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Directorate: Governance

Minutes of: Audit Committee

Date: 4 July 2019 Time: 09.00

Venue: A005, Uxbridge Campus

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

In attendance: Jayesh Patel (JP) Head of Finance
Tracy Reeve (TR) Clerk to the Corporation
Laraine Smith (LS) CEO/ Group Principal
Shane Woodhatch (SW) Group Director Finance & Resource Planning
Andy Miller (AM) Executive Director Corporate Services (*item 7 only*)

1. Chair's Agenda Item

There was no Chair's agenda item.

2. Apologies for absence

No apologies had been received.

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 6 March 2019

The minutes were approved and signed by the Chair.

6. Matters arising from minutes of the meeting held on 6 March 2019 not already on agenda

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

7. Review of previous audit recommendations

The meeting noted the detailed Register of Outstanding Audit Recommendations. Group Director Finance and Resource Planning (GDFRP) apologised for the poor format of the report on the Board Intelligence software system which made it difficult to read. Governors were given assurance that this would be remedied for the September 2019 meeting. The lengthy register contained recommendations from the: Funding audit at both colleges in autumn 2017; Safeguarding audit undertaken in March 2018; Health and Safety (H&S) audit completed in July 2018; and from the audit of the Key Financial Controls in February 2019. The meeting noted that all of the recommendations arising from the Funding Audit were now completed but 5 of the recommendations would only be cleared after the Funding Audit in October 2019 verified the completion. All of the recommendations from the Safeguarding audit were completed or on track for timely completion by the end of July 2019. In relation to the 21 recommendations from the H&S audit, 14 were completed, 5 were partially completed but 2 were flagged as delayed for completion

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until July 2020. The meeting considered these two actions from the Health and Safety audit which had been flagged as delayed which were related to: Control of Substances Hazardous to Health (COSHH) assessments; and, ensuring that staff were trained on all work equipment that they were expected to use and records signed accordingly. The Executive Director Corporate Services (AM) joined the meeting at the request of Governors to explain the reasons for the long delay in implementing these two recommendations. AM informed the meeting that the COSHH assessments had been completed in most areas – they were prioritised in areas deemed to be most hazardous with regard to COSHH – only Art and Hospitality were yet to be completed. AM confirmed that both of these areas were deemed to be low risk in relation to COSHH assessments. He assured the meeting that these two remaining areas were due to be completed by the end of July 2019; he believed the date of July 2020 to be an error on the report. Governors asked AM to verify that this was the case and confirm this to Audit Committee in September 2019. AM gave the meeting additional detail around the recommendation on ensuring that HCUC staff were fully trained and competent to operate potentially hazardous equipment. He confirmed that the College had completed all the required internal training but there were still some outstanding external courses that needed to be completed by some of the College Technicians. The availability of these external courses had caused a time lag and led to the forecast delay to July 2020 for completion of the recommendation. AM confirmed that training had been provided for all staff using high risk machinery but the College was required to have 4 staff who could train other users and HCUC currently only had 2 staff members who were qualified to deliver this training. The CEO highlighted that she was completely unaware of this issue and AM highlighted that it had only just come to light. Governors asked that the new CEO/ Group Principal elect (DDS) be made aware of this potential H&S compliance issue. Audit Committee members asked that AM ascertain the dates for the requisite external training for the Technicians as soon as possible and report back to Audit Committee in September to show progress on this recommendation.

The meeting also considered the recommendation arising from the audit of Key Financial Controls in relation to the potential for fraud with only one signatory being required for the payroll or BACS payment runs. SW reminded the meeting that the paper exercise to approve payroll and BACS runs required 2 signatures but the electronic/ digital sign-off was completed by one individual; at present the Finance Manager. The recent audit of Key Financial Controls had recommended that two electronic signatures should be required for online approval of payroll and BACS. Governors sought clarification on why there had been a delay to implementing this recommendation and were informed that although the bank mandate had been changed there was a need to implement a change to internal software systems – Paygate and Barclays.net – before the move to dual signatories could be made. Governors were given assurance that the required hardware (new 'payment authorisation' cards) had been ordered and when they arrived there would be a need to install and test the new software. Governors were concerned that the Head of Finance was leaving HCUC on Friday 5th July but were given assurance that the GDFRP would take on responsibility for completion of this move to dual signatory. SW assured the meeting that the change to a dual electronic approval system would be completed by the end of July 2019 not October 2019 as shown in the Register of Outstanding Recommendations.

