against the red risks.***

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11. To receive the audit plan for 2020/21 from the external auditors, Cooper Parry

[This report was taken at the start of the meeting.]

Glen Bott (GB), who would be the HCUC Audit Director for Cooper Parry Group Ltd, presented the report outlining the audit plan for the external audit of HCUC for the year ending 31 July 2021. The meeting noted that the scope of the work would include an audit opinion on the financial statements as well as a regularity audit for year-end 31 July 2021. GB confirmed that the Cooper Parry audit team had already met the Group Director Finance & Resources Planning (SW) and the Head of Finance (VP) for the audit planning meeting. This meeting had included agreement on the timeline and process as well as discussion around any likely risks that might affect the year-end position. The meeting noted the Executive Summary of the Audit Plan and the five key 'generic' risks that had been identified: income recognition; going concern; management override of controls; related party transactions; and retirement benefits. The meeting considered each of these risks in more detail:

- Income recognition: This work to confirming accuracy of income was crucial as College income was the main driver of the financial statements
- Going concern: GB highlighted that the audit opinion in the financial statements had to relate to the financial viability of FE Colleges 12 month after the date of signing. Although this was not an issues for HCUC the meeting noted that the area of 'going concern' continued to be a key issue across the Further Education sector.
- Management override of control: In order to provide full assurance Cooper Parry would need to undertake some detailed work to test systems and controls and look at any activity outside those systems e.g. accounting journals.
- Related party transactions: There was a need for clear disclosure around this important issue.
- Retirement benefits (LGPS): As part of the audit process Cooper Parry would review the actuarial assumptions used in the College deficit calculation and benchmark these against other schools and colleges. GB reminded the meeting that the notes on this issue were always one of the most detailed in the accounts. The GDFRP (SW) confirmed that the FRS102 reports had already been provided for Cooper Parry so that they could test the actuarial assumptions in advance of the onsite audit. SW highlighted the importance of this work in relation to the proposed merger with Richmond Upon Thames College (RuTC) and ongoing affordability.

The meeting noted a detailed summary of the audit approach, which would be used during the external audit and Governors were given assurance that it was in line with the prior years' audit activity and all regulatory requirements. GB highlighted the reference to the delayed merger with RuTC on page 3 of the HCUC Audit Plan; the meeting was assured that any new merger date would be included in the financial statements to comply with all necessary disclosures. The meeting also noted the statement from Cooper Parry confirming their independence as auditors. The Audit Committee noted that their work to audit the Teachers' Pension Scheme for the College had no impact on independence.

The timetable for the external audit was noted with the two-weeks fieldwork commencing on 18 October and the audit clearance meeting on a date to be confirmed in November 2021. GB informed the meeting that this 'fieldwork' would be undertaken mostly on a remote basis. Presentation of the final accounts to the Audit Committee and the Resources Committee would be on 24 November 2021 before they were taken to Corporation for approval on 7 December 2021. SW reminded the meeting that the deadline for submission to the ESFA was 31 December 2021. The meeting noted that the level of materiality was not yet confirmed but would be based on a percentage of income in line with previous years. The Chair sought clarity on the level of materiality to be used within the audit; GB confirmed that the FE sector norm was to use 1.5-2% of income; the exact level would be calculated once the draft accounts and trial balance was finalised. The level of triviality would then be set at 5% of materiality; anything below this level would not be included in the Financial Statements. GB confirmed that anything between the two levels would be included in the Cooper Parry Management

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Audit report to the Audit Committee. SW highlighted that as in prior years this would result in a wide with the top end (materiality) circa £500,000 and the level of triviality set at circa £25,000.

The audit fees of £33,500 plus VAT were noted as covering the Financial Statements and Regularity audit (this was a £750 increase – 2% - on the prior year fee). The fee for the mandatory audit of the Teachers' Pension Scheme Certificate would be £795 plus VAT. GB highlighted the reference on page 7 of the Audit Plan to how Colleges could avoid any additional costs; Cooper Parry would not expect there to be any additional costs at HCUC as planning was good and the prior year audit had gone very smoothly.

