

The Henley College Corporation

| MINUTES of the Meeting of the Audit Committee held on Monday 11 June 2018 at 16.30 | | |
|--|---|------------------|
| Members Present: Stephen Forward Robyn Vitty Jeni Wood Tony Sanderson Mohammed Khaliel In attendance: Satwant Deol Jim McCaffrey Eva Dixon Katharine Patel via conference call Jacky Gearey | Independent Member/Chair Staff Governor Independent Member Co-opted Independent Member Principal Health & Safety and Security Manager Interim Director of Finance (DoF) Partner, Buzzacott LLP Clerk | |
| Agenda Item | Minutes | Action by |
| 3.1 | Opening of meeting The meeting opened at 16.30 The Chair commented that it had been unfortunate that many of the papers presented to the Committee had only been available at short-notice, with one paper arriving less than 30minutes prior and the risk register only at lunchtime. Committee members endorsed the requirement that papers needed to be presented in a timely manner so that they had a reasonable chance of reviewing them prior to meeting. The Chair asked the Clerk to ensure that, in future, papers were received by committee members at least a week prior to meeting, and that those preparing such papers included this requirement in their drafting schedule. Should this not be possible for the majority of papers for a particular meeting, then the Chair was minded to cancel or postpone future meetings. The Chair thanked Robyn Vitty for attending to ensure that the meeting was quorate, but that circumstances had now permitted sufficient members to be present. | |
| 3.2 | Apologies for Absence Apologies were received from: 1. David Welch - holiday | |
| 3.3 | Declaration of Interests No interests were declared. | |
| 3.4 | Minutes of the Meeting of 26 February 2018 The Chair noted one omission on the action list which was rectified. Resolved: The Committee agreed that the Minutes were an accurate record of the meeting of 26 February 2018 and were signed by the Chair. | |
| 3.5 | Matters Arising from Previous Meeting The Chair went through the following action items: Item 2.5(ii) A paper on the restricted reserve to the Clerk and then to be emailed to committee – the Chair noted that although this had been done, there had been a | |

The Henley College Corporation

| | | |
|--|---|-----|
| | <p>misunderstanding in what it was that the committee had wanted. The paper had explained how the restricted reserve had been generated rather than what the current situation was with respect to the reserve's status. The Principal verbally updated the Committee and confirmed that she was doing a presentation on KPIs for the Corporation meeting on 20 June and that this will be covered then. Closed.</p> <p>Item 2.5(iii) - A pictorial version of the high-level financial process had still not been sent to the Clerk and the Chair asked that this paper be sent to the Audit committee asap so that a decision could be made on how to proceed with a prospective Internal Audit of Financial processes. DoF said the high-level processes were shortly to be superseded and would be effective as of 1 August 2018. The Chair and committee members noted with concern that it was the committee's remit under clause (a) of its terms of reference that such changes should have been advised to the Audit committee first (and not Finance & Resources) so that the Audit committee could advise the Corporation of their adequacy and effectiveness. The DoF said she would provide an overview of this system, ex-committee, before August; the committee then agreed that once the new processes had bedded-in, there would be a need to review them for effectiveness through an internal audit in spring term 2019.</p> <p>Item 2.5 (iv) - confirm quote for cyber security penetration testing and to send to Clerk to send to committee. The DoF advised the committee that the cyber security penetration testing had already been arranged for June 2018 and IT phishing for July 2018; costs would be less than £7000 (excluding VAT). The Chair voiced his concern that this had been arranged without the prior consent of the committee as per the previous minutes but did concede that this had to be done as a matter of urgency. The Chair asked that the DoF send the results of these audits in a report to be circulated to governors in July. Noting the importance of this topic (and other issues covered later in the meeting), the Chair asked the Clerk to arrange an extraordinary committee meeting for mid- September to discuss the cyber penetration test and financial process overview.</p> <p>Item 2.6 - ESFA Funding Audit Report – a summarised version of the Funding Assurance Review report would be provided for the next Corporation meeting – the DoF confirmed that this report had not been prepared and that she would provide one to the extraordinary committee in September and thence onward to the Corporation in October 2018 for information.</p> <p>Item 2.10 – the Whistleblowing policy has been reviewed by the external HR Adviser and is fit for purpose, the Whistleblower was confirmed as the Ombudsman. Closed.</p> <p>Item 2.12 – a GDPR policy to be presented to the committee at the next meeting – this is covered under item 3.12 GDPR update but the Chair noted that the presentation of the GDPR policy document was still outstanding.</p> <p>There were no further matters arising.</p> <p>Resolved: (i) DoF to provide the committee with a chart of the College's high-level financial processes and structures by August 2018.</p> | DoF |
|--|---|-----|

