

# MINUTES

**Directorate:** Governance

**Minutes of:** Audit Committee

**Date:** 10 March 2021      **Time:** 09.30

**Venue:** Executive Meeting Room, Uxbridge Campus

**Present:**

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

**In attendance:**

Darrell De Souza (DDS)	CEO/ Group Principal
Vik Patel (VP)	Head of Finance
Tracy Reeve (TR)	Clerk to the Corporation
Chris Rising (CR)	Internal Audit Manager, MacIntyre Hudson LLP
Shane Woodhatch (SW)	Group Director Finance & Resource Planning
Gavin Hughes	Director SEND and Safeguarding

## 1. Chair's Agenda Item

There was no Chair's agenda item.

## 2. Apologies for absence

There were no apologies. The Chair welcomed Steve Cochran to the membership of Audit Committee; he would be joining the committee until the proposed merger with Richmond Upon Thames College in July 2021.

## 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 25 November 2020

The Group Director Finance & Resource Planning (SW) highlighted that the audit of Work Based Learning (page 7) was planned to take place in 2020/21 not 2019/20.

Subject to this amendment, the minutes were approved as presented and signed by the Chair.

## 6. Matters arising from the minutes of the meeting held on 25/11/20 not already on the 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 during February 2021. 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: central nominal ledger; cash and banking income; supplier and purchasing systems; and payroll. Overall, the review had concluded that the design and implementation of controls relating to the main accounting system, payroll system and accounts receivable system was effective with no weaknesses

# MINUTES

identified; with the exception that further procedures on the operation of the main accounting system could be documented. The audit had confirmed that there was separation of duties between those in charge of entering the payroll details into payroll system and preparing the payslips and those responsible with accounting and payment authorisation. The audit also noted that there were good internal controls in place such as “segregation of duties” and “authorization level” regarding the general ledger, purchases, invoices, and payments. These preventive controls were complemented by detective controls such as month end account procedures, different reconciliations related to internal accounts, aged debtors and creditors, management accounts, amongst others. However, CR highlighted that the College Procurement Procedure did not provide details of the steps to monitor the successful implementation of the procurement policy in terms of ensuring value for money.

The meeting considered the key findings which summarised the positive findings as well as suggested improvements. The meeting noted that the overall assurance assessment was ‘Adequate’. CR highlighted the detailed descriptors for each of the 4 assurance levels on page 34 of the report: substantial, adequate, limited and no assurance. Audit Committee noted that in total four recommendations had been made, two were ‘medium’ and two were ‘low’. The 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:

- Purchase orders (medium priority): CR informed the meeting that best practice recommended that payment authorisation levels were a control activity built to check the fulfilment of every aspect of the procurement procedure, including the tender procedure. Although the responsibility to obtain three offers or to follow a formal tender procedure for purchases sat with HCUC budget holders, there was a need for this process to be strengthened to ensure that such quotes were always obtained. The actions to increase this control activity were noted with a deadline for completion within 2021.
- Fixed Assets disposal and inventory (medium priority): The inventory frequency, schedule and responsibility for asset provisions needed to be formalised in the Fixed Assets Policy and Procedure. Best practice recommended that fixed assets inventory should be the responsibility of the Finance Department and for checks to be conducted on an annual basis. The inventories could be performed manually by scanning the bar code of assets, or through the software, such as “PARAGO”, which would aid the development of an asset inventory management system for the College. Management had accepted this recommendation and it would be implemented by December 2021 after a preparation phase and an implementation phase. Governors sought, and were given, confirmation from CR on whether he had seen asset tracking software in use at other colleges. The meeting agreed that this would need to be considered on the basis of cost versus rewards. GDFRP (SW) confirmed that the college was currently using the current FMIS which had additional functionality for this purpose but SLT would consider undertaking a cost benefit analysis looking at the other options. Governors sought confirmation on why HCUC had so many assets with a ‘zero net book value’ and this was noted as being a legacy of inaccurate historical data; this would be corrected as data was input to the college FMIS.
- Accounting policies and procedures (low priority): Audit Committee noted that the audit had confirmed that HCUC applied generally accepted accounting principles with strong internal controls established in the finance department. However, documentation of the accounting policies and procedures is limited to a few procedures such as “Financial Regulations” and “Procurement Policy”, “Payroll Procedures”, among others. The lack of detailed accounting policies and procedures could lead to inconsistency of accounting treatments and applications, limited transparency, and uncertainty on whether all accounting principles and policies had been followed. Best practice recommended that HCUC should interpret the accounting principles it complies with and document such interpretation in a clear “HCUC Accounting Policy”. In addition, Accounting

