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Directorate: Governance

Minutes of: Part 1 - Audit Committee

Date: 17 September 2020 **Time:** 9.30

Venue: Remote access via Zoom videoconference

Present:

Nasim Khan (NK)	Governor (<i>Chair</i>)
Tracey Critchley (TC)	Governor
Ketan Sheth (KS)	Governor

In attendance:

Simon Atkins (SA)	Cooper Parry Group Ltd. (External Auditors) <i>(Items 1-10 only)</i>
Darrell DeSouza (DDS)	CEO/ Principal
Vikash Patel	Head of Finance
Tracy Reeve (TR)	Clerk to the Corporation
Shane Woodhatch (SW)	Group Director Finance & Resource Planning

Apologies: Imtiaz Aziz (IA) Director Human Resources (*Due to attend Item 12 only*)

1. Chair's Agenda Item

There was no specific Chair's Agenda item.

2. Apologies for absence

The Chair (NK) welcomed Vik Patel (VP) to his first meeting since his return to the College to take up the role as Head of Finance for HCUC. He also welcomed Simon Atkins from Cooper Parry Group Ltd who would be acting as external auditors for HCUC financial statements 2019/20.

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

There were no items notified.

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

There were no interests declared.

5. Minutes of the meeting held on 17 June 2020

The minutes were approved by the meeting and signed by the Chair.

6. Matters arising from the minutes of the meeting, 17 June 2020, not on the agenda

• **BDO LLP resignation letter**

The meeting noted the resignation letter from BDO LLP dated 14 September 2020. SW reminded the meeting that BDO had verbally notified him of their resignation in June 2020, but this was the formal notification to enable Cooper Parry to take over the external audit contract at HCUC. The meeting noted that there were no matters that BDO needed to bring to the attention of governors or creditors.

NOTED

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

7. Preparation of Audit Committee Annual Report 2019/20

The Clerk (TR) presented the first draft of the Annual Report 2019/20 of the HCUC Audit Committee. TR confirmed that the report as presented met all the requirements of the Post-16 Audit Code of Practice (July 20210) and reminded the meeting of the importance of the Annual Audit Committee Report within the Board Assurance framework; it provided assurance to the whole Corporation alongside the College Financial Statements. The meeting noted that the statements around the external auditors' opinions would be confirmed after the audit of the HCUC Financial Statements 2019/20 was completed. TR confirmed that she had reflected the actions taken around risk assessment and the Covid-19 pandemic. The Chair asked that the report should be amended to highlight any 'High' or 'Medium' recommendations raised during the year which had not yet been fully implemented.

The draft HCUC Audit Committee Annual Report 2019/20 was APPROVED subject to:

- **confirmation on the 2019/20 financial statements audit.**
- **an amendment to include a reference to any outstanding high or medium recommendations.**

The final Audit Committee Annual Report would be presented for approval at the next Audit Committee, (25/11/2020) before submission to the Governing Body in December 2020.

8. **Key Performance Indicators for auditors 2019/20**

SW presented the draft performance indicators (KPIs) for 2019/20 for External and Internal Auditors. The external auditors would be judged against the same criteria as used in the prior year based on four elements: Audit arrangements; Conduct of the audit; Professionalism of the audit; and five general indicators covering the working relationship between auditors and College, whether auditors regularly updated College management on sector changes and the availability of auditors throughout the year in response to ad-hoc changes. As several specialists commissioned as required by the College had provided the internal audit provision at HCUC during 2019/20, the College managers who had interacted with the auditors would provide feedback on performance of each of the specialists. College management using subjective factors such as timeliness and the usefulness of the recommendations would also assess 'Value for money' of the individual specialist provision. The meeting noted and agreed that the external auditors, Cooper Parry, would be asked to self-assess against the KPIs in advance of the next Audit Committee meeting. The Clerk confirmed that the final completed KPIs would also be sent to the ESFA as an Annex to the Colleges' Audit Committee Annual Report 2019/20.