The meeting thanked GB for the very clear audit plan which they had found easy to follow. Governors (KS) sought clarity on why Cooper Parry was undertaking the audit remotely for a second year now that Covid-19 restrictions had been lifted. GB informed the meeting that Cooper Parry had been undertaking remote audits within the FE for the last three years. A lot of the College paperwork was held via electronic records and upload to the remote audit portal was easy for College staff. GB assured the meeting that in some Colleges where the Finance Team were not set up as well for online submission the audit team would physically go onsite, however this was not necessary at HCUC. Audit Committee members were assured that the Cooper Parry audit team would do one or two days on site at the College to get a better feel for how the College's systems and controls were working. It was also noted that the audit planning meeting had been on-site at HCUC, and this had included a tour of the college for the auditors. The meeting was assured that the GDFRP and the Head of Finance were both happy with the proposed remote audit. GB reaffirmed that if there was any instance where it would be easier for Cooper Parry to be on site then they would come into HCUC. The meeting sought additional clarity on what had been the biggest challenge in the prior year with regard to accessibility of information. GB informed the meeting that in the prior year the transfer of audit information had been executed using MS Teams/ Sharepoint which was not as seamless as a specialist portal. Cooper Parry had now implemented a new system for audit information upload called Inflow, this was more user friendly and easier for the College and the auditors to track the information provided. The other factor which was more complicated remotely was noted as the physical verification against the Fixed Assets register but this was not insurmountable and would be considered in advance of the audit start date.

The CEO sought confirmation on the Office for Students (OfS) threshold for declaration of reportable events and SW confirmed that this would be based on the OfS guidelines which would be used by external auditors.

The External Audit Plan for the 2020/21 HCUC financial statements was NOTED and APPROVED.

12. To receive and approve the Internal Audit Strategy 2021/22-2022/23 for recommendation to the Governing Body

The GDFRP introduced a paper detailing the updated internal audit strategy and the annual plan for 2021/22. Governors were reminded of the requirements and obligations placed upon the Audit Committee and the Corporation under the overarching statutory documents of FE colleges. The importance of the challenge and scrutiny role of the Audit Committee and Governors was noted and agreed. The meeting discussed the historic internal audit strategy of appointing specialist firms and agreed that it had worked well over the last few years. College management assured Audit Committee members that these 'specialist' internal audits had provided a better level of assurance for Governors and College management as the audits had been more rigorous. The specialist audits had usually been undertaken by firms who had a very thorough understanding of their audit areas; the recent disappointing audit report from SQR Ltd was unusual. These audits provided useful recommendations for continuous improvement and better 'value for money' in terms of impact, than the anecdotal experience of employing one firm of internal auditors only. After discussion, the meeting agreed that the 'specialist call-off' approach should continue into 2021/22 for HCUC but

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there was an enhanced need for the specialist auditors to be selected carefully and after a recommendation wherever possible.

The meeting noted the key areas of concern after a review of the HCUC risk register for 2021/22 and in discussion with HCUC senior managers. ***The meeting noted a summary of internal audits undertaken in 2020/21 and the Clerk highlighted an error – Human Resources had been audited in 2019/20 not 2020/21. This would be amended before submission to the Governing Body meeting on 22 September.*** Areas planned for inclusion in the internal audit plan 2021/22 were noted as: Key Financial Controls; Payroll; Funding compliance; Human Resources; Estates (compliance with statutory requirements); IT systems maintenance; compliance with GDPR legislation; and Apprenticeships. The meeting was concerned that this was a lot of internal audit work to be undertaken in one year but agreed that it was important to catch up on some slippage due to the Covid-19 lockdowns. SW confirmed that as the audits were spread across different areas of the College the workload would not be too onerous. After further discussion the meeting agreed that all of these key audits should remain on the strategy for the year but they should be spread out throughout the whole 2020/21 academic year to aid staff and to ensure that there was no overload of Internal Audit Reports at any Audit Committee meetings.

