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Directorate: Governance

Minutes of: Audit Committee

Date: 16 June 2021 **Time:** 09.30

Venue: Executive Meeting Room, Uxbridge Campus

Present:

Nasim Khan (NK)	Governor (Chair)
Steven Cochran (SC)	Governor
Tracey Critchley (TC)	Governor
Ketan Sheth (KS)	Governor

In attendance:

Darrell DeSouza (DDS)	Group Principal & CEO
Vik Patel (VP)	Head of Finance
Tracy Reeve (TR)	Clerk to the Corporation
Shane Woodhatch (SW)	Group Director Finance & Resource Planning
Andy Miller (AM)	Exec Director Corporate Services

1. Chair's Agenda Item

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

2. Apologies for absence

No apologies had been received.

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

There was none.

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

There were no declarations of interest.

5. Minutes of the meeting held on 10 March 2021

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

6. Matters arising from the minutes of the meeting held on 10 March 2021

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

ITEMS FOR APPROVAL

7. To receive, re-consider and approve the internal audit report on Health and Safety from SQR Group Ltd

The meeting noted that consideration of this internal audit report would be deferred until September 2021 as the management responses had not yet been finalised.

It was AGREED that the internal audit report on Health and Safety at HCUC (undertaken by SQR Group Ltd) would be presented to the September 2021 Audit Committee meeting.

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ITEMS FOR INFORMATION

8. Review of previous audit recommendations

The meeting noted the detailed Register of Outstanding Audit Recommendations. The following recommendations were discussed in more detail:

Item 2.1 Purchase Orders: VP confirmed that Heads of Department were now aware of the procurement procedures and the need to get written quotes. The meeting also noted that as Head of Finance he had access to all Purchase Orders (POs) and would be undertaking random sampling/ spot testing. SW reminded the meeting that the College also used the procurement specialists Tenet to maximise value for money. The Chair sought clarity on the process when three quotes came back with similar prices and how the college chose a supplier. VP informed the meeting that in these cases the decision would sit with the Head of School as they had the specialist knowledge. SW also highlighted that lead times, quality, credit check score and ongoing/ established customer relationship with a supplier was also considered. The meeting sought and was given assurance that there were tight criteria to be applied which offered good procedural practice. It was suggested that the Finance Team should develop a 'good practice' checklist with Tenet so that all purchasing decisions would be consistent and justifiable. Governors suggested that good practice from other colleges should be sought, and SW confirmed that he would check whether the college's merger partner, Richmond Upon Thames College (RuTC), had a procurement protocol checklist.

The meeting also noted that there was now better adherence to the use of PO numbers; all suppliers were being contacted to inform that payment would be delayed if they did not quote the PO number. The CEO (DDS) sought confirmation on whether all loopholes had been closed or whether HCUC budget holders were still able to place an order without raising a PO. The Head of Finance confirmed that there was still the possibility for an order to be placed via a direct phone call but the aim was to ensure that guidance was followed and good practice was enforced across HCUC.

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 noted that the completion date for this item had now been revised to March 2022 (from December 2021). The meeting was given more detail on how the Finance Team were working with IT Services to get this work done as effectively as possible. Agency staff would be used to expedite the asset verification work where needed. The Head of Finance highlighted the restrictions around the timing of this work as it could only be done when learners were not on site. The meeting noted the progress which had been made against the nine points listed on the recommendations report and focused on the following two items:

1. *Net book value write-off*: this would be undertaken as a cleansing process at every year-end.
2. *Inventory check*: this would be the last thing to be done after IT had completed the first stages of the asset verification process. VP confirmed that the Finance Team had now agreed that this process needed to be done on an annual basis. The Chair sought confirmation on whether the merger with RuTC would complicate this process. SW confirmed that RuTC asset verification was a manual system with details held on an Excel spreadsheet (as had been the case at Harrow College pre-merger). HCUC now used an FMIS system and could record assets by classroom/ site. RuTC would upgrade their fixed asset recording post-merger onto HCUC systems. Considering this the meeting suggested that a completion date of March 2022 was unrealistic – it would need to be badged as ongoing after this. The meeting accepted this later date in 2022 for 'completion' as they were assured that the IT team at HCUC was making good 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

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detail some procedures particularly around the finance system Aptos. Governors commended this work which would help with succession planning and staff turnover.