Governors asked that the Register of Outstanding Audit Recommendations be amended to show RAG ratings for the status of action against each recommendation: green for completed; amber for on track for completion by the initial deadline; and red where completion would be delayed. This would allow Governors to see clearly where there were any ongoing delays or problems with completion of recommendations. Governors also suggested that where delays on implementation had occurred the Register should contain a more fulsome explanation of why the delay had occurred and what action was being taken to mitigate any negative impacts of the delay. It was also agreed that completed recommendations would fall away from the report at the end of each academic year; Governors felt it would be useful to see these in-year as it demonstrated the positive action taken during each academic year.

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**The Register of Outstanding Audit Recommendations was NOTED and RECEIVED.
It was AGREED that:**

- i. Executive Director Corporate Services (AM) to:**
 - a. confirm that all remaining COSHH assessments were due for completion by July 2019 (rather than July 2020 as shown on the report).**
 - b. ascertain the dates for the external training on equipment use for HCUC Technicians as soon as possible and report back to Audit Committee in September to show progress on this recommendation.**
 - c. ensure that the incoming CEO/ Group Principal (DDS) was aware of the highlighted H&S compliance issue around the number of internal staff who were qualified to deliver internal training on equipment use.**
- ii. GDFRP to ensure that the move to a dual electronic signatory system for BACS and payroll be implemented by the end of July 2019.**
- iii. The format of the Register of Outstanding Audit Recommendations should be amended:**
 - a. To show RAG ratings as detailed above against each of the recommendations.**
 - b. Any recommendation with a delay in implementation should have a summary of the reasons for the delay and the mitigating action being implemented.**
 - c. Completed recommendations should be removed from the Register at the end of each academic year.**

8. Report on any fraud/corruption issues and additional work required by auditors 2018/19

• Fraud

There had been no attempted fraud or corruption issues during 2018/19 year-to-date.

• Additional work undertaken by auditors

The meeting noted that there had been no additional work undertaken by auditors during 2018/19.

Noted

9. Progress Report on Internal Audit Strategy 2018/19

The meeting noted an update on progress against the Internal Audit Plan 2018/19 which had been provided by the 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 2018. The meeting noted that the spend on internal audit during 2018/19 was £31,900 against a budget of £38,000. SW informed the meeting that the Internal Audit spend in 2017/18 had been £22,900 and the budget for 2019/20 was £57,500. Governors sought clarification on the reason for the large increase and the timeline for the Audit Committee to consider the internal audit plan for 2019/20 and the strategy for the following year. It was confirmed that the internal audit plan for 2019/20 would come to the September 2019 meeting of the Audit Committee. Governors asked that this audit strategy should include areas for internal audit scrutiny over a rolling 3 year programme: prior year, current year, next year. SW informed the meeting that the budget for 2019/20 was higher as the key areas highlighted by SLT as requiring internal audit scrutiny during 2019/20 were currently: Health and Safety; Safeguarding; GDPR; Human Resources (specifically payroll); and Apprenticeships. This would be in addition to the annual audit of Key Financial Controls. The meeting was reminded that the GDFRP would tender for the annual Key Financial Controls audit work on a three-year contract starting in 2019/20 to increase interest in this provision and get better value for money. Governors sought clarification on the frequency for an audit of GDPR compliance to align with best practice; SW would ascertain this information from other Colleges and seek advice from the AoC. The Clerk suggested that the Internal Audit Strategy should be considered at the July Audit Committee meeting in future years and Governors and SLT agreed that this would be a good idea.