The meeting APPROVED the HCUC Internal Audit Plan 2021/22 as presented with the caveat that the large number of internal audit reviews should be spread evenly across the academic year.

13. Review of previous audit recommendations

The Head of Finance (VP) presented a report on progress against the previous audit recommendations. The Chair reminded the meeting that the Audit Committee had considered this list in some detail at the last meeting which he believed had been very useful.

Item 2.2 Fixed Assets: The meeting considered the recommendation from the February 2021 Key Financial Controls audit in relation to Fixed Assets (disposal and inventory) which was still flagged as 'red' outstanding on the Recommendations Log. The meeting was reminded that the completion date for this item had now been revised to March 2022 (from December 2021). VP confirmed that the count of assets was now underway – staff were coming in at 7.30am to get this work done in advance of classes starting. The Finance and IT Team were hoping to get additional resources to expedite the progress. VP also confirmed that IT had started the required inventory of disposals. As discussed at the previous meeting the Audit Committee had accepted the later date in 2022 for 'completion' as they were assured that the IT team at HCUC was making progress.

Item 2.3 Accounting Policies and Procedures: The meeting noted that work was ongoing towards the production of a Finance Manual and the recommendation was on track for completion by the due date of December 2021. VP informed the meeting that manuals with screen shots were already in place to detail some procedures particularly around the finance system Aptos. The meeting also noted that before recently leaving HCUC, the Finance Manager had produced procedure manuals for everything that she did in her role. Governors commended the progress made. ***The Chair highlighted a typo in the narrative relating to this recommendation, 'Check O Procedure'; this was an unwanted 'bullet-point' which VP would remove in future versions of the report.***

Item 2.4 Fraud Risk Assessment: VP confirmed that a new Fraud Risk assessment document had been created using the HCUC Risk Register format. The SLT had used the July 2021 Whole College Training Day to complete and score this new document which would be updated on a bi-annual basis (August and February).

Item 3.1 System Access: The meeting noted the recommendation for segregation of duties around setting up new users on the Finance system was now complete. The Applications Support Analyst at the College had now taken on this process.

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Item 4.2 Effective lockdown procedure and drill: The meeting noted that this had not been done during 2020/21 as it went against the guidelines for social distancing. The meeting was assured that the Exec Director Corporate Services was planning a lockdown drill for the autumn 2021 term. Governors were informed that a new alarm system called 'Rapid-Reach' had been implemented at Uxbridge Campus over the summer. Plans for the Hayes campus would follow to meet the completion target date of February 2022.

The Audit Recommendations report was NOTED.

14. To receive an update on the Risk Register

The meeting received the HCUC Risk Register that had been updated by the Executive Team, through a review of the 2019/20 and 2020/21 corporate goals, and projects coming on stream throughout the year. 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').
- 1.12 Project Work fails to prepare the College for T levels, CDF and the Transition Fund. (Risk remains at 15 'red')
- 2.05 Inflexible delivery models for Apprenticeships could restrict growth (Risk score remains at 12 'red'). As mentioned earlier in the meeting DDS confirmed 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.
- 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'). SW highlighted the bid for in-year growth funding that the College would be permitted to submit to the ESFA if the enrolment 2021/22 was above the allocation.
- 3.12 Failure to secure and respond to large levy paying employers could impact on apprenticeship income (Risk introduced in June 2020 and still had a risk 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) had worked hard to stay in touch with employers during the Covid-19 business disruption.
- 3.19 16-18 and 19+ mainstream recruitment target not met, leading to a reduction in funding in current and future years. (Risk score raised from 10 'amber' to 12 'red'). DDS confirmed that enrolment was ongoing with daily updates and ongoing review by the SLT. The ESFA target had now been met by the College portfolio target which allowed a buffer for withdrawals was yet to be met. The Chair sought, and was given, confirmation that the target achieved was higher than the prior year figure. Governors were reminded that the target enrolment for 2021/22 was 5,728 compared to the number enrolled in the prior year of 5,702; neither of these figures were near the prior figure enrolled of more than 5,900. SW reminded the meeting that the business case for in-growth funding submitted to the ESFA had been approved in principle for a minimum of 89 learners and maximum 266 learners. These additional learner numbers would generate funding of £440,000 to £1.4m if achieved. The meeting noted that local schools had once again benefitted from the in-year grade inflation of GCSEs and A Levels and were retaining some additional learners which would influence HCUC's enrolment. The CEO (DDS) highlighted the additional impact of changes to funding rules affecting 19+ AEB funding; the requirement to have been UK domiciled for a three-year period was being challenged as discriminatory by the AoC.

