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Directorate: Governance

Minutes of: Audit Committee

Date: 24 November 2021 **Time:** 09.30

Venue: Executive Meeting Room, Uxbridge Campus

Present:

Nasim Khan (NK)	Governor (Chair)
Tracey Critchley (TC)	Governor
Ketan Sheth (KS)	Governor
Steven Cochran (SC)	Governor (<i>online via MS Teams</i>)
<u>Present for items 14 onwards</u>	
Alasdair MacLeod (AM)	Governor (<i>Member of HCUC Resources Committee</i>)
Simon Boulcott (SB)	Governor (<i>Member of HCUC Resources Committee</i>)

In attendance:

Darrell DeSouza (DDS)	Group Principal & CEO
Andy Miller (AMi)	Exec Director Corporate Services (<i>Item 6-10 only</i>)
Vikash Patel (VP)	Head of Finance
Kath Rangeley	Director of Funding and Information (<i>Item 8 only</i>)
Tracy Reeve (TR)	Clerk to the Corporation
Shane Woodhatch (SW)	Group Director Finance & Resource Planning
<u>Present for item 14 onwards</u>	
Glen Bott (GB)	Cooper Parry, External Auditors (<i>online via Teams</i>)
Dylan McTaggart (DM)	Principal Uxbridge & Deputy CEO

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 that 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 16 September 2021

The minutes were approved and taken as 'signed' by the Chair.

6. Matters arising from the minutes of the meeting held on 16 September 2021 not on agenda

• Covid-19 Update

The Executive Director Corporate Services (AM) updated the meeting with the current work being undertaken to meet the Covid-19 guidelines. Audit Committee Members were assured that the College continued to follow the Government Covid-19 advice and staff remained agile to respond to both hardening or softening of the restrictions. Through contact with the PHE, HSE, NHS and Hillingdon Health authority management remained current with all latest developments and thinking. Meetings with the Hillingdon Health authority remain fortnightly. The College was still striving for full attendance and teaching on site in line with the objectives of the DfE. Main points were noted as follows:

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- The requisite Risk Assessments & related Covid Action Plan were all current.
- Although face coverings were not required by law HCUC was still strongly encouraging the wearing of them in crowded public areas indoors.
- Ventilation remained as a key mitigation measure. The 100 Government supplied air quality monitors had now arrived and had been spread across the four campuses.
- In the period 1st to 17th November 2021 (since half-term) the College had recorded 37 student Covid cases and 7 staff cases. This compared to figures for the same period in 2020 of 34 students and 8 staff. AMi confirmed that reporting was now better across the College.
- The College remains committed to at-home testing and this appeared to be working as the majority of Covid cases had been reported as a result of a LFD test taken at home. It was also noted that students took heed of testing prior to returning from half term as a spike in cases was reported at that time.
- The College had been mindful of the drive by the Government for the population to be vaccinated against Covid-19. However, the pop-up vaccination centre ran at Uxbridge campus only attracted 132 customers. The pop-up team will only visit again to any of the campuses if the college can assure them of the numbers to attend so they can measure vaccines required accurately. A student survey was conducted to try and gauge future take up but the return response was not very positive; out of 6463 FT students only 1878 responses were received. Of these respondents, the number who had taken at least one dose was only circa 50%.

AMi informed the meeting that new government advice on Covid testing had been received on 23 November. People were now being advised to test whenever about to go into a high risk setting e.g., where they had had a close contact or were attending a social event. The meeting commended the Covid-readiness across HCUC and the ongoing commitment to taking a proactive approach. Governors agreed with the objective of maintaining face-to-face teaching.