## MINUTES



Procedures for applying these policies should be defined, documented, and followed. SW confirmed that an action plan would be put in place to develop a more detailed Accounting Policy and Procedures. Two examples of what would be included in the proposed accounting procedures were:

- The Month End Guide which would explain how to go through all the journals and different processes for month end, when and which order the journals should be prepared and what working day they need to be completed, and segregation of duties and authorization levels established while preparing and reviewing month end procedures, reconciliations performed, and reports produced.
- The Creditors and Debtors Closing Balance Check Procedure would explain how to check that the closing balance of the creditors and debtors report was the same as the nominal control account, the timescale to carry out such reconciliations and the responsible employees, steps to take when differences between trial balance and the nominal account were found out.

The timeline for completion of this work was noted as December 2021.

- Anti-Fraud risks (low): CR informed the meeting that the review of documents found that HCUC had identified significant fraud risks facing the schools and the ways the College could mitigate these risks only partially. However, the college had not identified in detail areas which were susceptible to fraud such as payroll, cash receipts, expense claims and purchasing cards, fixed assets, contract management and procurement, Income such as tuition fees, funding council grants. The recommendation suggested that identification of significant fraud risks was essential to understand the exposures to risk, and the potential consequences to the HCUC. Moreover, the risk update procedures did not address the new fraud risks emerging from the pandemic threat and working remotely on a large scale. After review of the Risk Register, McIntyre Hudson believed that it did not address the risk of emerging vulnerabilities in times of the pandemic threats such as on - line payment services, an increasing number of phishing attacks because of the relaxing diligence and controls, compromised emails, advance payment fraud, and money laundering. A lack of an updated risk assessment framework, including the measures to be taken in response to newly identified risks could mean that the HCUC was not able to respond as timely as possible to new risks. SW confirmed that the College would conduct and document a Fraud Risk Assessment setting out significant fraud risks and mitigation criteria. The materiality criteria should determine the degree of significance of risks. For example, a self- assessment Fraud Risk Document would include transactions/ assets susceptible to fraud such as payroll, fixed assets and stock, purchasing, cash payments and debtors, income as well as controls in place, and monitoring and reporting to ensure that controls were working as intended. HCUC would also consider red flag indicators in the light of COVID-19. Timeline for completion of this recommendation was July 2021.

Internal auditor (CR) confirmed the meeting that he was pleased 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. Governors sought confirmation on whether the completion dates were realistic – especially for the Fixed Asset verification. The meeting sought additional clarity on the level of sampling and CR explained that the level of sampling was initially based on the likely risk and then increased if further issues were discovered in the original sample. The meeting was pleased to note that the audit had provided a good level of assurance around payroll; this gave governors confidence around this important area going into the merger with Richmond Upon Thames College (RuTC). GDFRP also highlighted the positive confirmation of the rationale to get RuTC staff onto the HCUC i-Trent Human Resources system post-merger. Governors sought confirmation on how easy it had been to access all the necessary files within a remote audit environment; CR confirmed that access had been good and sampling was still undertaken on a random basis.

