

MINUTES

Directorate: Governance

Minutes of: Audit Committee

Date: 28 February 2018 **Time:** 09.30

Venue: Executive Meeting Room, Uxbridge Campus

Present: Nasim Khan (NK) Governor (Acting Chair)
Tracey Critchley (TC) Governor

Apologies: Mike Cox (MC) Governor (Chair)
Ketan Sheth (KS) Governor
Laraine Smith (LS) Group Principal & CEO
Steve Lake (SL) TIAA Ltd (*internal auditors*)

In attendance: Vikash Patel (VP) Head of Finance
Tracy Reeve (TR) Clerk to the Corporation
Nick Simkins (NS) Moore Stephens LLP (*external auditors Uxbridge College*)
Sara Sands (SS) Group Director Finance & Resource Planning

1. Chair's Agenda Item

There was no Chair's agenda item.

2. Apologies for absence

Apologies had been received from Mike Cox, Laraine Smith and Steve Lake.

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

There was none.

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

No interests were declared.

5. Minutes of the meeting held on 29 November 2017

The minutes were approved and signed by the Acting Chair; the Clerk confirmed that they had already been cleared in draft format by Audit Committee Chair Mike Cox.

6. Matters arising from the minutes of the meeting held on 29 November 2017 not already on agenda

There were no matters arising that were not already covered by the agenda. GDFRP (SS) confirmed that the Financial Statements for both of the colleges had been submitted to the ESFA and published as required.

7. Internal Audit Report, TIAA: Key Financial Controls

In the absence of a representative of TIAA being at the meeting, Governors received a verbal report from the Group Director Finance and Resource Planning (GDFRP). SS informed the meeting that the visit report from TIAA from their review of Key Financial Controls week commencing 8th January was not yet available. The meeting noted that one auditor from TIAA

MINUTES

had covered both Colleges during this week but had then gone off on sick leave and returned to the HCUC audit on 22nd January. SS informed the meeting that there had been no debrief meeting with the auditor at the end of the fieldwork and the auditor had not been very communicative with HCUC finance staff whilst on-site; he had not sought clarification or additional evidence where he had identified any potential issues. It was noted that SL of TIAA had apologised to SS on 8th February for the disjointed audit and a draft report had been issued on 13th February which gave an opinion of 'reasonable assurance'. The meeting noted that the draft report contained some issues which had been identified during the audit – leading to recommendations - but these would have been resolved during the onsite work if the auditor had spoken to the Finance Team. The meeting noted that the GDFRP had been seeking resolution with SL of TIAA but this had not yet been achieved; she had refused the suggestion of a verbal report to the Audit Committee. The Acting Chair sought clarity around the agreed timescales for the audit and the final report and was informed that although there was no specific 'service level agreement' written into the contract with TIAA, it would be expected that the report was completed and finalised in time for the March 2018 Audit Committee meeting. Members were given assurance that the KFC visit report would be resolved as soon as possible and would be brought to the next Audit Committee meeting in June 2018. The Acting Chair sought confirmation from SS and VP on what management action would be taken on the recommendations; it was noted that several of the recommendations would fall away when Harrow College came onto the same finance system as Uxbridge within the next couple of months. The meeting was given assurance that management would address any legitimate issues raised by the audit as a matter of priority.

The verbal report was NOTED.

It was AGREED that the Internal Audit visit report on KFC would be circulated to Audit Committee members as soon as it was finalised (in advance of the next Audit Committee meeting).

8. Progress Report on Internal Audit Strategy

The meeting noted an update on progress against the Internal Audit Plan 2017/18 which had been provided by the Group Director Finance and Resource Planning (GDFRP). 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 2017. The meeting noted that, as previously discussed, the individual internal audit budgets of the two Colleges had been amalgamated for 2017/18, with no savings anticipated for the first year of operation post-merger. As both Colleges engaged with TIAA for internal audit in 2016/17 it had been agreed that this engagement was continued for a further year for specialist audits such as Key Finance Controls. SS confirmed that all internal audits during the year would encompass work in both Colleges. Areas included in the internal audit plan 2017/18 were noted as: Key Financial Controls (including the new payroll system); Funding compliance (including compliance with requirements of the study programme; Safeguarding (last completed in January 2016); and Health and Safety (last completed June 2016). The meeting was reminded that a budget of £55,220 (£26,820 from Harrow and £28,400 from Uxbridge) had been included 2017/18 to allow for the planned audits and any ad hoc audits which might be required post-merger; to date £30,548 had been spent. The Acting Chair sought confirmation on whether the total budget would be spent and SS confirmed that an element – yet to be confirmed – would be spent on a specialist consultant who was working with the College to ensure compliance with the new General Data Protection Regulation which would come into force on 25th May 2018. Governors challenged on when the cost of audit would come down to less than the combined two-college total post-merger. SS confirmed that the cost would be reduced in 2018/19 when both colleges were on the same finance system; this would not be back to half the combined cost but was likely to be circa 1.5 times the prior budget for Uxbridge College. The meeting discussed the possible synergies within auditing the centralised functions such as Corporate Services but members were reminded that many department e.g. IT would be located in both Colleges for the foreseeable future. SS

MINUTES

confirmed that the increased scale across HCUC should drive savings within the current tender process for catering, M&E, cleaning and audit fees. Audit Committee members confirmed that cost savings should remain an aim post-merger.

