

# MINUTES

**Directorate:** Governance

**Minutes of:** Audit Committee

**Date:** 20 September 2018      **Time:** 9.30

**Venue:** Executive Meeting Room, Uxbridge Campus

**Present:**

Tracey Critchley (TC)	Staff Governor
Mike Cox (MCx)	Governor (Chair)
Nasim Khan (NK)	Governor

**Apologies:**

Ketan Sheth (KS)	Governor
Sara Sands (SS)	Group Director of Finance and Resource Planning

**In attendance:**

Vikash Patel (VP)	Head of Finance (outgoing)
Jayesh Patel (JP)	Head of Finance (incoming)
Tracy Reeve (TR)	Clerk to the Corporation
Nick Simkins (NS)	Moore Stephens LLP (external audit)
Laraine Smith (LS)	CEO/ Principal
<i>Agenda Item 12 only</i> { Andrew Miller (AM)	Executive Director of Corporate Services
{ Len Scott (LSc)	Health and Safety Advisor

1. **Chair's Agenda Item**

There was no specific Chair's Agenda item to be raised.

2. **Apologies for absence**

Apologies had been received from Ketan Sheth and from Sara Sands. The Chair welcomed Jay Patel (JP) to his first meeting since his appointment as Head of Finance for HCUC.

3. **Notification of any urgent items 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 27 June 2018**

The minutes were approved and signed by the Chair.

6. **Matters arising from the minutes of the meeting, 27 June 2018, not on the agenda**

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

7. **Preparation of Audit Committee Annual Report 2017/18**

The Clerk (TR) presented the first draft of the Annual Report 2017/18 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 2018). **TR highlighted that the first line of the report would be amended to reflect this new audit code (delete the reference to JACOP).** Governors were reminded of the importance of the Annual Audit Committee Report within the Board Assurance framework as it provided assurance to the whole Corporation alongside the College Financial Statements. The meeting noted that the statements around the external auditors' opinions would

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be confirmed after the audit of Financial Statements 2017/18 was completed for each of the two colleges. LS highlighted that a funding assurance audit would be undertaken by KPMG for both colleges for the final 2017/18 ILR. The Chair suggested that the report should make it explicit that the process in relation to auditors KPIs was for the external auditors to self-assess and then Audit Committee to challenge or verify those judgements.

**The draft HCUC Audit Committee Annual Reports 2017/18 was APPROVED subject to:**

- **confirmation on the financial statements audit;**
- **the amendment with reference to the post-16 ACOP; and**
- **an addition regarding the challenge of Audit Committee to the self-assessment of auditors against the Key Performance Indicators.**

**The final report would be presented for approval at the next Audit Committee, (28/11/18)**

#### 8. Key Performance Indicators for auditors 2017/18

VP presented the draft performance indicators (KPIs) for 2017/18 for External and Internal Auditors. The external auditors would be judged against the same criteria as used in the prior year at Uxbridge College 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 the internal audit provision at HCUC during 2017/18 had been provided by a number of specialists commissioned as required by the College, feedback on performance of each of the specialists would be sought from the College managers who had interacted with the auditors. The 'value for money' of the individual specialist provision would also be assessed by College management using subjective factors such as timeliness and the usefulness of the recommendations. The meeting noted and agreed that the external auditors, Moore Stephens, would be asked to self-assess against the KPIs in advance of the next Audit Committee meeting. The Clerk confirmed that the final completed KPIs would be sent to the ESFA as an Annex to the Colleges' Audit Committee Annual Report.

**The KPIs for Internal and External Auditors were APPROVED as presented.**

**It was AGREED that the External Auditors (Moore Stephens) would complete a self-assessment based on the KPIs for 2017/18.**

#### 9. HCUC Annual Risk Management Report 2017/18 for recommendation to Corporation

In the absence of the GDFRP, Head of Finance (VP) presented the draft annual report of the HCUC Risk Management Group for the period 1 August 2017 to 31 July 2018.