The Henley College Corporation

| | | |
|-----|---|--|
| | <p>(ii) DoF to ensure that an internal audit of College financial processes and structures was enabled for spring term 2019.</p> <p>(iii) The DoF to provide a report on the results of cyber security penetration testing and IT phishing by end-July and to send to all committee members.</p> <p>(iv) Clerk to arrange an extraordinary meeting in mid-September.</p> <p>(v) the DoF to provide a summarised version of the Funding Assurance Review report for the Audit committee in September before going to the Corporation in October 2018 for information</p> <p>(vi) The DoF to present the GDPR policy to the Audit committee at the next meeting.</p> | <p>DoF</p> <p>DoF</p> <p>Clerk</p> <p>DoF</p> <p>DoF</p> |
| 3.6 | <p>Internal Audit Reports</p> <p>The DoF presented the Review of Apprenticeships Income for 2018-19, a report produced by FEA an independent further education and skills specialist on the predicted income for apprenticeship delivery for 2018-19. The report looked at the following key areas:</p> <ul style="list-style-type: none"> • The carry-in income for existing learners • The predicted new start income for 2018-19 • 'Out of Funded' Learners • Staff caseloads • Risk <p>The report identified that there are a number of risks to 2018-19 income of apprenticeship provision:</p> <ul style="list-style-type: none"> • Significant decrease in income levels and decrease in number of projected starts in 2018-19 of college delivery • High Risk of no achievement payments and withdrawal of 'Out of Funded' learners especially with partners • Functional skills non achievement which will impact on Full framework achievement and income. • ESFA audit and issues resulting in a clawback. • Low staff caseloads for all staff • Lack of a business strategy and movement to deliver high value standards to ensure that there is a return on Investment for the staffing costs. <p>In moving forward the report suggested that the College focus on levy-paying employers to capitalize on receiving 100% of funding with minimal risk. Non-levy delivery is expensive as the cost of business development, the risk of non-payment and the resource of a member of staff delivering to one or two learners with 20% off the job training having to be delivered usually results in a loss for each learners.</p> <p>The Chair commented that the report was technically very detailed, lacked an Executive Summary, and appeared to be of more use to the SLT than to the audit committee because of the recommendations it made. However, he also noted that several high-risk areas were mentioned that seemed to be of considerable concern regarding assurance that the apprenticeship programme was delivering. The Chair went on to say that because of these concerns, this issue must be brought forward to the Corporation for their attention. The Principal agreed with the Chair's analysis but responded that changes to courses were an operational matter and that she had spoken to the Chair of the Corporation about this. Nevertheless, the committee</p> | |