NOTED

- **Joint meeting of HCUC and RuTC Audit Committees** (*minute 6 page 1*)

The Chair sought an update on whether a date had been set for the proposed joint meeting to discuss the KPMG Funding Audit Reports (to be discussed later in the meeting). The Group Director Finance & Resource Planning (SW) informed the meeting that a tentative date of 30 November 2021 had been agreed; ***this would be confirmed by the Clerk to the Corporation as soon as possible and calendar invites to the online meeting would be circulated to Audit Committee Members.***

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

ITEMS FOR APPROVAL

- 7. To receive, re-consider and approve the annual report of the HCUC Audit Committee to the Corporation for 2020/21.**

The Clerk (TR) introduced the final version of the Audit Committee Report 2020/21. TR confirmed that this was as approved in draft format at the September 2021 meeting and the requisite amendments suggested at the previous meeting had been actioned.

The Annual Report of the HCUC Audit Committee 2020/21 was APPROVED for submission to the HCUC Corporation.

- ***Performance Indicators (PIs) 2020/21 for College external audit providers, Cooper Parry***

The meeting considered the PIs relating to Cooper Parry's performance during the audit of the Financial Statements 2020/21, (same format as used in prior year). Both the College assessment and the external

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auditors' self-assessment had resulted in a wholly positive assessment. The audit had gone extremely well even though it had remained on a remote platform for a second year running due to Covid-19 restrictions. The use of Teams meeting during the audit had been very effective and the software being used was user friendly.

The meeting APPROVED the assessment against the agreed PIs for the External Auditors 2020/21, Cooper Parry, as presented. [These would be submitted to the ESFA as an appendix to the HCUC Annual Audit Committee Report 2020/21.]

ITEMS FOR INFORMATION

[Director of Funding and Information (KR) joined the meeting.]

8. Internal Audit

• Funding audit of HCUC and RuTC by KPMG

Audit Committee members noted the internal audit report from the Funding Audit carried out by KPMG in October 2021 after they had been engaged to carry out funding review services for HCUC & Richmond (the 'College's') for 2020/21. KPMG had examined both College's Individual Learner Records (ILRs), HCUC's dated 13 August 2021 and Richmond's dated 12 August 2021 to undertake elements of an in-year "mock" substantive ESFA funding assurance review. The meeting was reminded that this audit had been commissioned jointly for both colleges at the request of the Joint Steering Group in advance of the proposed merger. The meeting noted that as the work was undertaken in-year, each College had the opportunity to address all of the observations raised in the report in preparation for the end-of-year finalisation checks of its 2020/21 learner record data, with final funding claim ILR submissions by 21 October 2021.

The Director of Funding and Information (KR) highlighted that the sample size had been the same at both colleges. The meeting considered the breakdown of observations on page 4 of the report which had arisen from the substantive compliance testing detailed in Section 3 of the report. The recommendations were graded using a combined assessment of risk of non-implementation and priority for the provider; high priority represents the most urgent and high-risk category of recommendation.

Audit Committee members were pleased to note that there had only been two recommendations for HCUC: one medium priority (apprenticeships) and one low priority (16-19 funded provision). Governors were assured that both recommendations had been considered and accepted by management. KR explained that the apprenticeship recommendation related to the need to look at arrangements for End Point Assessments; it was a timing issue and no learner funding had been impacted. KR confirmed that the MIS Team had highlighted this issue in advance of the audit. The other element of this recommendation related to the need for a small set of HCUC employers having to contribute 5% for off the job training. The College had not invoiced and receipted payment for those employers. KR confirmed that although 'off the job' was recorded on OneFile it was also sometimes done in the workplace so recording and tracking was necessarily more complicated. This had been discussed at SLT and management agreed that there was a need to review and tighten controls. The Chair sought, and was given, assurance that this medium priority recommendation would be addressed before it became a high priority issue. In relation to the low priority recommendation, KR confirmed that learning hours were being counted but learning aims were only entered at the end of the process when the ILR was submitted. KR confirmed that she felt able to justify this process as it made more sense for it to be final job; there was no proposal to change this process.