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. During the 2017/18 year, the College had operated 3 risk registers – one each for Harrow and Uxbridge, and one associated with the post merger action plan, in place for one year only. Audit Committee noted Appendix 1 to the report, which detailed for each College, the risks with scores of 12 and above ('significant') at the start of the year, against the end of year score and an explanation. Also considered were the risks where the scores increased to significant by the end of the year. At Uxbridge: of the six significant risks at the start of the year, two reduced to a rating of Contingency, and four remained the same. A further three risks increased to significant. At Harrow: The four significant risks at the start of the year remained unchanged throughout the year. A further two contingency risks increased to significant and one new risk was introduced. The meeting discussed the risks at each of the Colleges which had moved to significant during the year and the mitigating actions that had been put in place across the two colleges as a response to these increased risks:

- Uxbridge College:
  - Poor learner opinion of experience at College. Moved from 10 (amber) to 12 (red)

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- Work Based Learning overall success rates. Moved from 4 (green) to 12 (red).
- Poor learner behaviour leads to higher withdrawal and lower retention. Moved from 10 (amber) to 15 (red).
- Harrow College:
  - Failure to recruit sufficient staff qualified at the appropriate level. Moved from 8 (green) to 15 (red).
  - WBL performance falls below minimum levels of performance impacting funding contract. Moved from 8 (green) to 12 (red).
  - Failure to recruit 16-18 enrolment and AEB income targets. New risk scored at 15 (red).

The CEO/ Principal reaffirmed the considerable work being undertaken on managing learner behaviour at UC; this would be a focus at the whole college training day in July. There would also be a very strong message at enrolment for students that poor behaviour – off campus as well as on – would not be tolerated and would lead to students being withdrawn. The impact of social media in drawing more learners into fights and incidents was noted; LS highlighted that further briefing on this issue would be brought to the Corporation meeting on 25<sup>th</sup> September 2018.

Up until 2015/16, the Internal Auditors at Uxbridge College carried out reviews of risk management and governance, along with a number of other areas, and gave the College substantial assurance that the controls, upon which the organisation relied to manage this area, were suitably designed, and consistently applied and effective. The meeting was reminded that during 2017/18 there had been no specific audit of risk management; the work of specialist auditors in the year had concentrated on areas of high priority detailed in the risk register. For the individual College registers, each risk was assigned to a Committee, with relevant contingency and significant risks reviewed at each Governing Body subcommittee meeting 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 showing 'RAG' rated risks aligned to the Corporate Goals and was fully embedded at all level through the College. 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 Leadership Team meetings, and individual risks were monitored regularly in the context of updates to the operational plan and corporate goals. During 2017/18, the risk register for the Post Merger Action Plan had been reviewed fortnightly by the College's Executive Team and presented to each meeting of the Governing Body, in conjunction with the Post Merger Action Plan. Governors were reminded that the Chief Executive and the Vice Chair of the Corporation had also reviewed the Post Merger Action Plan and Risk Register with the CEO on a regular basis during the first year post-merger.

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 2017/18 was APPROVED for submission to the Corporation - December 2018 – subject to confirmation of the compliance with Corporate Governance requirements (to come from the external audit of the financial statements for 2017/18).***

10. **To receive the audit plan for 2017/18 from the external auditors, Moore Stephens LLP**

Nick Simkins presented the report which outlined the audit plan for the external audit of HCUC for the year ending 31 July 2018. 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 2018. The meeting noted a detailed summary of the audit approach that would be used during the external audit and Governors were assured that it was in line with the prior years' audit activity. NS informed governors that the audit team had been into the College in August to meet with the GDFRP and Head of Finance to talk through the process and any likely risks that might affect the

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year-end position. The significant audit risks identified were noted as: revenue recognition; defined benefit pension scheme; management override of controls; and merger between Uxbridge and Harrow. Other areas of audit focus would centre on regularity compliance and Key Areas of Judgement. NS informed the meeting that the audit after the first year post-merger was likely to produce a number of process recommendations; some of the systems had not been in place across HCUC for the full year and this may complicate the work. Another level of complication could be caused by the changes within the College Finance Team. The Audit Committee Members were made aware of a couple of possible issues in relation to the prior year reserves at Harrow College which would need to be adjusted. This involved the I&E reserves and the pension reserve and was a figure circa £2m. The Chair sought, and was given, confirmation that this adjustment within reserves would have no impact on the I&E. Governors sought further assurances around this £2m adjustment and asked whether it was an 'accounting' issue or a real issue for HCUC finances. NS confirmed that it was a technical accounting issue and that the £2m was in the wrong place on the balance sheet; Moore Stephens would look at the issue in more detail to determine whether a prior year adjustment would be necessary.