The meeting APPROVED the KPIs for Internal and External Auditors as presented.

It was AGREED that the External Auditors (Cooper Parry) would complete a self-assessment based on the KPIs for 2019/20.

9. **HCUC Annual Risk Management Report 2019/20 for recommendation to Corporation**

The GDFRP (SW) presented the draft annual report of the HCUC Risk Management Group for the period 1 August 2019 to 31 July 2020. The meeting was reminded that the Risk Management Group comprised the Senior Leadership Team, however, the Strategy and its implementation were set and reviewed by the Governing Body. During the 2019/20 year, the College had operated one composite risk register covering Harrow and Uxbridge Colleges. The Audit Committee noted Appendix 1 to the report, which detailed the risks with scores of 12 and above ('significant') at the start of the year, against the end of year score and an explanation. There were three significant risks at the start of the year, which remained unchanged throughout the year. There was one new risk introduced and three risks where the score increased to significant by the end of the year. The five significant risks at the year-end for 2019/20 were:

- Insufficiently qualified and equipped staff to support the delivery of study programmes and quality outcomes for learners (*risk score at 12 throughout the year*).

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- Failure to recruit sufficient staff, qualified at the appropriate level (*risk score at 12 throughout the year*).
- College Self-Assessment Report and/or Ofsted rating falls below Outstanding within the new Ofsted Education Inspection Framework (EIF) (*risk score at 12 throughout the year*).
- Underachievement of funding targets (*increased from 12 to 15 during the year*)
- Failure to secure and respond to large levy paying employers to deliver apprenticeships could impact on income (*increased from 8 to 15 during the year*)
- WBL non levy 16-18 and 19+ apprentices target not met including in-year variation, and cross-year spends, in addition to unknown allocations beyond March 2019 (*increased from 6 to 15 during the year*)
- Operational impact due to coronavirus, Covid-19 (*new risk assessed at 12*).

The Chair sought and was given confirmation from the CEO/ Principal (DDS) that the key risks contained in the report were correct. The meeting sought confirmation from the CEO on how comfortable the SLT were with the numbers of risks at a high score of 12 or above. DDS highlighted that the biggest issue at present was managing the evolving Covid-19 situation and ensuring College operations met all Public Health England and government guidelines. DDS highlighted that current enrolment for 16-19 was at 92% of the College target (94% of the ESFA target). Across the College there was better take-up of level 3 places but some gaps on level 1 and 2 courses. The grade inflation experienced for GCSEs in summer 2020 was causing more students to stay on at school sixth forms and embark on A Level courses than would normally happen. The 19+ enrolment was also more complicated as adult learners could not be placed into 'bubbles' for learning purposes so fewer could be placed in each cohort to meet social distancing requirements. Audit Committee were informed that detailed information on the financial impact of Covid-19 had been considered by the Resources Committee on 16 September. An update would be brought to Governors at the Corporation meeting on 22 September and the Training Day on 7 October when the final enrolment data would be clearer. The Chair thanked DDS for the update and was reassured that SLT had all requisite controls and monitoring in place.

The meeting was reminded that since 2016/17 and during 2019/20 there had been no specific audit of risk management within the internal audit programme at HCUC. Instead, the work of specialist auditors in the year had concentrated on areas of high priority detailed in the risk register. In addition, each risk on the Risk Register was assigned to a Corporation sub-committee. The relevant contingency and significant risks were reviewed at each sub-committee meeting as standard agenda items, with an overview remaining with the Audit Committee. At each Governing Body meeting, officers presented Directorate reports, referencing the major risks. The Principal confirmed that the Risk Register was working well as a live document. It showed 'Red Amber Green (RAG)' rated risks aligned to the Corporate Goals and was embedded throughout HCUC at all levels of management. The report confirmed that each school and service area had reviewed their risk register as part of their development plan. The review of the College Risk Register continued to be a standing item on the agenda for each of the schools and service areas reviewed at the Senior Leadership Team meetings, and individual risks were monitored on an ongoing basis in the context of updates to the operational plan and corporate goals.