The meeting discussed the review against the Provider Data Self-assessment Toolkit (PDSAT) reports. It was noted that these were run at HCUC on a regular basis. The management responses to the six points raised were noted by the meeting. The meeting noted the small numbers included in the 'population' where potential issues had been identified.

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The meeting noted that the KPMG report had identified four high priority recommendations for the RuTC data (three in relation to apprenticeships and one for 16-19 provision). The review of the PDSAT reports had raised 11 reports. The GDFRP (SW) confirmed that these would be discussed in more detail at the joint Audit Committee meeting when KPMG would present their findings, (tentative date 30 November as discussed earlier in the meeting).

(The continued discussion is recorded in a confidential Part 2 minute attached.)

- **GLA Adult Education Budget Funding Audit, November 2021**

The meeting noted the report produced by RSM UK Risk Assurance Services LLP which had reviewed the GLA adult education budget funded provision at HCUC. The meeting was reminded that this audit was undertaken as a random college within the national sample. The audit had identified two areas of non-compliance: one in relation to the main AEB funding and one in relation to sub-contracting. However, the meeting was pleased to note the 'satisfactory' opinion in relation to the use of GLA funds. As a result of RSM's review of HCUC's adult education budget provision they had concluded that the College had substantially complied with the funding rules and returned materially (Materiality being based on a sample error rate of 5% as defined by the GLA) accurate data to the GLA. The Chair sought confirmation on whether there was any additional grading and KR confirmed that it was only 'satisfactory' or not.

The meeting noted that the initial sample of 50 learners had identified an error of £300 overclaim which then required additional testing on 20 learners where no further errors were found. KR confirmed that she had gone to a 100% sample to look at the error found and this would generate a funding error of £13,200 for the whole provision. SW highlighted that the overall GLA budget was in excess of £6 million so this error rate was very low at circa 0.24%. KR confirmed that she was pleased with the outcome of the audit. The meeting discussed the error which was centred around the evidence base for learning support; stronger controls had been discussed at SLT and would be a focus for 2021/22. There would be a move to an HCUC group view of the evidence base for learning support – it had previously been different at HC and UC – now there was more consistency.

The audit had also found some non-compliance around documentation of Sub-Contractor checks. Governors were given assurance that SLT were reviewing where the information should be stored. SW confirmed that moving forward SLT would ensure that someone would hold this required data centrally:

- Financial due diligence (one sub-contractor was not evidenced)
- ROAT application (not documented)
- Conflict of interest – process needs to be put in place.

KR assured the meeting that progress against this recommendation would be discussed at the project monitoring group when it met monthly. The meeting noted the action plan at Annex B to the audit report.

The Governors thanked KR for her ongoing rigour as neither of the audit reports had raised any causes for concern for HCUC. The KPMG report had been useful to allow Audit Committee to be able to compare HCUC findings with those at RuTC. The meeting commended the timing of the HCUC/ RuTC joint audit report; it was very valuable to have this completed pre-merger so that any anomalies and controls could be adjusted before the liability transferred to HCUC.

The internal audit reports from KPMG and RSM were NOTED and RECEIVED

9. Review of previous audit recommendations

The Head of Finance (VP) presented a report on progress against the previous audit recommendations. This register contained recommendations from the Key Financial Controls audit undertaken in February 2021, and from the audit of Safeguarding also February 2021. Ongoing action against the higher priority recommendations not yet completed was discussed by the meeting.

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Item 2.2 and 3.5 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 but had been paused during the busy year-end period when the financial statements had been the priority. The Chair sought confirmation on how the College actually disposed of obsolete IT equipment and sought confirmation that the process was mindful of environmental sustainability. SW confirmed that the College was mindful of sustainability and used a specialist company to take assets away for disposal; HCUC and UC before that had been using this company for many years. Governors sought confirmation on what the 'de minimis' value of an asset was set at and VP confirmed that it was £1,000.

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 the end 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 which would help with future succession planning. VP informed the meeting that production of procedural guidance had been built into the appraisal objectives for relevant members of the finance team.