The Henley College Corporation

| | | |
|-----|--|----------------------|
| | <p>requested that the Principal/DoF bring a report on the review of apprenticeships and proposed action plan to the Corporation at the earliest opportunity.</p> <p>Resolved:</p> <p>(i) the Review of Apprenticeships Income for 2018-19 was received by the committee.</p> <p>(ii) Principal/DoF to provide a report and action plan to the Corporation regarding the Review of Apprenticeships Income for 2018-19 and the recommendations therein.</p> | Principal/DoF |
| 3.7 | <p>Internal Audit needs assessment, strategic plan and annual plan.</p> <p>Katharine Patel (KP) from Buzzacott LLP attended the meeting at 17.03 via conference call and briefed the committee on the External Audit Strategy which followed the same structure and format as in previous years. The Chair and committee members again commented that it was less than satisfactory that the associated report was only presented to them as this briefing commenced. The Chair apologised to Katherine Patel for the fact that they had been unsighted and asked that she take that into account during her briefing which covered the following:</p> <ul style="list-style-type: none"> • Scope of work – financial statements, regularity and Teachers Pension Scheme audits • Financial statements format for this year – little change required from 2016/17 • Issues of audit significance/audit risks – based on discussions so far to include: income recognition, staff restructuring, financial performance, capital projects and a number of 'standard' inherent audit risks for audits of this type (accounting estimates, related party transactions, regularity and management override of controls) • Fee proposal – this was included on page 7 of the document • Appendices to the document as detailed below: • Appendix 1 – Timetable of key dates for work to be completed • Appendix 2 – Terms of Engagement and Ethics • Appendix 3 – Nature and scope of work • Appendix 4 – Sector developments <p>The appendices were taken as read but KP asked if there were any additional questions on these from Committee members? The Principal thanked KP and said that Appendix 4 was very informative but wanted it noted that although money was available within the sector from different sources unfortunately the College does not qualify for almost any of them.</p> <p>The Chair thanked KP for her thorough briefing and, acknowledging that they had only just received the report, asked the committee for any comments. The committee raised the issue of the ILR system funding figures which KP confirmed that they do not do. The committee also advised KP that some of the financial systems were going to be changed (see Item 3.5 (Item 2.5(iii))), which KP acknowledged and undertook to take up with DoF. The committee also raised the issue of apprenticeship funding analysis which had been overstated in last-year's accounts.</p> | |

The Henley College Corporation

| | | |
|-----|--|------------------------------|
| | <p>KP said that she would be happy to revisit this issue and update as required with a more in-depth analysis regarding apprenticeships to make sure that the problem was not repeated this year. Again noting the lateness in receiving the Buzzacott External Audit Strategy report, the Chair asked the committee for any further comments on the report as presented to be forwarded to DoF by 22 June 2018.</p> <p>KP finished the call at 17.40.</p> <p>In further discussion after the call had terminated, the committee felt it should be noted that the auditors had not picked up the overstatement of accounts last year and that extra scrutiny should therefore be applied to this aspect in this-year's audit report.</p> <p>Resolved:</p> <ul style="list-style-type: none"> (i) the External Audit Strategy as presented by Katharine Patel was received by the committee. (ii) All committee members to review the External Audit Strategy again for any comments which are to be sent to the DoF by 22 June 2018 | All committee members |
| 3.8 | <p>Update on the tender for appointment/recruitment of internal and /or financial statement auditors for 2018-2019 onwards</p> <p>The DoF confirmed that the contract with Buzzacott terminated at 2017/18 year-end and that the audited accounts will be signed off by the Corporation in December 2018. The College will therefore be tendering for audit services for commencement from 1st August 2018 onwards. This will cover audit for 3 years commencing financial year 2018/19, with an option for a 2-year extension. It was anticipated that the successful company would be invited to join the Audit Committee in October 2018 along with the incumbent (Buzzacotts) as part of sign off process. The first external audit will be for the College financial year ended 31st July 2018.</p> <p>The DoF briefed the committee that a procurement officer had been recruited with effect from 5 June 2018 and would be dealing with placing the tender on the CPC Frameworks later in June. An example of the tender document for the provision of audit services was presented for information only. The committee expressed reservations about using this document as presented and the DoF confirmed that it would be adapted according to the College's specifications. The DoF further explained that Buzzacott, the incumbent auditor was engaged solely in the external audit as the ESFA removed the requirement for Further Education Corporations to have mandatory internal audits. The College had not exercised options to engage in internal audit last year in favour of contracting for a benchmarking exercise. The Chair acknowledged that the benchmarking exercise, whilst useful in parts, had not been as comprehensive as hoped, and the committee agreed that the College should revert to holding both internal and external audits. The committee therefore agreed that internal audits were to be included in the tender. The DoF then outlined the process after the tender document was sent out, and asked that some members of the committee be on the tender board in August. Two members agreed to do this once a date had been finalised and the DoF would contact them accordingly.</p> | |