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 would use the July 2021 Whole College Training Day to complete and score this new document. Governors were assured that this was on track for completion by the end of July 2021.

Item 3.1 System Access: The meeting noted the recommendation for segregation of duties around setting up new users on the Finance system. The decision had been taken to move this responsibility to the HCUC Applications Support Analyst; Aptos training was currently awaited. In the interim a 'work-around' had been put in place so that the finance user needed to get a form signed before set-up. Governors (SC) sought confirmation that there was a clear process in place to review which staff had system access on an ongoing basis not just when changes were required. VP confirmed that this was routinely checked three times a year (once each term). SW also highlighted the clear onboarding and off-boarding process undertaken by the Finance Team on a monthly basis.

Item 3.2 Accounts Payable: now completed.

Item 3.3 Global Purchase Orders: The use of 'global orders' to cover longer periods (e.g., agency bookings) was discussed; this would benefit the College and suppliers. The Chair sought confirmation on who at HCUC would take responsibility for any global orders, i.e., who would check that it was being delivered. VP confirmed that administrators in departments would check delivery and put the PO through for payment. SW also confirmed that any global POs would be shut off at the year-end a new global PO would be raised for the following year. The Chair asserted an ongoing concern around ownership. Staff governor (TC) highlighted that in her experience the Aptos finance system worked well with POs, and they were easily trackable. This was noted as completed.

Item 3.4 Goods Receipting: The meeting noted that the recommendation to change the finance system to allow Goods Receipting was being implemented. The Finance Team were discussing a couple of anomalies with the finance system supplier (B-Plan) but all was on track for full implementation.

Item 3.7 Financial records: The meeting noted the recommendation to work to remove duplication with digital and paper records. VP confirmed that all sales invoicing was now online and within the finance systems all purchase paperwork was scanned into the system related to invoices. The Chair highlighted the need to keep physical records for the correct retention period (i.e., tax responsibility to keep for six or seven years). The Exec Director Corporate Services (AMi) confirmed that the College was working with JISC to update the timely destruction processes that would need to be in place across HCUC and RuTC post-merger. SW highlighted that the College was in the process of migrating to Microsoft SharePoint; all telephony had now moved to Microsoft and all Curriculum and Quality systems were also moving to MS. Governors were assured that as this move was implemented the system would delete data automatically to meet HCUC policies and general legislation in a timely manner. The CEO (DDS) confirmed that there would also be a move to Microsoft Teams in advance of 2021/22 (away from Zoom) as central controls were better and external vulnerabilities were more limited. The meeting noted that RuTC already used all the Microsoft systems including MS Teams.

The meeting considered the three recommendations which had arisen from the Safeguarding Audit in February 2021. Governors (KS) sought confirmation that all of the Safeguarding recommendations would also be implemented at RuTC post-merger.

Item 4.1 Job Description for Safeguarding Advisor role – remove old references: This was now confirmed as completed. DDS highlighted that the job title needed to remain as Designated Safeguarding Lead to meet Every Child Matters legislation.

Item 4.2 Effective lockdown procedure and drill: The meeting noted that this had not been done yet as it went against the current aim of social distancing. AMi explained that the aim of the lockdown drill was

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to enclose people, this would not be advisable at this stage of the pandemic where social distancing was still being encouraged. He informed the meeting that work was also needed to install a new 'lockdown' alarm system which would have a tannoy effect so that people knew it was not a fire alarm and took the correct action to lockdown rather than evacuate the building. The current planned date for completion of February 2022 was noted.

Item 4.3 Complete enhanced DBS checks for all staff every 3 years: The meeting noted that this was now automated and done online via the e-Safeguarding portal. SW highlighted that although this was marked as completed it would be classified as ongoing.

The Chair thanked officers and Audit Committee Members for the detailed deep dive into the audit recommendations and their progress towards completion. He added that his only general comment would be that timeframes for completion of the audit recommendations needed to be accurate and realistic; Audit Committee should be informed of any slippage against the proposed timeframe as soon as possible.

The Audit Recommendations report was NOTED.

It was AGREED that the Finance Team would develop a Procurement Checklist (using any existing FE good practice as a basis) in order to enable budget holders to make informed and justifiable procurement decisions.

