

## The Henley College Corporation

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<b>MINUTES of the Meeting of the Audit Committee held on Monday 20 November 2017 at 14.00</b>		
<b>Members Present:</b> Stephen Forward David Welch Robyn Vitty  <b>In attendance:</b> Satwant Deol Jim McCaffrey Eva Dixon Katherine Patel  Jacky Gearey	Independent Member/Chair Independent Member Staff Governor  Principal Health & Safety and Security Manager Interim Director of Finance (DofF) Buzzacott LLP, Partner  Corporation Secretary	
Agenda Item	Minutes	Action by
1.1	<b>Opening of meeting</b> The meeting opened at 14.00. The Chair welcomed everyone.	
1.2	<b>Apologies for Absence</b> 1. Jeni Wood 2. Mohammed Khaliel The Principal had sent a message to say that her meeting had overrun and that she would be late attending.	
1.3	<b>Declaration of Interests</b>  No interests were declared.	
1.4	<b>Election of Chair</b> The committee unanimously approved the reappointment of Steve Forward as Chair  <b>Resolved: Steve Forward to remain as the Chair of the Audit committee</b>	
1.5	<b>Minutes of the Meeting of 12 June 2017</b>  <b>Resolved:</b> The Committee agreed that the Minutes were an accurate record of the meeting of 12 June 2017 and were signed by the Chair.	
1.6	<b>Matters Arising from Previous Meeting</b> Although there were no outstanding actions, the Chair of Audit went through the following items: Item 3.7 – Tribal Benchmarking Graphical Representation - this request had now been overtaken by events and had not been completed. Item 3.8 – FRS 102 stipulated that it would not be possible to accrue the lagged funding income in 2016/2017. Item 3.9 – Risk Management Review and Strategic Guidance - actioned and gone to Corporation for information	

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	<p>Item 3.10 - the security plan is on hold pending integration with the new Estates Strategy - communication of any future plans to the local community will be undertaken by the premises consultant following confirmation of the final plan by the Corporation.</p> <p>Item 3.11 – The Chair noted that in the last meeting the Committee had not been convinced that appropriate financial structures were in place to ensure appropriate scrutiny. This had been borne out by a further unexpected increase to the College operating deficit since. The need for an Internal Audit of Financial Structures would be discussed later in the meeting.</p> <p>Item 3.13: – Internal Audit topics – the departure of the previous Director of Finance at the end of the Summer Term had meant that the plans to conduct Internal Audits had not been actioned whilst a new Director of Finance was sought. Notwithstanding, the following was noted:</p> <ul style="list-style-type: none"> <li>(i) An external ILR audit had been carried out which negated the need for an internal ILR audit.</li> <li>(ii) A review of Whistleblowing policy had been undertaken and is covered within agenda at item 1.14 below.</li> </ul> <p>Item 3.14 - Items to be taken forward to the next Corporation Meeting - all actions completed</p>	
1.7	<p><b>Financial Statement Auditors – Buzzacott</b></p> <p><b>(i) Post Audit Management Letter 2016/17 (including Regularity Audit)</b></p> <p>Katherine Patel from Buzzacott first reviewed the Post-Audit Report including the Regularity Audit which provided feedback from the external audit process. Key issues are included on page 2 of the report. Overall, the audit was straightforward with the following points made:</p> <p>Page 4 – Outstanding items:</p> <ul style="list-style-type: none"> <li>• The list of outstanding issues was sent to DoFF on 2 November and the response had yet to be sent back to Buzzacott.</li> <li>• Receipt of Letter of Representation – the draft letter was due to be signed at Corporation meeting 4 December 2017</li> <li>• Final ESFA funding reconciliation confirming income due to the College from ESFA for year-end 31 July 2017 – this was expected from ESFA late November early December</li> <li>• Confirmation would be required immediately prior to financial statements being signed that no significant events have taken place since the audit that would impact on the financial statements</li> </ul> <p>Page 5 – LGPS accounting adjustments showed that the College's % decrease in pension liability was 2.8, which was well below the sector average of 15.2%.</p> <p>Page 6 – the deficit had increased from the previous year due to the performance on apprenticeships and high needs funding. The Chair asked if Buzzacott had identified any processes that the College should go through to flag up when cash levels drop quickly like this. Buzzacott said that regular monthly meetings and more stringent budget monitoring and control would assist in this, to which the Interim DoFF confirmed that the Chair of Finance &amp; Resources had asked for these to be set up.</p> <p>Page 7 – minor changes and no adjustments made</p> <p>Page 8 – no significant change to financial forecasting. The Chair asked if there was any way that the College could have known if there were any indicators which would have highlighted the problems that arose. Buzzacott said that</p>	