The Audit Committee were given assurance that the Risk Management Group was satisfied that there was a formal ongoing process for identifying, evaluating and managing the College's significant and contingency risks.

The Risk Management Report 2019/20 was APPROVED for submission to the Corporation (in December 2020) subject to confirmation of the compliance with Corporate Governance requirements; to come from the external audit of the financial statements for 2019/20.

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10. To receive the audit plan for 2019/20 from the external auditors, Cooper Parry

Simon Atkins (SA), who would be the HCUC Client Partner for Cooper Parry Group Ltd, presented the report outlining the audit plan for the external audit of HCUC for the year ending 31 July 2020. The meeting noted that the scope of the work would include an audit opinion on the financial statements as well as a regularity audit for year-end 31 July 2020. SA confirmed that the Cooper Parry audit team would 'meet' with the GDFRP (SW) and Head of Finance (VP) week commencing 21 September to talk through the process and any likely risks that might affect the year-end position. The significant audit risks that had been identified were: income recognition; going concern; management override of controls; related party transactions; and retirement benefits. SA confirmed that BDO would look at the actuarial assumptions used to ensure that they were consistent with sector benchmarks. The meeting noted a detailed summary of the audit approach, which would be used during the external audit and Governors were given assurance that it was in line with the prior years' audit activity and all regulatory requirements. In relation to the risk around Management Override of controls, SA highlighted that Cooper Parry would need to go back to undertake initial work around finance systems, journal adjustment and estimates. The meeting also noted the statement from Cooper Parry confirming their independence as auditors. SA informed the meeting that due to the current pandemic the audit would be undertaken on a remote basis; Cooper Parry had been undertaking remote audits since March 2020 and did not foresee any additional complications from a virtual approach. The audit team would use MS Teams, Zoom and SharePoint to conduct the audit virtually; SW confirmed that he was comfortable with this approach and that it would not require modification of the audit testing to any great degree. SW sought confirmation from SA that HCUC finance staff would be able to replace any submitted documents on SharePoint in advance of the audit starting; an agreed cut-off date for replacement would be finalized. The meeting was pleased to receive this reassurance around this new way of working.

The timetable for the external audit was noted with the fieldwork commencing on 5th October and the audit clearance meeting on 11th November 2020. Presentation of the final accounts to the Audit Committee and the Resources Committee would be on 25th November 2020 before they were taken to Corporation for approval on 8th December 2020. SW informed the meeting that although the ESFA had amended the deadline for submission of Financial Statements to 31 January 2021, he would still be working to a submission date of 31 December 2020. The meeting noted that the level of materiality was not yet confirmed but would be based on a percentage of income in line with previous years (the prior year figure used by BDO was £700,000). The audit fees of £32,750 plus VAT were noted as being in-line with the previous annual charge for the prior year audit from Moore Stephens (this included the work for the mandatory audit of the Teachers' Pension Scheme Certificate).

The external audit plans for the 2019/20 financial statements were NOTED and APPROVED.

11. To receive and approve the Internal Audit Strategy 2020/21-2021/22 for recommendation to the Governing Body

The GDFRP introduced a paper detailing the updated internal audit strategy and the annual plan for 2020/21. Governors were reminded of the requirements and obligations placed upon the Audit Committee and the Corporation under the overarching statutory documents of FE colleges. The importance of the challenge and scrutiny role of the Audit Committee and Governors was accepted. The meeting discussed the historic internal audit strategy of appointing specialist firms and agreed that it had worked well over the last few years. College management assured Audit Committee members that these 'specialist' internal audits had provided a better level of assurance for Governors and College management as the audits had been more rigorous. The specialist audits had been undertaken by firms who had a very thorough understanding of their audit areas. These audits provided useful recommendations for continuous improvement and better 'value for money' in terms of impact, than the anecdotal experience of employing one firm of internal auditors only. After discussion, the meeting agreed that the 'specialist call-off' approach should continue into 2020/21 for HCUC.