The meeting noted an update on progress to date: Key Financial Controls audit by TIAA had been undertaken in January 2018 as previously discussed by the meeting; the audit of Safeguarding and Prevent by sector specialist Dr Dan Grant would take place week commencing 19th March 2018; Health and Safety would be audited by a H&S specialist from Middlesex University in summer term (June 2018 to be confirmed); and the Funding compliance audit in both colleges would take place in autumn term (October 2018 date to be confirmed). The meeting was reminded that the Funding Audit for the ILR 2016/17 had taken place in autumn term 2017 and had been discussed in detail at the November 2017 Audit Committee meeting.

The report was NOTED.

9. Review of previous audit recommendations

The Head of Finance (VP) presented a report on progress against the one Internal Audit recommendation (in relation to verification of fixed assets) carried forward from Uxbridge College. There were also 5 new recommendations included which had not yet been agreed by HCUC management after the TIAA audit of Key Financial Controls in (KFC) January 2018. It was noted that several of these recommendations would be resolved when Harrow College was transferred onto the Aptos financial system. The meeting was assured that all of the 2018 KFC recommendations were due to be completed by July 2018. The meeting noted the large number of recommendations which had been added to the report after the Funding Audit of Harrow (HC) and Uxbridge Colleges (UC) in autumn 2017: 2 'low' priority were in relation to UC and the remaining 25 – 12 high, 8 medium and 5 low priority – were in relation to HC. Members were pleased to see that 15 of these recommendations had already been completed and work was underway to address the remainder. Audit Committee members sought clarity on what was different with the controls process at Harrow College that had allowed the funding issues to occur. SS explained that the MIS Team at Harrow College was structured very differently from the team at Uxbridge College; there were less specific job roles and demarcation of duties. The Harrow College system had relied on more delegation so the central control around the funding and learner data had been lost. Although the rigorous central control was necessary it was noted that this did mean slower timescales for implementing changes; this was noted as an unavoidable side-effect but the HCUC Director of Funding and Information Services (KR) was working to minimise this. The meeting noted that when both Colleges were on the same software system a lot of issues would be resolved; this was confirmed as from April 2018. Governors sought confirmation that the April 2018 deadline for the MIS system integration was realistic and achievable; SS agreed to confirm this with KR. Governors asserted the need to have a realistic deadline for completion of this work rather than an overly-optimistic timeframe. The meeting sought clarity around the 'drop-dead' date for this system integration in order to facilitate enrolment 2018; this was confirmed as May 2018. SS confirmed that a lot of work was also being undertaken on the course-file and associated teaching hours across the whole of HCUC to facilitate detailed curriculum planning for 2017/18.

The report was NOTED.

It was AGREED that:

- i. the recent recommendations from TIAA on KFC should be flagged as 'not yet agreed' on the list of recommendations.***
- ii. GDFRP should confirm with the Director of Funding and Information Services that the April 2018 deadline for the integration of the ILR systems across HCUC was realistic.***

MINUTES

10. To receive report on any fraud/corruption issues and additional work required by auditors 2017/18

- **Fraud**

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

- **Additional work undertaken by auditors**

SS informed the meeting that Moore Stephens had been engaged to complete an information audit with the aim of drawing up an information register for HCUC. Members noted that this was required to assist the College in understanding and meeting its obligations relating to the General Data Protection Regulation (GDPR), which would come into effect from 25th May 2018. The meeting noted that the cost of this work was £5,400 (including VAT) and was being led at HCUC by Andy Miller (AM), Executive Director Resources. The meeting noted that the information register audit work had started on 27th February 2018 (not 27th March as stated in the written report); auditors were talking to a number of departments across HCUC to establish what data was currently held. SS confirmed that AM would be acting as the Data Protection Officer (DPO) for HCUC.

Noted

11. Risk Register Update

The GDFRP reported on the Risk Register which detailed the risks mapped to the Strategic Aims of the College. The meeting noted the two separate College Risk Registers which were both now in the format previously used by Uxbridge College: these had the risks aligned to the Corporate Goals of each college. SS confirmed that both of these Risk Registers would continue to be monitored via the individual sub-Committees as well as by the Audit Committee. The Risk Register aligned to the Post Merger Action Plan (PMAP) was also considered; the risks on this were aligned to the PMAP rather than the corporate goals. The meeting noted that one Risk Register for HCUC would be drafted once the HCUC Strategic Plan was agreed later in the spring term. The meeting considered the three Risk Registers and noted that they showed significant and contingency risk only. Governors were given assurance that these Risk Registers were reviewed regularly through HCUC Senior Leadership Team (SLT) and Executive team meetings.

