

MINUTES

Directorate: Governance

Minutes of: Audit Committee

Date: 4 March 2020 **Time:** 09.30

Venue: Executive Meeting Room, Uxbridge Campus

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

Apologies: Tracey Critchley (TC) Governor

In attendance: Chris Rising (CR) Internal Audit Manager, MacIntyre Hudson LLP
Lydia Gathogo (LG) Head of Finance
Tracy Reeve (TR) Clerk to the Corporation
Darrell De Souza (DDS) CEO/ Group Principal
Shane Woodhatch (SW) Group Director Finance & Resource Planning

Present for item 8 onwards:

Kath Rangeley Director of Funding and Information Services
Andy Miller Exec Director Corporate Services

1. Chair's Agenda Item

There was no Chair's agenda item.

2. Apologies for absence

Apologies had been received from Tracey Critchley. The Chair welcomed Lydia Gathogo to her first Resources Committee meeting since being appointed as Head of Finance for HCUC.

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 27 November 2019

The minutes were approved as presented and signed by the Chair.

6. Matters arising from the minutes of the meeting held on 27/11/19 not already on agenda

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

7. Internal Audit Report from MacIntyre Hudson LLP: Key Financial Controls

CR presented the report from MacIntyre Hudson which had been written after the recent internal audit review of key financial controls, undertaken at the end of January 2020. Audit Committee members were reminded that this audit had been commissioned by the College as part of the annual internal audit strategy. The remit of the audit was to provide assurance over the key financial controls in the following areas: Financial policies and procedures; accounts payable; accounts receivable; payroll; financial reporting; fixed assets; and financial systems. The meeting considered the executive summary which clearly identified the key risks in relation to each of the above audit areas and the ongoing risk of internal fraud was also noted by the meeting.

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The meeting noted that the overall assurance assessment was 'Adequate'. CR highlighted the detailed descriptors for each of the 4 assurance levels on page 24 of the report: substantial, adequate, limited and no assurance. Overall, McIntyre Hudson had found that across the areas reviewed, the majority had a robust set of controls, with exceptions regarding accounts payable and fixed assets. However, it was noted that all the financial processes were somewhat undermined by poor practice when it comes to managing access to the finance system. Additionally, the audit had highlighted inefficiencies in the Accounts Payable area which, if addressed, could potentially provide significant benefits in terms of reduction in demands on employee time with minimal impact on the management of financial risk.

Audit Committee noted that in total 7 recommendations had been made one of which was 'high' priority, 2 were 'medium', 3 were 'low' and 1 was deemed as 'advisory'. The very detailed findings were considered by the meeting along with the detailed recommendations. Group Director Finance and Resource Planning (GDFRP) confirmed that HCUC management had accepted all the recommendations and Audit Committee members were assured that an action plan to implement the recommendations had already been put in place; the proposed actions and deadlines for completion were noted by the meeting as follows:

- System access (high priority): The recommendation in relation to system access, set up of new users and segregation of duties would hopefully be actioned by April 2020 but this was dependent on the IT staff at the College received the required training on the APTOS system. LG informed the meeting that a date for the 2-day technical training for IT staff had now been agreed and that permissions would be changed to enable this segregation of duties. Governors suggested that GDFRP should liaise with the Head of IT Services at the College to identify a members of IT staff to undertake this ongoing work as soon as possible.
- Accounts payable (medium priority), Use of Purchase Orders (low) and PO/ Invoice Matching (low): The examples of invoices being paid without Purchase Orders having been raised was an ongoing issue. SW confirmed that suppliers and HCUC staff had now been reminded of the need for POs to be in place and expenditure to have been pre-authorised in order for any invoices to be paid. SW informed the meeting that the Finance Regulations would be amended to remove the need for POs for low value orders – the processing of the high volumes of low value orders was a distraction as these only accounted for 2.3% of the total invoice value. Instead these low value orders would be authorised through the goods receipt process. SW also reminded the meeting that budgets were only released to Heads of School on a termly basis: 40%/ 40%/ 20%. An ongoing review of spend against these budgets was part of the termly performance review with the Heads of School to enable ongoing tight financial control by SLT. **Governors asserted the need to liaise more closely with bigger suppliers to ensure that PO numbers were always attained before invoicing.** The completion date of March 2020 was noted.
- Fixed Assets (medium): SW confirmed that the College would undertake a comprehensive review of the Fixed Asset Register; a dedicated member of staff to undertake this role was due to start in March 2020. The timeline for completion of this recommendation was noted as August 2020.
- Financial Regulations (low): SW confirmed that the documentation of finance processes had started and the Finance Regulations would be updated to included day-to-day practicalities for all aspects of Finance Team work by December 2020.
- Finance Records (advisory): The move to digital data storage would be completed by December 2020.