The Chair sought confirmation on what CR thought HCUC needed to do in order to gain 'substantial assurance'. CR confirmed that implementation of all the recommendations would work towards this but there would still be some uncertainties. He believed the key action was for the college to implement

# MINUTES

the procurement recommendation to gain independent assurance around Value for Money. CR asserted the progress made in the last year since the previous Key Financial Controls audit.

- **Follow up**

CR confirmed that during the audit of key financial controls, McIntyre Hudson had verified the completion and effectiveness of the actions taken by management to address the underlying causes to the risks identified in the previous Key Financial Control audit report (February 2020). The review confirmed that two actions had been fully implemented, four actions were partially implemented, and the remaining action was outstanding, largely due to the impact of COVID19. Governors once again questioned the realism of the timeline at December 2021. After discussion it was agreed that the timeline should be kept to December 2021 but there might be some delay due to the RuTC merger; this would be brought to the September 2021 Audit Committee.

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

## 8. Review of previous audit recommendations

The meeting noted the detailed Register of Outstanding Audit Recommendations which now only contained one item; Fixed Asset verification. This would be amalgamated with the recommendation from the recent Key Financial Controls audit as discussed earlier in the meeting and the completion date would be amended to 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.

VP confirmed that the recommendations from the recent Key Financial Controls audit and the Safeguarding Audit would be added to the Audit Recommendations log in advance of the next Audit Committee meeting.

**The Register of Outstanding Audit Recommendations was NOTED.**

## 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 GDFRP (SW). 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 2020.

**The Internal Audit Strategy update report was NOTED.**

- **Safeguarding Audit**

The Director SEND and Safeguarding (GH) joined the meeting to present the report from the recent audit of Safeguarding undertaken by specialist audit firm Leaders in Safeguarding from 25 January to 1 February 2021. GH reminded the meeting that this audit was done as a standing audit on a biannual basis by HCUC. Governors sought additional detail on Dr Dan Grant's credentials and the meeting noted that he was a trained Ofsted Inspector as well as being a Safeguarding specialist. During the rigorous audit the Leaders in Safeguarding team had spoken to numerous members of staff. The meeting considered the report which provided a detailed summary of Dr Grant's assessment of HCUC against the following 16 key standards:

1. Clear lines of accountability for safeguarding children and vulnerable adults.
2. Committed governance arrangements and quality assurance processes.
3. Full compliance with all relevant statutory requirements and guidance.
4. Comprehensive, clear and effective safeguarding policies, procedures and systems.
5. Effective and appropriate information sharing.
6. Highly effective inter-agency working.
7. Safer recruitment practices.

# MINUTES

8. Highly effective supervision and support.
9. High quality staff training and continuing professional development.
10. Very good staff awareness of safeguarding arrangements and effective day to day practice.
11. High priority given to safeguarding the most vulnerable groups.
12. Accessible and effective whistleblowing procedures.
13. Full and effective implementation of the Prevent Duty.
14. Precise recording of information and concerns.
15. Good understanding of the requirements for confidentiality
16. Effective risk assessment and risk management arrangements.

GH highlighted the statement in the detailed notes, 'The college has very effective quality assurance processes which ensure the safeguarding arrangements remain effective'. The meeting considered the three recommendations:

- Review the job description for the safeguarding adviser role and remove reference to government initiatives which are no longer current: "Every Child Matters".
- Ensure the college has effective lockdown procedures at all sites by conducting a drill at the Uxbridge and Hayes campuses and by making sure there is an effective alarm to signal to staff and learners when lockdown is required.
- Ensure that enhanced DBS checks are completed for all staff every 3 years by implementing a structured cycle of rechecks with agreed targets for completion. The current pace of rechecks was too slow.

GH informed the meeting that management had accepted all the recommendations; the second one in relation to the lockdown drill had been delayed due to the Covid-19 pandemic and the college closure. It would now be undertaken as students were back on site. Governors pressed for a timeline and noted that it would happen during the summer term. The meeting sought clarification on what percentage of enhanced DBS checks were currently being redone to meet the three-year target. GH informed the meeting that circa 30% of staff had not had a repeat enhanced DBS within the three-year period; this was spread across all sites. GH reminded the meeting that a 3-year repeat check was not a legal requirement but the College saw it as a best practice target.