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	<p>In summary, KP confirmed that Buzzacotts intended to issue an unqualified approval for the College's finances. Notwithstanding, she emphasised that it was for the Corporation to maintain a close watch on the College's finances to ensure that they were content that the College remained a 'going concern'.</p> <p><b>Resolved: DoF to send notes on the restricted reserve to Katherine Patel, Buzzacott by 25 November.</b></p> <p><b>to recommend the Post Audit Management Letter to the Corporation for approval</b></p> <p>Katherine Patel left the meeting at 15.02</p>	<p><b>D of Finance</b></p> <p><b>Corp Sec/Chair</b></p>
1.8	<p><b>Internal Audit Services</b></p> <p>(i) Discussion on 2017/18 Internal Audit Reviews</p> <p>The Chair had identified at the meeting 12 June 2017 that the following topics would be considered as future internal audit items:</p> <ol style="list-style-type: none"> <li>1. Financial processes and procedures, to include integration of financial systems, College information and reports.</li> <li>2. Business continuity and incident response plans</li> <li>3. Data management and Cyber security</li> <li>4. Whistle blowing</li> <li>5. IT/digital strategy – integrated systems analysis and design</li> <li>6. ILR</li> </ol> <p>Proposal 1. - The DoF said that one of the biggest issues was how the College budgets and makes its forecasts and that a review of financial processes were an immediate priority. She confirmed the following:</p> <p>(i) There were new financial regulations in place to use for this training for next term.</p> <p>(ii) Who the budget holders were – there were 4 in total (Principal, Deputy Principal, Director of Finance and Head of HR)</p> <p>(iii) That the increased College operating deficit had triggered an early intervention by the Education and Skills Funding Agency (ESFA). This is a support measure aimed at helping us to improve our position and we welcome it. This means that our colleagues from the ESFA will be looking in detail at the work we have already started to bring our financial position back to break even. They will be working as close advisors, as we plan and implement the measures required to help us make a swift return to financial resilience. As a result, there is a monthly review by ESFA looking at the numbers.</p> <p>(iv) That a high-level process diagram would be developed to explain the College's financial processes.</p> <p>The Chair welcomed this information and asked that the Audit committee have sight of this diagram in advance of commissioning an internal audit.</p> <p><b>Resolved; DoF to provide a pictorial version of the financial process flow and how it</b></p>	<p><b>D of Finance</b></p>

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	<p style="text-align: center;"><b>should work for March meeting 2018.</b></p> <p><b>Proposals 2 and 4</b> were being or had been actioned.  <b>Proposal 6</b> - The DoF F confirmed that an ILR operational review would take place in May 2018.  <b>Proposals 3 and 5</b> – An IT systems audit was starting next week by an external consultant who would review IT and MIS systems, (including equipment, people and processes). DoF was tasked to approach the external consultant regarding the possibility of conducting a cyber security audit at a later date. Penetration testing should also be arranged to test the College's systems, including the firewall.</p> <p><b>Resolved: DoF to investigate the cost to carry out a cyber security audit and penetration tests. The outcome of DoF's investigation was to be circulated ex-Committee by the end of this year so that a decision could be made on conducting a Cyber audit in the Spring Term.</b></p> <p>(ii) Audit on sub-contracting and Henley Training – this was discussed in June 2017 and occurs once a year – next audit will be May 2018</p>	<b>D of Finance</b>
1.9	<p><b>External Audit Report</b></p> <p>(i) ILR</p> <p>The draft report had been received by the College on 14 November 2017 and had yet to be reviewed by the SLT (for comments to be returned by Friday 17 November). As a result, the final report had not as yet been received by the College.</p>	
1.10	<p><b>Risk Management</b></p> <p>The Chair briefed the committee verbally on the SLT Risk Management Group meeting that had taken place on the 6 November. The following items were:</p> <p>(i) Risk Register update – the register had been updated for the following areas: campus security, falling income; Prevent; Health and Safety; College transport (this risk was now removed as it was an operational issue); College restructuring; Enrolments (which was now to be split into two separate enrolment risk areas (i) 16-8 and (ii) apprenticeships); disaster recovery plan; and staff recruiting.</p> <p><b>Resolved: the Risk Register update was received by the committee</b></p> <p>(ii) Review Risk Management Policy  Page 4 para 7 - of the policy to be amended to the following:  (a) one governor and not two  (b) include Chair of Audit  Page 6 – the table under the Impact Scoring Scheme need to be updated.</p> <p><b>Resolved: the College Risk Management Policy was reviewed by the committee and approved subject to the above amendments</b></p> <p>(iii) Risk Management Annual Report – not received</p>	