NS confirmed that they would not place reliance on any financial testing undertaken by internal auditors during 2017/18 but it would be taken into account. The timetable for the external audit was noted with the field work commencing on 8<sup>th</sup> October for 10 days; it was noted that VP (as outgoing Head of Finance) would be coming back to HCUC to liaise with auditors during this fieldwork. Presentation of the final accounts to the Audit Committee and the Resources Committee would be on 28<sup>th</sup> November 2018 before they were taken to Corporation for approval on 11<sup>th</sup> December 2018. The meeting discussed the change with regard to access to the College's financial information for the audit; NS confirmed that it would be uploaded onto a secure portal to allow interrogation of the whole ledger. This new approach was to meet GDPR guidelines. The Chair sought, and was given, assurance that auditors did not have access to the live ledger but rather to a back-up ledger. The fees of £32,750 plus VAT were noted as being in-line with the tender submission from Moore Stephens in June 2018.

***The external audit plans for the 2017/18 financial statements were NOTED and APPROVED.***

**11. To receive and approve the Internal Audit Strategy 2018/19-2019/20 for recommendation to the Governing Body**

In the absence of the GDFRP the CEO introduced a paper detailing the updated internal audit strategy and the annual plan for 2018/19. 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 agreed that the internal audit strategy of appointing specialist firms had worked well over the last few years. These 'specialist' internal audits had provided a good level of assurance for Governors and had provided value for money. The meeting agreed that this approach should continue into 2018/19 for HCUC.

The meeting noted the key areas of concern raised by a review of both colleges risk registers for 2018/19 and in discussion with College senior managers. Areas planned for inclusion in the internal audit plan 2018/19 were noted as: Key Financial Controls (including the new payroll system); Compliance with the new GDPR legislation; and Apprenticeships (including all elements of funding, levy and non-levy). Governors noted that £38,000 had been included in the HCUC College budget for 2018/19 to allow for the internal audit work and any additional ad hoc audits. It was agreed that there may be some additional internal audit work that was required as part of the post-merger process. The CEO/ Principal reminded the meeting that the College would also commission a funding audit to cover the whole of HCUC's ILR. The Chair sought clarification on why there were only 3 areas for review rather than the usual 4. LS informed the meeting that the SLT believed that the 'planned' audit of Human Resources should be deferred until early in 2019/20 in order to give them time to resolve the systems and policies across HCUC. The

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meeting was reminded that the College now had more than 700 employees and the HR function was much more complicated. **Governors asked that the Exec Director Corporate Services should attend the November 2018 Audit Committee meeting to present an action plan for the HR Department in 2018/19 so that they would be ready for an audit in early 2019/20.**

The outline proposal for 2019/20 internal audit work was noted as: Safeguarding and Prevent; Health and Safety; Key Financial Controls; funding compliance; and Human Resources.

**The Internal Audit Plan 2018/19 was APPROVED as presented. It would be RECOMMENDED to the Corporation for approval in September 2018.**

## 12. To receive and approve the Report from the Health and Safety (H&S) Audit, July 2018

The Director of Corporate Services (AM) and the Health and Safety Manager (LSc) joined the meeting to present the report on the audit of Health and Safety undertaken in July 2018 across HCUC by AEGIS Safety Consultants.

The meeting was reminded that for the last 4 years UC had undertaken an audit of Health & Safety using an external specialist on a biennial basis; it was last commissioned in 2016. The audit of Health and Safety was requested to cover Harrow and Uxbridge in line with the requirements of the College Health & Safety Policy. As in previous years, the Health and Safety audit measured the conformance to the requirements identified in the Association of Colleges Health & Safety Checklist. The 2018 audit was the first since the merger of Harrow & Uxbridge Colleges in 2017 and Governors were informed that this had a bearing on the outcome of the audit. The meeting noted that whilst the requirements of a health and safety management system were common to each College, different systems had been developed over the years to achieve compliance. Some progress has been made during the first year post-merger towards the integration of H&S procedures and arrangements across HCUC but the audit report highlighted where further progress was required. Governors were assured that management had accepted that this must be a priority for the merged Colleges.