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The update for the 2018/19 Internal Audit Programme was NOTED

It was AGREED that:

- i. **The Internal Audit Strategy for 2019/20 should include the review areas included for the three-year period 2018/19, 2019/20 and 2020/21 when presented in September 2019.**
- ii. **GDFRP to seek best practice advice on required frequency of GDPR audit.**
- iii. **In future years the rolling 3-year Internal Audit Strategy should be presented to Audit Committee at the July meeting for approval by Corporation in September.**

10. Risk Register Update

The GDFRP reported on the Risk Register which detailed the risks mapped to the Strategic Aims and Corporate Goals of the College. Recent changes to the Risk Scores since last presented in March 2019 were noted as follows:

- 1.19 HE: Enhanced monitoring on condition B3 for Office for Students (OfS) registration. (Risk score raised from 8 'green' to 10 'amber'). SW informed the meeting that this had been raised at the request of QCS Committee Governors to reflect the ongoing enhanced monitoring imposed by the OfS in relation to the College's registration as an HE provider.
- 1.22 Insufficient invigilators, readers and scribes to cover exams and special access arrangements. (New risk added with a score of 3 'green').
- 3.12 Failure to secure sufficient levy paying employers could impact on apprenticeship income. (Risk score raised from 6 to 8 but remaining 'green').
- 3.20 WBL non-levy targets not met in addition to unknown allocations beyond March 2019. (Risk score reduced from 12 'red' to 9 'amber'). The current delivery on the ESFA allocation was being tracked every two weeks. Allocation post-March 2019 was now known and the need to increase levy income had been confirmed.
- 3.22 Failure to deliver project funded work on time and within budget would impact on finance and reputation. (Risk score reduced from 4 to 2 so remains 'green'). Project funded courses were now drawing to a close.

The Risk Register was NOTED and RECEIVED.

11. To confirm and agree the dates and times for the Audit Committee meetings in 2019/20

The Clerk informed the meeting that the dates and times of the meetings would be presented in final format to the Corporation meeting on 9th July 2019.

The proposed dates were:

- Thursday 19 September 2019 at 9.30am
- Wednesday 27 November 2019 at 9.30am (leading into a joint meeting with Resources Committee)
- Wednesday 4 March 2020 at 9.30am
- Wednesday 17 June 2020 at 9.30am.

The meeting dates were NOTED.

The Clerk would send calendar invites to Audit Committee members once the dates were agreed on 9th July 2019.

12. Any Other business

• Applications 2019/20

The Chair sought an update on how applications for the next academic year were progressing. The CEO confirmed that although enrolment was hard to predict the College seemed on track.

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LS reminded the meeting of the additional 100 16-18 learners that the College had been funded for by the ESFA in 2019/20 compared with the numbers achieved in 2018/19. It would be important for HCUC to try and meet this increased level of enrolment so that the additional funding was not lost for 2020/21 under the lagged-funding regime. The GDFRP confirmed that the budget for 2019/20 which would be presented for Corporation approval on 9th July 2019 had kept the educational income flat on 2018/19 levels at each of the Colleges; money would only be released as it was earned by increased enrolment. The meeting discussed the demographic upturn that had just started in the 16-18 age group; this was confirmed as being circa 3% for the 2019/20 enrolment. Governors sought confirmation that the College was managing to recruit to fill any forecast vacancies before the new academic year. LS confirmed that each of the Heads of School had prioritised the key posts that should be targeted for early recruitment by HR to ensure that staff were in place in plenty of time for the enrolment.

NOTED

- **Vote of Thanks**

The Chair highlighted the fact that this was Laraine Smith's last Audit Committee meeting as she would be retiring from HCUC in August 2019. NK and the Audit Committee Members thanked LS for her considerable input and hard work over the last few years as CEO and Group Principal of HCUC and in her previous role as Principal of Uxbridge College. LS asserted the importance of Audit Committee to the College and the checks and balances that it brought to HCUC.

NK went onto ask the Audit Committee to give a vote of thanks to Jayesh Patel who would be leaving his role as Head of Finance at HCUC on 5th July 2019. Governors wished him well in his new role.

There was no other business.

The Audit Committee meeting closed at 9.35am

Signed

Date.....