9. Progress Report on Internal Audit Strategy 2020/21

The meeting noted a verbal update on progress against the Internal Audit Plan 2020/21 which had been provided by the Group Director Finance and Resource Planning (GDFRP), Shane Woodhatch. 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 September 2020. A budget of £48,268 had been included for 2020/21 to allow for the internal audit plan. The meeting noted that to date the total expended or committed was £39,348. Audits of Safeguarding, Key Financial Controls and Health and Safety had already been completed. The meeting discussed the planned audit of Funding Compliance and Apprenticeships (for HCUC and RuTC) which would be undertaken by KPMG in July 2021. Governors were reminded that this would usually be undertaken in the autumn term. However, the SLT and Governors were adamant that this should be brought forward so that HCUC had assurance around the RuTC Individual Learner Record (ILR) in advance of merger. HCUC needed full assurance around the study programme data at RuTC specifically in relation to enrichment and work experience hours. The meeting agreed that it would be key to identify any threat of funding clawback in advance of a merger.

The Audit Committee AGREED that the planned audit of RuTC and HCUC funding compliance was non-negotiable; it would have to take place pre-merger.

The meeting discussed the need for audits of various suppliers under the Estates category. At the moment this was limited to KPIs and maintenance checks/ liability etc. The meeting asserted that there was a need for a wider audit and understanding of the estates at three colleges post-merger. AMi reminded the meeting that this had been raised at the Governors Training Day and would serve as the basis for an Estates Strategy moving forward to ensure the group was making the maximum use of each of the College estates. The meeting was informed that RuTC had a comprehensive property strategy which underpinned their campus development work. It was suggested that HCUC could adopt the RuTC format at merger. The meeting was reminded that a Condition and Use Report of the HCUC Estate had been produced by surveyors in order to bid for capital funds under the FECA scheme. SW confirmed that this survey had confirmed that 20% of HCUC buildings were in category C and D but after the FECA capital improvement work was completed this would reduce to 5%. The Governors were reminded that the aim was to have all buildings with a rating of A or B for condition.

The Internal Audit Strategy update report was NOTED.

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

- **Fraud**

There had been no attempted fraud or corruption issues to report since the previous audit committee meeting (March 2021).

- **Additional work undertaken by auditors**

No additional audit work had been commissioned by HCUC during 2020/21.

Noted

11. To receive the Risk Register update

Governors considered the Risk Register that detailed the risks mapped to the Strategic Aims and Corporate Goals of the College. Key high rated risks were considered in more detail.

- 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').
- 2.05 Inflexible delivery models for Apprenticeships could restrict growth (Risk score remains at 12 'red'). 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'). The ongoing impact of Covid-19 on particularly Apprenticeship work was being very carefully monitored. The meeting was reminded that the funding allocation for 2021/22 was reduced due to the dip in learner numbers 2020/21. 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 (current application numbers were higher than in the prior year).
- 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) were working hard to stay in touch with employers during Covid-19 business disruption.
- 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 in the meeting, SLT were still working to improve current HCUC practice on the destruction of obsolete data in a timely manner. AM confirmed that the HCUC Policy clearly identified all types of data – operational and personal – and gave staff time limits for holding the data before destruction. The time limits were based on AoC and JISC recommendations. The meeting was assured that progress was being made but the risk score had not yet been reduced in order to maintain focus. The work to strengthen IT security was also noted, as discussed earlier in the meeting.
- 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.

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- 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 adherence to all Public Health England and Government guidelines.

The HCUC Risk Register was NOTED and RECEIVED.

12. To confirm and agree the dates and times for the meetings in 2021/22

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

- Thursday 16 September 2021 at 9.30am
- Wednesday 24 November 2021 (joint meeting with Resources Committee)
- Thursday 10 March 2022 at 9.30am
- Thursday 16 June 2022 at 9.30am

13. Any Other business

- **Joint Audit Code of Practice 2020/21**

The Clerk highlighted the new guidance received from the funding agency and informed the meeting that HCUC procedures were fully compliant with this guidance. However, there was a new requirement for Financial Statements Auditors to present their findings to the full corporation which would be implemented at HCUC for the 2020/21 external audit.

NOTED

There was no other business.
The meeting closed at 11.20.

Signed **Nasim Khan (Chair)**

Date.....