The Chair sought confirmation on how confident SLT were that the portfolio target would be met. DDS confirmed that it would be a 'tall ask' but curriculum and learner support staff were working as tightly as possible to ensure that withdrawals within the initial 6-week period were kept to a

MINUTES



minimum. There was now a much more proactive process in place to manage withdrawals with tight reviews with all learners at the three-week and six-week point. Anecdotal evidence was suggesting that the last year had produced a varied experience for learners, some had very clear gaps in learning and overall, there was a raised incidence of anxiety and mental health declarations from learners. The College was welcoming late learners through an extended enrolment and induction period which might pick up learners who initially stayed on at school but discovered it was not right for them.

- 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.)
- 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.
- 5.13 Operational impact due to Coronavirus (Covid-19). (This new risk added in March 2020 was still deemed as a risk score of 12 'red'). The meeting was reminded of the measures in place and the ongoing adherence to all Public Health England and Government guidelines.

The HCUC Risk Register was NOTED and RECEIVED.

15. **To receive report on any fraud/corruption issues and additional work required by auditors year-to-date 2021/22**

- **Fraud**

SW informed the Audit Committee that there had been no attempted fraud or corruption issues to report in the year-to-date 2021/22 (since 1 August 2021).

However, the meeting was updated on a recent internal fraud occurring in 2020/21 which had only come to light since the last Fraud Report to the Audit Committee meeting (16 June 2021). This internal fraud was only discovered at the end of the summer term and had also been reported to the Resources Committee on 15 September 2021. The internal fraud involving misuse of College property had taken place in the Motor Vehicle department where a car belonging to HCUC had been sold for personal gain. Other property had also been misappropriated and used for personal gain. SW confirmed that there had been two staff members involved who had both now left HCUC; a college investigation was currently underway and SLT would review the outcome of this to decide whether to press criminal charges. The Chair sought confirmation on whether the College had experienced an actual financial loss from this incident. SW confirmed that although the car had been donated to HCUC, the staff member had made a financial gain by selling it. In addition, HCUC had borne the cost of replacing the other property that had been taken including car batteries and a catalytic convertor. SW confirmed that the Finance Team were working to quantify the total financial loss before a decision on whether to prosecute the individuals was taken.

NOTED

- **Additional work undertaken by auditors**

There had been no additional work undertaken by auditors.

NOTED

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16. To confirm and agree the dates and times of meetings for 2021/22

The dates and times of the meetings noted as follows:

- Wednesday 24 November 2021 at 9.30am
- Thursday 10 March 2022 at 9.30am
- Thursday 16 June 2022 at 9.30am

NOTED

17. Feedback to Governing Body Meeting 22 September 2021

It was agreed that the following items would be given as feedback to the next Corporation meeting:

- Internal Audit Strategy 2021/22: the meeting received confirmation of the ongoing benefit of sourcing specialist auditors for different internal audits e.g. safeguarding, health and safety. This strategy provided value for money and produced a more rigorous audit with more valuable recommendations for ongoing improvement. The internal audit plan for 2021/22 was busier than usual due to delays in audits during Covid-19 closure but there was little scope to defer any of the planned work.
- External Audit: The meeting received an outline of the planned timetable from Cooper Parry, the college's external auditors. The audit of the financial statements 2020/21 would commence on 18 October 2021.

18. Any other business

There was no other business. The meeting closed at 11.10am.

Signed.....

Date.....