Internal auditor (CR) informed the meeting that he was heartened by the College's Management response to date and that considerable steps in the right direction had already been completed. The Chair (NK) asserted the need to ensure that these recommendations were implemented as soon as practicable with no slippage. **NK asked that an update on progress be taken to the June 2020 meeting of the Resources Committee as well as within the Register of Outstanding Audit Recommendations report to Audit Committee.**

The internal audit report on Key Financial Controls was RECEIVED and APPROVED.

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8. Review of previous audit recommendations

The meeting noted the detailed Register of Outstanding Audit Recommendations. The Director of Funding and Information Services (KR) and the Executive Director Corporate Services (AM) joined the meeting to provide an update on progress with the outstanding audit recommendations. This register contained recommendations from: the Funding Audit of HCUC in October 2018; the Key Financial Controls audit undertaken in February 2019; and from the internal audit of Human Resources in November 2018. Ongoing action against the higher priority recommendations not completed was considered by the meeting. KR assured the meeting that progress had now been made against the recommendation in relation to Skills Scan training needs analysis at enrolment for all Apprentices. There was now a mandatory requirement for a skill scan at sign-up for all apprentices. However, two additional issues in relation to the application of the Skill Scan had now been raised; students should not be allowed to complete this in isolation as anecdotal evidence showed that they were over-confident in their baseline abilities. This could have an adverse impact on WBL funding for the College. However, KR assured the Audit Committee that this issue had been identified very quickly and there was only a very limited impact on possible over-claim of funding. KR was liaising with the Head of WBL and additional guidance was being put in place for the curriculum teams. The implementation of the DocuSign framework within WBL paperwork had also enabled a reduction in the delay to completion of this complicated paperwork.

AM outlined the recent action taken to ensure compliance with the recommendation on the digital storage of employee letters and salary data changes on the iTrent system; identified by the HR audit. It was noted that after taking advice from MHR (who provided software support for iTrent) this would not be stored on the system as it would slow it down. Instead HR had established secure digital files – 'P Files' - on a secure drive of the College servers where this documentation was now stored. The meeting noted that the internal audit of the HR function, which was currently being undertaken, would provide assurance on the accuracy of this data. AM confirmed that there were no GDPR implications of holding this data on the College G drive as only limited senior staff had access to the digital files.

Head of Finance (LG), outlined progress against the outstanding recommendations in relation to the Finance Audit of February 2019. The system health check in relation to APTOS had been completed in November 2019 and a communication log for credit control purposes was now available on the current version of Aptos; the only outstanding element was the staff training which was now planned for March 2020. NK sought, and was given, confirmation that the system produced an audit trail for people accessing the system. The meeting considered the recommendation in relation to dual signatories on the BACS system. SW confirmed that the current Paygate system used for BACS did not support dual signatories but the College would be moving to Barclays as this would enable this to be implemented. SW confirmed that the current process included segregation of duties with completion and authorisation of BACs being separate. The Chair highlighted that this recommendation was clearly a move towards 'good practice' and needed to be implemented as soon as possible. LG confirmed that the tender process for cash collection was still ongoing and would be completed by May 2020. SW informed the meeting that progress on this recommendation had slipped from January 2020 due to staff sickness at the College procurement service Tenet. The meeting noted that the recommendation in relation to documenting the processes and procedures within payroll was now complete as the guidance had now been written; however, this was still classified as 'amber' until the internal audit of HR confirmed it had been correctly actioned. The recommendation in relation to College servers had also now been partially actioned as new servers had been installed and IT staff were in the process of migrating data to the new servers. SW informed the meeting that this was an interim measure and the SLT were currently working on an IT Strategy for the future.