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. DDS sought, and was given, confirmation that progress against this recommendation would be made in the autumn term. The Exec Director (AMi) informed the meeting that detailed guidance for staff and students would be produced in advance of the lockdown drill.

The meeting asked for an update on whether any progress had been made on challenging the SQR Health & Safety (H&S) Audit Report which was discussed at the last Audit Committee meeting. Exec Director Corporate Services (AMi) informed the meeting that the new interim HCUC H&S Adviser had been very unimpressed by the standard and findings of the SQR report. After starting at HCUC he was undertaking a root core analysis style check looking at the SQR recommendations which would take a month to complete. This additional review would be presented to Audit Committee in March 2022. AMi informed the meeting that the consultant from SQR was now uncontactable. ***The Chair asked that the formal rebuttal of the SQR report should be finalised as soon as possible as this would be important for any impending Ofsted investigation.***

The Audit Recommendations report was NOTED.

[KR left the meeting.]

10. To receive the Risk Register update

The meeting received the HCUC Risk Register that had been updated by the Executive Team, through a review of the 2020/21 and 2021/22 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').

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- 1.09 Failure to recruit sufficient staff, qualified at the appropriate level. (Risk score still at 12 'red'). The meeting was reminded of the ongoing project work looking at innovative ways to recruit to hard to fill vacancies as discussed at the Governors' Strategy Day in October 2021
- 1.12 Project Work fails to prepare the College for T levels, CDF and the Transition Fund. (Risk remains at 15 'red')
- 1.14 College fails to retain Highly Trusted Status for international students (Risk score at 12 'red'). HTS secured for the current year but this continued to be a high risk area.
- 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 reminded the meeting that the bid for in-year growth funding would not now be appropriate for 2021/22 as enrolment had not been above the ESFA allocation.
- 3.12 Failure to secure and respond to large levy paying employers could impact on apprenticeship income (Risk score remains at 15 'red'). The College's 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 remains at 12 'red'). DDS confirmed that curriculum and learner support staff were working as tightly as possible to ensure that withdrawals were kept to a minimum. The R04 funding return would be submitted in early December to confirm 2021/22 enrolment figures.
- 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.) The ongoing dialogue with the DfE around targets continued and a decision would be taken by the DfE in February regarding whether to vary the existing targets for the 12 national IoTs.
- 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. The move of all College data to SharePoint was now complete. The Chair sought confirmation on whether GDPR rules had changed post-Brexit. AMi confirmed that the move to UK GDPR rules had not watered down the existing requirements regarding privacy rules and timings for destruction of data. Governor KS confirmed that the GDPR rules had got tighter if anything rather than being relaxed post-Brexit.
- 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.

[Andy Miller left the meeting.]

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11. To receive a report on any additional work commissioned from auditors during 2021/22.

It was noted that no additional audit work had been commissioned by the College during the current academic year to date.

The report was NOTED

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 10 March 2022 at 9.30am
- Thursday 16 June 2022 at 9.30am

13. Any Other business

There was no other business. The Audit Committee meeting closed at 10.10am and the joint meeting of HCUC Audit Committee and HCUC Resources committee commenced at 10.15am with Alasdair MacLeod (Chair of Resources Committee) as Chair of the Joint Committee meeting.

JOINT MEETING OF HCUC AUDIT AND RESOURCES COMMITTEE

[External Auditor, Glen Bott of Cooper Parry joined the meeting]

ITEMS FOR DECISION

14. To RECEIVE the Report & Financial Statements and associated reports for the period ended 31 July 2021 for HCUC

i) Financial Statements

The GDFRP (SW) introduced the draft reports and financial statements for the period ended 31 July 2021 and highlighted that the Resources Committee would be required to approve the Report and Financial Statements and then recommend to the full HCUC Corporation for approval.