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The meeting noted the key areas of concern raised by a review of the HCUC risk register for 2020/21 and in discussion with College senior managers. SW also highlighted the slippage of internal audits from the 2019/20 year due to Covid-19 restrictions. Areas planned for inclusion in the internal audit plan 2020/21 were noted as: Safeguarding and Prevent; Health and Safety; Key Financial Controls (including the new payroll system); Funding compliance; Estates (compliance with statutory requirements); IT systems maintenance; compliance with GDPR legislation; and Apprenticeships. The meeting was concerned that this was a lot of internal audit work to be undertaken in one year but agreed that it was important to catch up on missed audits that were planned for 2019/20. The meeting asked SW to consult with other SLT members and consider whether one of the two biennial audits - Safeguarding, and Health and Safety – could be deferred until 2021/22. The CEO (DDS) suggested that he would not be comfortable with the Health & Safety audit being deferred due to the Covid-19 pandemic. It was also suggested that as an Ofsted Inspections was a strong possibility from January 2021 onwards, it would not be sensible to defer the Safeguarding audit. After further discussion the meeting agreed that all of these key audits should remain on the strategy for the year but they should be spread out throughout the whole 2020/21 academic year. Members suggested that the internal audits should be spread throughout the year to ensure that there was no overload of Internal Audit Reports at any Audit Committee meeting. SW informed the meeting that the ESFA funding audits which took place at random colleges in autumn each year would not take place in 2020 due to Covid-19 restrictions.

Governors noted that circa £80,000 had been included in the HCUC College budget for 2020/21 to allow for the internal audit work and any additional ad hoc audits. This was an increase on the previous years budget of £63,000 to reflect the additional workload.

The meeting APPROVED the HCUC Internal Audit Plan 2020/21 as presented with the caveat that the large number of internal audit reviews should be spread evenly across the academic year.

12. 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 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 March 2020. Ongoing action against the higher priority recommendations not yet completed was discussed by the meeting.

Funding Assurance: Head of Finance (VP) confirmed that the additional issue in relation to the application of the Skill Scan raised at the June 2020 Audit Committee meeting had now been completed. This would be subject to further review when the next Funding Audit was undertaken.

Key Financial Control Audit: VP outlined progress against the outstanding recommendations in relation to the Finance Audit of February 2019. The Fixed Asset Register verification had been delayed due to Covid-19 and the timeframe for completion was now revised to December 2020. 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 which included reviewing the ongoing need for IT storage; SW confirmed that any new system would be modular to allow future bolt-on.

Human Resources: The Audit noted 6 'Medium' and 1 'Low' priority findings, and 1 'Advisory' finding. These were in relation to the following aspects of HR work: Incomplete Recruitment Records; Induction Process; Induction Evaluation Forms; Training and Development Resources; Sickness Management; Leaver Process; Policies and Procedures (low priority); and one advisory finding in relation to the Leaver Acknowledgment Letter. The meeting was disappointed to note that action to

implement these recommendations had been delayed due to the Covid-19 College closure; only the recommendation in relation to induction processes was 'in progress'. The Chair sought confirmation on whether the completion dates of October 2020 were realistic for the other 7 recommendations since action to implement had not yet started. As the HR Director (IA) had not been able to join the meeting as planned it was agreed that SW would seek confirmation from IA that the dates for completion were realistic. The Chair highlighted that the Audit Committee would require an explanation if there was any further slippage in the planned completion dates for these 7 recommendations.

The report was NOTED.

It was AGREED that the CEO and GDFRP would meet with the Director of Human Resources to clarify and confirm realistic completion dates for the seven outstanding recommendations in relation to the internal audit of HR.