The meeting considered the summary report which highlighted the key risks for the Audit Committee members.

Harrow College and Uxbridge College Risk Registers

The meeting noted that the significant risks (rated 12 and above) in both Colleges all related to difficulties with staff recruitment and achievement of funding:

- Insufficiently qualified and equipped staff to support the delivery of study programmes and quality outcomes for learners
 - Problem areas noted as: Harrow, Health & Social Care and LLDD; Uxbridge, Business, Health and Social Care, Engineering (ME), Learning Support
- Failure to recruit 16-18 enrolment and AEB income targets.
 - Recruitment to date was noted as:
 - Harrow
 - 16-18 learner numbers actual 1848 v target 1960
 - 19+ funding target £4,334,000: shortfall of £832,000 anticipated
 - Uxbridge
 - 16-18 learner numbers actual 4098 v target 4068

MINUTES

- 19+ funding target £2,842,000: shortfall of £200,000 anticipated
- WBL 16-18 and 19+ apprentices target not met including in-year variation
 - May – December shortfalls now confirmed
- Underachievement of funding targets – as above
- An additional risk in Harrow related to apprentices: Apprenticeship (WBL) performance falls below Minimum Standards (MS) impacting funding contract.
- An additional 3 risks were significant at Uxbridge:
 - WBL Overall Success rates compromised and fall below the respective National Average (NA) or provider national average (PNA) threatening college reputation and ability to secure future funding. The meeting noted that this was specifically in relation to success rates for plumbing apprenticeships which as a worst case would be below the national average.
 - International income fails to meet financial targets due to unforeseen events; shortfall was now only £22,000.
 - Poor learner behaviour leads to higher withdrawal and lower retention. This risk score has increased from 10 to 12 due to an increase in disciplinaries in 2017/18 against the same date in 2016/17. Audit Committee members asserted that an increase in disciplinaries should not always be seen as negative as it demonstrated that the College was taking action against poor behaviour.

Post-Merger Action Plan (PMAP)

The meeting noted the 6 significant risks associated with the PMAP Risk Register. These were noted as being in relation to the following: Pay assimilation of Harrow staff onto HCUC pay-scales; Review of the staff profile to align with HCUC requirements; Determine and implement most appropriate MIS systems for HCUC; Determine an agreed approach to the management and achievement of quality processes and outcomes at HCUC (with a view to achieving Ofsted 'outstanding' status within 3 years of merger; and, Ensure the successful launch of HCUCs West Met Skills in 2017/18 (the Employer Services Unit facing wing of HCUC). The meeting noted that progress to date with the PMAP was slower than anticipated; this was frustrating for the SLT but reasons for the slower timescale were appreciated.

The Risk Registers were RECEIVED.

[Nick Simkins, Moore Stephens LLP left the meeting.]

12. Tender for External Audit Services

The received a verbal update from the GDFRP confirming the timetable for the external audit tender process to be carried out in 2017/18. The meeting was reminded that HCUC would appoint an external audit firm, for the period 2017/18 to 2019/20 (with the first audit being the 2017/18 financial statements) with a contract start date of 1st August 2018. SS confirmed that Tenet Education – used by HCUC for procurement services – were administering the tender process. The meeting noted that the tender opportunity was published to framework suppliers on 1st February 2018 with a closing date for receipt of tenders of Monday 5th March 2018. The College had received 8 tenders and Tenet were working with the GDFRP to draw up a shortlist. Presentations from the 3 shortlisted companies to the evaluation panel would take place on Thursday 11th April 2018. SS confirmed that the membership of the tender evaluation panel would be: Chair of Audit Committee; Clerk to the Governors; Nasim Khan as the additional Resources/Audit Governor; Group Director Finance and Resource Planning; Head of Finance; and a Tenet Representative. The formal contract award letter would be issued on 30th April (after a voluntary standstill period).

The detail of the HCUC External Audit tender process was NOTED.

MINUTES



[Nick Simkins, Moore Stephens LLP rejoined the meeting.]

13. To confirm and agree the dates and times for the Audit Committee meetings in 2017/18

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

Wednesday 27 June 2018 at time TBC (provisionally 9.30am)

14. Any Other business

There was no other business. The Chair thanked Nick Simkins for attending.

The Audit Committee meeting closed at 11.10am.

Signed

Date.....



Uxbridge Campus
Park Road, Uxbridge, Middlesex