The Henley College Corporation

| | | |
|------|--|-----------------------|
| | <p>Resolved:</p> <p>(i) the report on the Tender for Audit services was received by the committee</p> <p>(ii) Tender document specifications to include both internal and external audit.</p> <p>(iii) DoF to contact committee members with dates in August for tender board.</p> | <p>DoF</p> <p>DoF</p> |
| 3.9 | <p>Remuneration of internal / financial statement auditors</p> <p>The DoF briefed the committee on the remuneration costs for the internal / financial statement auditors explaining what the current costs were for a 3-year contract. The annual cost is approximately £15,000 per annum. If the College were to tender for internal audit as well then there could be an additional annual cost of around £8,000-£10,000 depending on areas and frequency.</p> <p>The committee was asked to agree these provisional costs, however these costs may be subject to change depending on the result of the tender process.</p> <p>Resolved: provisional remuneration costs in the order of £15,000 per annum for external audit and £8-10,000 per annum for internal audits were approved by the committee noting that they may be subject to minor change depending on who tenders.</p> | |
| 3.10 | <p>Risk Management</p> <p>(i) Review SLT Risk Management Group minutes</p> <p>The Chair explained that because the Risk Management Group meeting had only just taken place he would brief the committee verbally. He went on to comment that this was the third time that he had had to verbally brief the committee without Risk Management Group minutes available and asked that the Principal review the dates of Risk Management Group meetings to allow time for minutes to be prepared in good time before Audit Committee meetings. The Chair verbally briefed the committee that:</p> <p>The SLT Risk Management Group had now elevated four risks to red, which indicated that they sought Corporation guidance or attention in these areas as follows:</p> <ul style="list-style-type: none"> • Income and expenditure – although this is being reduced, there remains a significant risk that there will be a deficit for next year, especially if student recruitment targets are not met. • Enrolment and recruiting – At least 30+ more enrolments were needed to break even, but the College was currently 200 applications down. Head of Marketing went through the programme of events to help mitigate this but there was a risk that suppressed student numbers would have an impact on College funding in the lagged year beyond next year. • Apprenticeships – the poor state of apprenticeship delivery had already covered in the meeting under item 3.6 but was reflected in this area now being recorded as a high-risk by the SLT. • Specialist staff – this referred to back office staff for which there had been a failure to recruit some roles because the College was not able to offer competitive salaries. The SLT were looking at mitigating options but there was a high-risk that the College might not be able to fill crucial roles. <p>(ii) Strategic Risk Register</p> | |

The Henley College Corporation

| | | |
|------|--|---|
| | <p>The SLT Risk Registers for both February and June were presented to the committee and the Chair briefly went through the amber risks on the most recent register.</p> <p>Resolved:</p> <ul style="list-style-type: none"> (i) the verbal report on Risk Management was received by the committee (ii) the four strategic red risks to be taken to Corporation for information (iii) the Risk Registers for both February and June were both received by the committee. (iv) Risk Management Group meetings to be convened in sufficient time that minutes could be compiled and presented to the committee in a timely manner. | <p style="text-align: center;">Clerk</p> <p style="text-align: center;">Principal</p> |
| 3.11 | <p>Health & Safety Report</p> <p>The Health and Safety Manager reviewed the key issues in his report of current H&S issues, including security and GDPR.</p> <p>Offsite – the H&S manager reported that there was positive police engagement and that they were totally supportive of the action that the College has taken in regard to student cars parking on the local roads, and that this was a council issue.</p> <p>Security - During the May half term IEMS installed a new NET2 entry/access control system with video handsets located in both reception areas at the college. This has allowed receptionists in these areas to control traffic access through the main barrier leading to and from the Paradise Road side of the site.</p> <p>GDPR - The Health & Safety Manager confirmed that the College has started not only e- training for compliance relating to this regulation, but following on from this, policies and procedures had been assessed or produced to ensure that the mandatory duty now placed on the college information systems was correct.</p> <p>Resolved: the Health, Safety and Security Annual Report was received by the committee.</p> | |
| 3.12 | <p>GDPR Update</p> <p>The Chair noted that the General Data Protection Regulation (GDPR) came into force 25 May 2018 and that the College was required to be compliant thereon. The DoF confirmed that the College had engaged the assistance of a specialist organisation (9ine Consulting Ltd) to roll out the College's GDPR structures and processes to ensure full compliance with the regulation. The DoF presented the following:</p> <ul style="list-style-type: none"> (a) a paper on the service overview and structure from 9ine Consulting Ltd (b) the Henley College new Privacy Policy generated by the Head of IT & Systems <p>The Chair asked for assurance that the College was fully GDPR compliant and the DoF provided the current status update which included:</p> <ol style="list-style-type: none"> 1. DoF is the registered Data Protection Officer 2. The GDPR action plan, website, GDPR Policy/Privacy Notice and the GDPR Readiness toolkit had all been completed. E-Smart GDPR training to all staff had been promulgated. 3. Staff training, working group set up (a specialist governor has been included on this group), data mapping, comprehensive policies and procedures, IT | |