Governors asked whether the specialist auditor had given the College any steer on what Ofsted would be looking at during inspections? GH confirmed that this had been covered during the visit but was not reflected in the formal report. It had been confirmed anecdotally that guidance to staff was strong on being Ofsted ready with regard to Safeguarding. NK confirmed that he had spoken to Dr Grant during the Audit as the Governor safeguarding lead; he thanked GH for maintaining the high standards around this key area of work. GH reminded the meeting that there would be ongoing safeguarding challenges ahead in relation to flexible/ online learning, work based learning and work placements. This would be a key focus for the next safeguarding audit in two-years' time.

***The Safeguarding Audit report was NOTED and RECEIVED. The recommendations would be included on the Register of Audit actions.***

## **10. To receive report on any fraud/corruption issues and additional work required by auditors 2020/21**

### **• Fraud**

There had been no attempted fraud or corruption issues to report at the time of publication of the papers. However, SW informed the meeting that there had been two very recent incidences of fraud on the Barclays Credit Card account; on using the GDFRP credit card details and one using a Head of School credit card. Both credit cards had been locked in the college safe – which was the standard security protocol - at the time when they were 'used'. This had been identified by the Finance Team during the

# MINUTES

monthly reconciliation and amounted to £4,900. The meeting noted that Barclays had already refunded the money. Governors sought, and were given, assurance that Finance had checked for any activity on other credit cards and SW confirmed that all cards were checked at every month end reconciliation. Governors were assured that all necessary control procedures were in place. SC confirmed that online card fraud was a massive issue at the moment within the banking sector.

***It was AGREED that GDFRP should continue to maintain a close watch on this area of potential online fraud.***

- ***Additional work undertaken by auditors***

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

***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:

- 1.08 *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').
- 1.13 *College SAR and/ or Ofsted rating falls below Outstanding within the new Ofsted EIF.* (Risk score remains at 12 'red').
- 2.05 *Inflexible delivery models for Apprenticeships could restrict growth* (New risk with score at 12 'red').
- 3.02 *Insufficient enrolment on employability pathways for adult unemployed learners will reduce spend of ESFA contract.* (New risk with score at 12 'red').
- 3.03 *Insufficient student demand to achieve long term growth targets* (New risk with score at 12 'red').
- 3.06 *Commercial school income/External projects do not meet income targets, outputs and outcomes* (New risk with score at 12 'red').
- 3.10 *Pension contribution increases* (New risk with score at 12 'red'). This was linked to the merger as well as market performance.
- 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.
- 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.
- 3.19 *16-18 and 19+ mainstream recruitment not met, leading to reduction in funding in current and future year* (New significant risk)
- 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 risk)
- 5.11 *Compliance with GDPR and other data related regulation* (Risk score raised from 12 'red' to 15 'red'). SLT were concerned that despite staff training and advice from the Information



# MINUTES

Commissioners Office (ICO) on best practice, destruction of obsolete data was not always happening as quickly as recommended. SW confirmed that HCUC had put all requisite policies in place during 2018/19 but the issue was non-compliance from staff.

- 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 adherence to all Public Health England and Government guidelines.

The meeting also noted the West London IoT Risk Register and the specific Merger Risk Register which was being closely monitored by the HCUC/ RuTC Joint Steering Group.

***The Risk Register was NOTED and RECEIVED.***

## **12. To confirm and agree the dates and times for the Audit Committee meetings in 2020/21**

The dates and times of the meetings were agreed as follows: Wednesday 16 June 2021 at 9.30am.

## **13. Any Other business**

There was no other business.

The Audit Committee meeting closed at 11.20am.

Signed .....

Date.....