The Register of Outstanding Audit Recommendations was NOTED.

9. Progress Report on Internal Audit Strategy 2019/20

The meeting noted an update on progress against the Internal Audit Plan 2019/20 which had been provided by the Group Director Finance and Resource Planning (GDFRP), Shane Woodhatch. The

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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 2019. The meeting noted the current committed spend of circa £40,500 which was the full year budget for Internal Audit 2019/20. It was noted that the College might undertake an audit of GDPR compliance in the near future to provide additional assurance for Governors. The current issue was in sourcing a 'specialist company' who could undertake this audit. It was noted that the Information Commissioners Office (ICO) had issued a guideline document on GDPR audits but they would only provide a very basic audit service against this at no charge.

The Internal Audit Strategy update report was NOTED.

The Audit Committee would be kept updated on any plans to commission an audit of GDPR.

10. To receive report on any fraud/corruption issues and additional work required by auditors 2019/20

- **Fraud**

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

- **Additional work undertaken by auditors**

No additional audit work had been commissioned by HCUC during 2019/20.

Noted

11. Risk Register Update

Governors considered the Risk Register that detailed the risks mapped to the Strategic Aims and Corporate Goals of the College. There had been no change to the Risk Register since the last Audit Committee review but there were a couple of updates detailed below since the report had been published:

- 1.02 Early ILR return compromises late achievement outcomes. (Risk score now reduced to 5 'green' from 10 'amber').
- 1.03 Access achievement rates do not (Risk score now reduced from 9 'amber' to 6 'green').
- 1.04 Dashboard performance measures fall below national averages (Risk score reduced from 10 'amber' to 5 'green').

The meeting also 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 at 12 'red').
- 1.09 Failure to recruit sufficient staff, qualified at the appropriate level. (Risk score remains at 12 'red').
- 1.13 College SAR and/ or Ofsted rating falls below Outstanding. (Risk score remains at 12 'red').
- 3.04 Inadequate budgetary controls (Risk score reduced to 10 'amber' from 12 'red'). This reflected the ongoing stability in the Finance Team and the ongoing robust procedures.
- 3.11 Underachievement of funding targets (Risk score still at 15 'red').
- 3.14 Management Information – finance, funding, HR (Risk score now at 10 'amber' from 12 'red'). The new composite HCUC systems were still relatively new (e.g. HR system) so the risk was still deemed as 'amber'.
- 3.20 WBL non-levy 16-18 and 19+ apprentices target not met. (Risk score now at 9 'amber' from 15 'red'). Current WBL delivery against the ESFA allocation was being closely monitored.

Governors highlighted the need to include the new risk around Coronavirus (Covid-19) including the cost of covering any potential staff absence and loss of income due to business interruption.

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AM informed the meeting that the College was following all government advice and was taking a robust viewpoint in terms of implementation of the guidance e.g. any staff or students travelling from Category 2 areas were being asked to self-isolate for 14 days (not just those accessing Category 1 countries). Governors were assured that clear guidance had been issued to staff and students about self-declaring any potential contact with the virus. The Chair sought, and was given assurance, that the College had a clear policy and procedure to follow as the Coronavirus outbreak reached the UK in large numbers. DDS confirmed that there was clear guidance from the Department for Education and Public Health England for education institutes and the College would follow that.

The Risk Register was NOTED and RECEIVED.

An additional risk in relation to Coronavirus (Covid-19) would be added to the HCUC Risk Register.

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

The dates and times of the meetings were agreed as follows: Wednesday 17 June 2020 at 9.30am.

13. Any Other business

There was no other business.

The Audit Committee meeting closed at 10.30am.

Signed

Date.....