The following key points were highlighted:

- The operating surplus for the year was £2,384,000 (compared with £3,434,000 in 2019/20).
- Once the impact of the £604,000 actuarial FRS17 pension loss was applied this resulted in a 'Total Comprehensive Gain' of £1.731m.
- The balance on the income and expenditure account (excluding pension reserve) now stood at £81.968m (compared with a figure of £77.162m in 2019/20).
- Total income for the year was at £55.525m compared with £52.977m in the prior year.
- Total expenditure was at £53.190m compared with £49.543m in the prior year. Staff costs were at £6.6m compared with £6.1m in the prior year. The increase in other operating expenses (now at £11.935m compared with £10.250m in the prior year) was due to a number of factors including: the move of data to Azure to improve cyber security which had cost an extra £200,000; merger costs of £180,000; cyber provision of £500,000; IT consultancy and bad debt provision had increased to £274,000 (an increase of £235,000).
- The College had accumulated reserves of £42.881m, non-current assets of £109.073m and cash balances of £29.070m.
- Net Current assets were at £18.475m compared with £11.915m in the prior year.
- The LGPS pension liability was noted as £43.706m compared with £40.661m last year. Governors were reminded that the pension liability (FRS17) was not included by the ESFA when assessing the

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financial health of colleges. The reason for this movement was a change in the actuarial assumptions especially in the discount rate used and price inflation. The external auditors had confirmed that the assumptions used by the College actuaries were largely in line with those used at other Colleges.

The meeting went through the Income and Expenditure account and the Notes to the Financial Statements and Balance Sheet in detail. The meeting noted that in 2020/21 the College delivered activity that produced £48.722m in Agency main allocation funding (compared with £44.850m in 2019/20). The total Agency funding was at 85.6% of income in 2020/21 (82.7% in prior year). The meeting noted the detail of the fixed asset additions during the year, which amounted to £8.062m (compared with £16.558m in 2019/20). The meeting noted the strong financial performance indicators for the 2020/21 year which included a strong cash position after the net cash inflow of £9.7m as well as the following:

- Cash days in hand at 31 July 2021 were 224.7 against a forecast of 192.6
- Current ratio (assets over liabilities) of 2.48 against a forecast of 2.55 (2.23 achieved in 2019/20).
- Accumulated reserves were 151% of income against a forecast of 148%.

SW highlighted the impact of Covid-19 on the financial results with the following income streams adversely affected by the following figures: other income £321,000; commercial activity £260,000; Work Based Learning provision £749,000. There had also been additional costs incurred of £140,000 in relation to PPE sourced. This was counter-balanced by a saving of £58,000 for the HMRC Coronavirus Job Retention Scheme (to cover furlough payments for staff).

The notes to the accounts were considered in detail by the meeting. SW confirmed that the other senior members of the SLT at HCUC had contributed to the narrative of the Members Report on HCUC Strategy, curriculum and the summary of capital works undertaken at the Uxbridge, Harrow Weald and Harrow-on-the-Hill campuses. The meeting (SB) highlighted a typographical error on Note 8 (page 48) where the figures for Benefits in Kind and Pension Contributions were transposed for the prior year 2019/20.

ACTION: Typo to be corrected (SW/ VP)

The Chair of Resources Committee (AMcL) sought clarification on the final figure for the 'staff costs as a percentage of income figure' compared with the target of 65%; **SW confirmed that he would circulate this after the meeting.**

ACTION: SW

AMcL highlighted that he had raised a couple of technical questions in advance of the meeting via email in relation to: finance and operating leases (note 14); provisions (note 19). He had also asked for the narrative to be amended to reflect his membership of the Remuneration Committee and also suggested that it should reflect the fact that HCUC had an identified Lead Governor for Safeguarding given its importance. The meeting noted that GDFRP had provided clarity around all these points in advance of the meeting and **SW would amend the narrative on the last two points before submission to the Corporation.**