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	<p><b>(iv)</b> Review Risk Management Group minutes – not received</p> <p>The Chair briefed the committee that at a meeting held on 9 November with the Principal, Chair of Governors, the Interim Director of Finance and himself, the following had been identified as the Governors' strategic risks and these had been formatted into the Governors Strategic Risk Register. Based on what was discussed a simple spreadsheet to review these has been generated and the risks have been graded. The overall risks are in the order of:</p> <ol style="list-style-type: none"> <li>1. Financial Viability</li> <li>2. Accommodation Plan</li> <li>3. Campus Security</li> <li>4. Staff Relations</li> <li>5. Organisation restructure</li> </ol> <p>The Chair emphasised that these Strategic Risks did not replicate those on the SLT register. These risks will be introduced and reviewed at the next Corporation meeting.</p>	<b>Chair/Corp Sec</b>
1.11	<p><b>Health &amp; Safety</b></p> <p>(i) Health &amp; Safety Annual Report</p> <p><b>Resolved: to recommend the Health &amp; Safety Annual Report to the Corporation for approval.</b></p> <p>(ii) Review Health &amp; Safety Policy <b>Resolved: the Health &amp; Safety Policy was received by the committee.</b></p> <p>(iii) Security Review</p> <p>A detailed Health, Safety &amp; Security Review has been undertaken and a Health, Safety &amp; Security Risks Register produced with the report submitted to the committee for information. The Health &amp; Safety Manager said that training of all staff and students was critical to this property strategy plan.</p> <p>The Chair noted that the previous Security Plan had been put on hold pending a review of the implications of the Estates Strategy. The Chair noted that the previously authorised spend of £200K on security improvements had also been held as a result. The Chair reemphasised that the need to improve College security should not be put on the back-burner as a result. The Principal agreed that she would liaise with Peter Marsh, the author of the Estates Strategy, to review the security plan and produce a revised version to be taken to the Corporation at the earliest opportunity.</p> <p><b>Resolved: the Principal to produce a recommendation for the Corporation regarding a revised security plan and specifically the provision of physical security, door access and CCTV.</b></p> <p><b>the Health, Safety &amp; Security Risk Register was received by the committee</b></p> <p>(iv) Health and Safety Audit update</p>	<b>Principal</b>

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	<b>Resolved: the Health, Safety &amp; Security Audit verbal update was received by the committee</b>	
1.12	<p><b>Annual Assessment of Fraud</b> The report on the annual assessment of fraud was presented to the committee for information. There were no issues.</p> <p><b>Resolved: the report on the Annual Assessment of Fraud was received by the committee</b></p>	
1.13	<p><b>Audit Committee Annual Report 2016/17</b></p> <p>The Chair reviewed the report which covered 1 August 2016 – 31 July 2017 and asked that the following be added and once done this report to be sent to the Chair of Audit via the Corporation Secretary for final approval:</p> <ul style="list-style-type: none"> <li>(i) The inclusion of a short summary of the Benchmarking audit undertaken by Tribal earlier in the year</li> <li>(ii) The Priority A and C items from the Buzzacott external audit to be included.</li> </ul> <p><b>Resolved: to send the Audit Committee Annual Report 2016/17 to the Chair of Audit with the amendments above; and then to recommend the Audit Committee Annual Report 2016/17 to the Corporation for approval subject to the amendments above.</b></p> <p>David Welch left the meeting at 15.35</p>	<b>D of Finance</b>
1.14	<p><b>Audit assessment of Whistleblowing policy</b></p> <p>The Chair presented a revised draft of the Whistleblowing policy in which he proposed that the Whistleblowing Officer should be the Ombudsman in order to ensure that any whistleblowing issues were first reviewed by someone external to the College to ensure there were no conflicts of interest. This was agreed by the Committee and the Chair therefore undertook to finalise the Policy and send to Corporation Secretary.</p> <p><b>Resolved: the Chair to finalise the College's Whistleblowing Policy and send to Corporation Secretary.</b></p> <p><b>to recommend the Whistleblowing policy to the Corporation for approval subject to the amendments above.</b></p>	<b>Chair</b>
1.15	<p><b>Business Continuity Plan</b></p> <p>The College has been updating its disaster recovery plan which now incorporates business continuity and emergency procedures. This is still work in progress and will be presented to the committee once a draft document has been completed in its entirety. The plan and training to be finalised end of March 2018.</p>	<b>D of Finance</b>
1.16	<p><b>Any Other Business</b></p> <p>There was no other business</p>	

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1.17	<b>Items to be taken forward to next Corporation Meeting</b> <ol style="list-style-type: none"> <li>1. Post Audit Management Letter for approval</li> <li>2. Letter of Representation for approval and signature</li> <li>3. Whistleblowing policy for approval</li> <li>4. Health and Safety Annual Report for approval</li> <li>5. Audit Committee Annual Report 2016/17 for approval</li> </ol>	<b>Corp Sec</b>
1.18	<b>Date and Time of Next Meeting</b> The next scheduled meeting is on Monday 19 March 2018 at 09.00	
1.19	<b>Meeting Closure</b> The meeting closed at 16.05	
	MINUTES of the meeting held on <b>Monday 20 November 2017</b> were agreed and accepted as a true and accurate record and signed by the Chair  .....  on .....	