The meeting noted the two constraints placed on the effectiveness of the audit undertaken at Harrow College: only 2 members of staff were available for interview at Harrow College; and Health & Safety documentation at Harrow College, (including policies, risk assessments, audits, inspections etc.), were unavailable for review following the audit. These were stored on the College intranet but due to the reconstruction of the website, it was not possible to establish if these documents were of the required standard to achieve compliance. Significant efforts were made by staff at both Harrow and Uxbridge to locate the information required by the auditor but this was unsuccessful. As a result, a number of sections within the audit report scored a 3 (mainly meets requirements) when it would be expected that a 4 (meets requirements) would be achievable. Despite this, the overall score achieved for 2018 – 232 'exceeds requirements' - was identical to that achieved by Uxbridge College in 2016 and the Audit Committee was assured to hear that no non-conformances were identified. With the introduction of integrated policies for HCUC and the successful rebuild of the Harrow website, which had provided access to the missing H&S documentation, an improvement in health and safety management was anticipated. Governors sought, and received confirmation that the audit results at Harrow College could be relied upon as the external specialist had some historical knowledge of Harrow College. LSc confirmed that the 'missing' risk-assessments had been successfully located post-audit. The recommendations were noted by the meeting and management commended them as a useful tool to drive forward further improvements to H&S across the whole HCUC group. Governors sought additional clarity around the issues with the HC intranet site and asked whether a single HCUC intranet would be developed. The Exec Director Corporate Services confirmed that this would be the long term aim but in the meantime all staff had access to the HCUC policies through the Staff Handbook.

Governors sought additional detail on how policies had been treated post-merger and were given assurance that the over-arching H&S Policy had been redrafted for HCUC immediately post-merger. Some of the more specialised H&S Policies were currently being reviewed and redrafted

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to reflect an HCUC approach; these included First Aid Policy and POWER (Provision and Use of Work Equipment Regulations).

The Principal reminded the meeting that the key policies for action had been identified by the Post Merger Action Plan which was monitored by the Corporation. The Exec Director of Corporate Services was in close liaison with the CEO to ensure all policies were now being actioned across HCUC. The key suite of policies now being rolled out across HCUC were those in relation to Human Resources; LS informed the meeting that the aim was to have one set of all the HR Policies for HCUC by the end of the current academic year. There were 30 HR policies for review via the Senior Leadership Team in order to meet the 31 July 2019 deadline.

The meeting commended the overall result of 'exceeds requirements'; VP confirmed that the 27 H&S recommendations had been added to the log of internal audit recommendations.

***The Health and Safety Audit Report from AEGIS was NOTED and RECEIVED.***

### 13. Review of previous audit recommendations

The Head of Finance (VP) presented a report on progress against the recent audit recommendations. The meeting was reminded that there had been no external audit recommendations for the last 3 years. The meeting noted the remaining recommendations from the Funding Audit of Harrow (HC) and Uxbridge Colleges (UC) in autumn 2017. Eight of these were due for completion by July 2018 but the workload in MIS to implement the new cross-college systems had delayed confirmation of their clearance. ***The Chair asked that the Head of MIS should attend a future Audit Committee meeting in 2018/19 to give Governors an update on the progress made in this important area.*** Governors noted that the 9 outstanding recommendations from the recent Safeguarding audit were still ongoing.

The Head of Finance (VP) informed the meeting that the Key Financial Controls Audit Report from TIAA for 2017/18 had now been received and the College had been graded as 'substantial assurance'. ***The Chair asked that the KFC Audit Report be circulated to audit committee members.*** Governors sought, and were given, confirmation that a new internal audit company would be undertaking the Key Financial Controls audit in 2018/19. ***[VP to tell the Chair and NS, as external auditor the name of the new internal audit company providing this audit service for HCUC.]***

***The report was NOTED.***

### 14. To receive an update on the Risk Register

The meeting was reminded that the College was now working with one combined risk register across HCUC. Since the last Audit Committee review, this had been updated by the Executive Team, through a review of the 2017/18 and 2018/19 corporate goals, and projects coming on stream throughout the year. The meeting discussed the following key risks in more detail and the mitigating actions that had been put into place:

- 1.09 Failure to recruit sufficient staff, qualified at the appropriate level. (Risk score raised from 8 'green' to 12 'red').
- 1.13 College SAR and/ or Ofsted rating falls below Outstanding. (Risk score raised from 10 'amber' to 12 'red').
- 1.16 Poor learner opinion of experience at College. (Risk score decreased from 12 'red' to 10 'amber'). Recent learner surveys showed improvement on prior year satisfaction levels.
- 1.18 WBL Overall success rates compromised and fall below the national average. (Risk score reduced from 12 'red' to 10 'amber').
- 3.04 Inadequate budgetary controls (Risk score raised from 5 'green' to 15 'red'). This reflected the staff changes which would happen within the Finance Team and the need for ongoing robust procedures. The Chair sought, and was given assurance that robust controls were in place but was informed that the major increased risk was in relation to commercial income

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targets not being met. **After discussion it was suggested that this risk needed to be split into two separate items: one procedural around budgetary controls; and the other in relation to the achievement of the strategic targets.**

- 3.11 Underachievement of funding targets (Risk score still at 15 'red'). Until the 6-week census point was reached there could be no certainty around this.
- 3.14 Management Information – finance, funding, HR (Risk score raised from 5 to 15). Consistent procedures across HCUC now in place. New composite HCUC systems still relatively new (e.g. HR system) so risk deemed as high.
- 3.15 Capital projects completed on time, in budget, with good governance and sufficient grant funding. (Risk score raised from 5 'green' to 10 'amber').
- 3.20 WBL non-levy 16-18 and 19+ apprentices target not met. (Risk score still at 15 'red'). Governors were given assurance that current delivery against the ESFA allocation was still being closely monitored.

**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 2018/19**

- **Fraud**

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

- **Additional work undertaken by auditors**

There had been no additional work undertaken by auditors.

**Noted**

16. **To confirm and agree the dates and times of meetings for 2018/19**

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

- Wednesday 28 November 2018 at 9.30am
- Wednesday 6 March 2019 at 9.30am
- Wednesday 26 June 2019 at 9.30am

17. **Any other business**

- **Enrolment Update 2018/19**

Governors sought an update on student numbers from the recent/ ongoing enrolment for 2018/19. LS informed the meeting that UC were very close to their internal target for 16-18 learners. The meeting was reminded that the internal targets were higher than the ESFA target to allow for withdrawals during the first 6 weeks of term before the ILR census date on 12<sup>th</sup> October 2018. Harrow College were 60/70 learners below the target but were still enrolling and would have a Saturday enrolment on 23<sup>rd</sup> September.

Although the SLT were reasonably confident about the enrolment numbers the 6-week withdrawal level was still unpredictable. However, the aim of management was for the additional 8% buffer built into the internal targets to protect the College against any loss of funding in future years. It was noted that the position would be more stable by the middle of October when an update would be brought to the Governors' Training Day on 17<sup>th</sup> October 2018.

**NOTED**

- **Electronic Papers**

NS asked that he be sent the Audit Committee papers via e-mail once they were published on the Board Intelligence (BI) portal in advance of the next meeting; Moore Stephens did not have access to the papers via BI.

**The Clerk to circulate electronic papers to NS in advance of future Audit Committee meetings.**

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- **Appointment of new Group Director Finance and Resource Planning**

Governors sought confirmation on whether an appointment had been made following the selection days on 18<sup>th</sup> and 19<sup>th</sup> September 2018. LS confirmed that an appointment had been agreed by the Remuneration Committee on 18<sup>th</sup> September but this would need to be ratified by the Corporation at the next meeting on 25<sup>th</sup> September 2018; it was confidential until agreed and approved. Governors sought, and were given, assurance that the aim was for there to be a period of handover with the new appointee before Sara Sands left HCUC on 7<sup>th</sup> December 2018. LS confirmed that the intention was for the new appointee to attend the next Audit Committee meeting on 28<sup>th</sup> November 2018.

**NOTED**

- **Outgoing Head of Finance**

The meeting wished VP well and thanked him for his contribution to HCUC and Audit Committee in his role as Head of Finance and for his previous service at Uxbridge College; it was confirmed that he would be leaving HCUC on Friday 21<sup>st</sup> September to take up his new role.

**NOTED**

There was no other business. The meeting closed at 10.45am.

Signed.....

Date.....