ACTION: SW

The meeting commended the strong financial results and agreed that the College was in a strong position pre-merger and would be able to meet current and future economic challenges from a position of relative strength when compared with many other FE Colleges. It was agreed that the College's key strategic aim in relation to finances 'To maintain the strong financial profile needed to ensure a secure future', had been fully achieved.

ii) July 2021 Management Accounts

The restated Management Accounts for 31 July 2021 and the adjustments arising post-year end from the preparation and audit of the Financial Statements were noted by the meeting. Adjustments totaling £297,000 had been made against the income and expenditure. As previously noted by the meeting the revised historical surplus was £2,384,000 against a forecast surplus of £1,055,000. The detail of the management accounts for July 2021 was taken as read

The 2020/21 Financial Statements and July 2021 Management Accounts were NOTED and RECEIVED, (they would be recommended to the Corporation by Resources Committee).

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iii) *Audit Findings Report of the External Auditors, Cooper Parry, following their audit of the HCUC Financial Statements for 2020/21, for APPROVAL & recommendation to Corporation.*

Glenn Bott (GB) of Cooper Parry presented the Audit Findings Report to the Governors, which acknowledged the strong financial outturn and cash position for HCUC. The meeting was pleased to note the clean unqualified opinion on the financial statements and for the regularity audit. GB informed the meeting that the audit had gone very smoothly from their perspective; the flow of information from management had been accurate and timely. This had been even more complicated during the current year when the audit had taken place completely remotely for a second year running. SW and VP agreed that the audit process had gone well from the College management perspective from the planning stage to the completion of the audit. The Management Report was considered in detail.

The meeting was pleased to note that the audit conclusion on all qualitative aspects considered was clean; GB also highlighted the unmodified regularity audit opinion. The meeting discussed the level of materiality used in the audit and GB informed the meeting that Cooper Parry had used the sector norm of 2% of income; for HCUC this was circa £1m. However, there was a lower level of performance materiality – 80% of the above – which was used to calculate sample sizes. The meeting was reminded that anything at 5% or below of the materiality figure was deemed as 'trivial'; GB confirmed that this 5% figure was used by Cooper Parry across the whole of the FE sector. The meeting was reminded that for the regularity audit there was no materiality set and no lower threshold for transaction testing. However, GB confirmed that this had also been a wholly positive opinion for 2020/21 at HCUC.

The meeting went on to consider the six significant audit risks that had been identified by Cooper Parry and detailed in their audit planning letter. The key risks were noted as follows: income recognition; going concern; management override of control; related party transactions; retirement benefits; and the proposed merger with RuTC. Governors noted that Cooper Parry's conclusion against all six of these risks was clean and that there were no issues identified which needed to be reported to the Audit Committee. Audit Committee were pleased to note that the audit had not identified any misstatements that required adjustment in the financial statements, nor any unadjusted differences. Governors also noted the positive assurances given by Cooper Parry around the risks of fraud and independence and related party transactions. The meeting spent some time discussing the need for the College to remain vigilant as the incidence of fraud and financial scams being perpetrated in the FE sector was on the increase. The importance of going concern was discussed and Governors were reminded that this would be discussed under a separate agenda item.

GB highlighted that during the audit there had been three low risk weaknesses of controls identified which had resulted in recommendations for 'good practice' improvement. These four risks were in relation to: Register of Interests; Salary Review Letters; and the Fixed Asset Register. The management responses to these recommendations were noted and tweaks to process would be put in place where appropriate. SB flagged an inconsistency of terminology used in the report on the Current Year Improvements and Prior Year Improvements. The finding referred to a lack of 'salary review letters' and the recommendation referred to 'contracts of employment'. SW informed the meeting that he had discussed this with the HR Director and the current thinking was that the college could do a mail merge on iTrent and put a note on payslips. The meeting agreed that the low number and low risk score of the recommendations highlighted an ongoing positive control environment at HCUC. The Audit Committee members commended the College finance team and Cooper Parry for a very positive external audit.