The Henley College Corporation

| | | |
|------|---|-----------------------|
| | <p>systems assessment were all in progress and would all be completed in June 2018;</p> <ol style="list-style-type: none"> 4. Additional GDPR training for staff was to take place on the staff inset day on 27 June. 5. Cyber security phishing and susceptibility testing had been planned for late June and July 2018. <p>A Governor committee member with detailed knowledge of GDPR volunteered to work with the DoF and the Chair on GDPR and asked the DoF to arrange a meeting regarding this.</p> <p>The Chair noted again that the committee had yet to receive the overall GDPR policy paper that had been requested and asked that the DoF deliver this to the committee as soon as possible.</p> <p>Resolved: the following reports were received by the committee</p> <ol style="list-style-type: none"> (i) GDPR update (ii) The Service Overview and Structure Report from 9ine Consulting Ltd (iii) The Henley College Privacy Policy <p>and;</p> <ol style="list-style-type: none"> (i) DoF to provide the overall College GDPR policy document to the committee as soon as possible (ii) DoF to arrange a meeting with the relevant GDPR specialist committee Governor regarding updates on GDPR. | <p>DoF</p> <p>DoF</p> |
| 3.13 | <p>Review of committee Terms of Reference and Standing Agenda</p> <p>The committee is required annually to review both the Terms of Reference and Standing Agenda to see if they require any revisions. Proposed changes included the addition of GDPR to the standing agenda item for each meeting and for a change to the terms of reference regarding those attending the meeting:</p> <ol style="list-style-type: none"> (i) Terms of Reference - Attendance: add Principal by invitation (ii) Standing agenda - Whistleblowing to be added as an item to the Ombudsman report, and JACOP review to be added to summer term <p>Resolved:</p> <ol style="list-style-type: none"> (i) the Terms of Reference and Standing Agenda were received by the committee and the amendments approved (ii) the approved Terms of Reference and Standing Agenda to be put forward to the Corporation for approval | <p>Clerk</p> |
| 3.14 | <p>Any Other Business</p> <p>The DoF briefed the committee on the Capita Consultancy Report which was a business process review undertaken in late April reviewing the information systems in place at the College. However as this report had only just been received and had as yet not been reviewed by the SLT, the Chair asked the Clerk to send this report out to the committee for discussion and for the meeting to be arranged in September to discuss this.</p> <p>Resolved:</p> <ol style="list-style-type: none"> (i) the Clerk to send out the Capita Consultancy Report to the committee | <p>Clerk</p> |

The Henley College Corporation

| | | |
|------|--|---------------------------|
| | <p>(ii) Capita Consultancy Report to be brought to the September Audit meeting for discussion.</p> <p>(iii) Clerk to arrange for an Extraordinary Audit meeting to be arranged for mid-September</p> | <p>Clerk</p> <p>Clerk</p> |
| 3.15 | <p>Items to be taken forward to next Corporation Meeting:</p> <ol style="list-style-type: none"> 1. Principal/DoF to provide a report and action plan to the Corporation regarding the Review of Apprenticeships Income for 2018-19 and the recommendations therein 2. Strategic Risk register - four red risks to be advised for information 3. The revised Terms of Reference and Standing Agenda for approval | Clerk |
| 3.16 | <p>Date and Time of Next Meeting</p> <ol style="list-style-type: none"> (i) Extra ordinary meeting in September – date to be confirmed (ii) Scheduled meeting is on Monday 19 November at 09.30 | Clerk |
| | <p>Meeting Closure The meeting closed at 18.55</p> | |
| | <p>MINUTES of the meeting held on Monday 11 June 2018 were agreed and accepted as a true and accurate record and signed by the Chair</p> <p>..... on</p> | |