13. To receive an update on the Risk Register

The meeting received the HCUC Risk Register that had been updated by the Executive Team, through a review of the 2019/20 and 2020/21 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').
- 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 within the new Ofsted EIF. (Risk score remains at 12 'red').
- 3.07 International income fails to meet financial targets due to unforeseen events. (Risk score raised from 8 'green' to 10 'amber'). The meeting discussed this item and agreed that this risk would not decrease in the near future. This was backed up by anecdotal evidence from another large London College Group who were withdrawing from all international work. The CEO affirmed that HCUC were currently planning on maintaining a pipeline for this work; there were still specific flights leaving India for international students.
- 3.11 Underachievement of funding targets (Risk score still at 15 'red').
- 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.
- 3.18 Apprenticeship (WBL) performance falls below Minimum Standards impacting funding contract. (Risk score reduced from 8 'green' to 2 'green'). This was no longer a risk as Minimum Standards had ceased to be enforced due to large variances of Frameworks/ Standards. However, WBL performance was still being carefully monitored by SLT and Heads of Schools.
- 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.
- 5.11 Compliance with GDPR and other data related regulation (Risk score raised from 8 'green' to 12 'red'). SLT were concerned that despite staff training and advice from the Information Commissioners Office (ICO) on best practice destruction of obsolete data was not always happening.
- 5.12 College loses IT capability and/ or data following a cyber-attack. (Risk score raised from 8

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'green' to 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. Measures had been implemented at all HCUC campuses to ensure a Covid-19 safe environment for returning learners in September 2020. Learner and Staff views on the new arrangements would be sought as more people accessed the sites.

Governors (TC) highlighted a spelling error on the Risk Register - item 5.11 GDPR. 'distruction of obsolete data' (rather than destruction); ***SW to correct this error for the next iteration of the Risk Register.***

West London Institute of Technology (IoT) Risk Register: The meeting considered the separate Risk Register for the IoT that was also being closely monitored by the HCUC Resources Committee. The meeting noted that the College was still negotiating with the DfE in relation to IoT learner number targets for 2020/21; HCUC were asking for these to be kept at 20219/20 levels to reflect the impact of Covid-19 which had delayed any IoT marketing and promotion work. The meeting was also reminded of the Office for Students (OfS) numbers cap on HE recruitment for 2020/21 which would not allow the previous IoT targets to be met. The other high risk was noted as being in relation to a possible change in government policy and the impact of Covid-19 on apprenticeship recruitment.

The HCUC Risk Register and the IoT Risk Register was NOTED and RECEIVED.

14. **To receive report on any fraud/corruption issues and additional work required by auditors year-to-date 2020/21**

- ***Fraud***

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

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

There had been no additional work undertaken by auditors.

Noted

15. **To confirm and agree the dates and times of meetings for 2020/21**

The dates and times of the meetings noted as follows:

- Wednesday 25 November 2020 at 9.30am
- Wednesday 10 March 2021 at 9.30am
- Wednesday 16 June 2021 at 9.30am

16. **Feedback to Governing Body Meeting - September 2020**

It was agreed that the following items would be given as feedback to the next Corporation meeting:

- Internal Audit Strategy 2020/21: the meeting received confirmation of the ongoing benefit of sourcing specialist auditors for different internal audits e.g. safeguarding, health and safety. This strategy provided value for money and produced a more rigorous audit with more valuable recommendations for ongoing improvement. The internal audit plan for 2020/21 was busier than usual due to delays in audits during Covid-19 closure but there was no scope to defer any of the planned work.
- External Audit: The meeting received an outline of the planned timetable from Cooper Parry, the college's external auditors. The audit of the financial statements 2019/20 would commence on 5 October 2020.

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17. **Any other business**

The meeting discussed a confidential agenda item which is minuted in the Part 2 Confidential minutes.

There was no other business. The meeting closed at 11.15am.

Signed.....

Date.....