The Audit Report and Management Letter of the External Auditors, Cooper Parry, for HCUC 2020/21 was APPROVED and would be taken to the HCUC Corporation for approval (7/12/21).

iv) *Letter of Representation*

The meeting noted the draft Letters of Representation; one for the Financial Statements and one for the Regularity Audit. SA confirmed that these letters had a standard format for all FE Colleges – dictated by the Joint Audit Code of Practice – they did not include any narrative specific to HCUC. GB highlighted the couple of outstanding items before the Letters of Representation could be signed. The only one not

now resolved was that Cooper Parry was still awaiting confirmation around final assurance that the level of provision held for the cyber incident was appropriate – this would be provided for Cooper Parry by legal experts. The meeting sought confirmation when this provision could be released and GB gave confirmation that this would be released over the next six years.

The Letter of Representation for HCUC would be taken for approval to the HCUC Corporation (7/12/21) before being signed by the Corporation Chair on behalf of the Corporation, and the Group Principal/ CEO as Chief Accounting Officer of HCUC.

15. Assurance of Going Concern

SW reminded the meeting that the FE/HE Statement of recommended practice required the Corporation to carry out a formal assessment of going concern. GB reminded the meeting of the importance of the Corporation demonstrating that it had undertaken due diligence around their consideration of the going concern of the College. This was even more important now that the FE sector had moved forward to being bound by a specific Insolvency Regime. Members noted that the governing body were required to make their own assessment of their institution's ability to continue as a going concern so that they were certain of the validity of the 'going concern' assumption when preparing the financial statements. In making this assessment, an institution's governing body were required to take account of all available information about the future for at least, but not limited to, 12 months from the date the accounts were approved. An institution was required to disclose any material uncertainties related to events or conditions that cast significant doubt upon the entity's ability to continue as a going concern. SW assured the meeting that the HCUC Corporation could be assured that a formal assessment of going concern had been undertaken in preparation for signing the financial statements. This had included an assessment of the following factors:

- The financial position and reserves on 31 July 2021
- Cash and investment balances and cash flow forecasts for the next 12 months
- The 2021/22 financial budget as approved by the HCUC Corporation.
- The level of student recruitment in 2021/22
- Known liabilities and commitments during the next 12 months.

SW reminded the meeting that the lower enrolment in 2021/22 would have an impact on lagged funding for 2022/23. However, the meeting agreed that the Governing Body should be assured that the College had adequate resources to continue in operational existence for the near future. For this reason, HCUC should continue to adopt the going concern basis in preparing the financial statements.

The assurance around Going Concern was NOTED and APPROVED; the Resources Committee would recommend it to the Corporation for approval (7/12/21) alongside the HCUC Financial Statements 2019/20.

16. Regularity Self-Assessment Questionnaire

The meeting considered the detailed Self-Assessment Questionnaire 2020/21. This was completed by the College Management Team for the assurance of the External Auditors on all Regularity Issues. As previously noted, Cooper Parry had provided a clean opinion on the Regularity Audit for HCUC during 2020/21. The meeting agreed that this document which had been enhanced for 2020/21 with an additional Annex B in relation to the ongoing operational impact of Covid-19 provided a useful summary for the Governors. The meeting was reminded that the OfS were able to access this information via the ESFA as the regulator of FE Colleges.

The Regularity Audit Questionnaire was NOTED and APPROVED; the Audit Committee would recommend it to the Corporation for approval (7/12/21).



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17. Any Fraud/ Corruption issues 2021/22.

The meeting noted that there had been no reported attempts or instances of financial fraud during the 2021/22 academic year to date.

The report was NOTED

18. Any Other Business

There was no other business. The joint meeting of the Audit Committee and the Resources Committee closed at 11.15am.

Signed *Nasim Khan (Chair)*

Date.....

DRAFT

