HERTFORD REGIONAL COLLEGE
MINUTES OF THE MEETING OF THE AUDIT COMMITTEE
FRIDAY 5 JULY 2019

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652 PRELIMINARY PROCEDURAL MATTERS
652.1 Attendance, Apologies, Chair & Agenda Order

Present:	Mark Eastwood
	John Sills
	Jan Wing

In Attendance:	Jayne Chaplin (Clerk to the Corporation)
	Andrew Clare (Deputy Principal Finance & Resources)
	Sam Abbas (RSM)

652.2 Declaration of Interests & Confidential Items
None recorded.

652.3 Private Meetings
652.3.1 Auditors without Officers Present
Members were updated members on progress against the Internal Audit Plan for 2018/19, noting confirmation of the completion of the Audit Plan for the year with reports presented following the final four reviews (Minute 653.1b refers).

Responding to question of the timeliness of the completion and issue of final reports, members were advised of the processes in place noting how progress was shared during the reviews and how delay could arise if there was challenge of audit conclusions by Management requiring further dialogues prior to finalisation of the report.

652.3.2 Officers without Auditors Present
See Minute 649.1biii

652.4 Minutes & Matters Arising
652.4.1 Minutes of the Meeting Held on 8 March 2019
The Minutes of the last meeting were approved as a correct record.

652.4.2 Matters Arising
With all matters covered on the agenda, there were no further matters on which to report**.**

653 ACADEMIC YEAR 2018/19
Reports regarding internal audit activity for the current year were received from the Internal Audit service, RSM, comprising:

653.1 Internal Audit Service (IAS)
653.1a Progress against Annual Internal Audit Plan
See Minute 652.3.2
Members were then advised of one potential further follow-up review of sub-contracting, noted to be a separate confirmation regarding which awaited.

In accordance with the Audit Plan for the year, the findings of and recommendations from the one Internal Audit review completed to date then were presented covering the review of:

653.1b Internal Audit Reports
i Business Continuity inc. IT Disaster Recovery
Providing an assessment of the arrangements in place for responding to a disaster affecting the continuity of the organisation or the recovery or continuation of vital technology infrastructure and systems the findings of and conclusions the report findings were presented.

The report was reviewed. Noting the Partial Assurance, discussion focused on the findings and the actions identified for strengthening the control framework, further noting the IAS observation that only a modest investment in time would improve the overall assurance rating. There was particular question of:

- The Plan content welcoming confirmation that was considered sufficient and appropriate and not materially different to plans reviewed elsewhere. Members explored the relative benefits of the inclusion of IT within the Plan noting the IAS to be relaxed about the overall approach, instead focussing its attention on ensuring all key business aspects were covered.
- The comments regarding the testing of the Plan. Reflecting on arrangements in the context of sector practice, the IAS highlighted the more frequent practice of desk-top testing, acknowledging occurrences as part of day-to-day operations, which it considered tested arrangements for ensuring business continuity.
- The dates for implementation of the actions identified, welcoming confirmation from Management that the dates were considered reasonable and achievable.

There was observation of the terminology and the interchangeable use of "business recovery" and service recovery", emphasising the need for more accurate differentiation which it was confirmed would be reviewed and addressed.

The report was noted.

ii GDPR Governance
Confirmed to be a procedures based assignment of the College's current data governance processes, procedures and controls, providing a factual report only with no level of assurance or internal audit opinion, members were advised of the findings following review of the work undertaken by the College in relation to GDPR.

Whilst reporting on a number of instances identified, where it was considered further work would further enhance the control framework, there was recognition of the work undertaken by the College, which had used the Association of Colleges (AoC) GDPR guidance and model documents, regarded as the sector standard.
After noting that the benefits of the further actions recommended were being reviewed by Management, there was question of:

- The IAS observations in the context of the sector practice adopted by the College and the sufficiency of the AOc Guidance. Members were advised that following the introduction of the revised GDPR requirements, developments in the application of the rules had highlighted the approach of and the action by the Information Commissioners Office (ICO) in such instances with its recommendations informed on that basis with its suggested actions then based on the ICO guidance, and based on best practice seen across other organisations, intended to ensure a more robust overall framework.
- The findings in the context of practice elsewhere, noting it to be broadly similar.

Members then reflected on the potential implications for future practice, particularly third party access to data noting examples of action taken where breaches had been identified, agreeing the need for the College to ensure its systems and practice were robust and secure, including the provision of data in response to auditor and third party requests.

The report was noted

iii Learner Number Systems

The report presented findings following review of samples of apprenticeship and 16 to 19 learner files in-line with the ESFA funding bodies audit methodologies for 2018/19, to ensure core aspects of the College's Learner Information System and Student Records Systems were adequately controlled to give assurance that no potential funding problems arose and maximised funding opportunities.

There was review of the number of instances of non-compliance identified, which had resulted in nine medium and four high priority actions agreed by Management. Discussion included:

- The findings in the context of practice elsewhere, noting these to be broadly similar. However, the strict approach of the review was explained, in-line with the approach it was believed the ESFA would take, acknowledging it to be considered necessary to eliminate the risk to the College of over and under-claiming funding.
- The extent to which the findings were considered reflective of the complexities of the process or solely a matter of non-compliance, noting a combination of activity had been identified.

Recognising the position to be unacceptable and the value in the approach taken to safeguard the College, Management confirmed the priority placed on resolving matters. The benefit was highlighted in prioritising the actions identified within the report, to assist the Committee in focussing its attention on the critical matters for attention.

The importance was emphasised of accurate data and in addressing the points raised without delay. It was requested for an update to be provided at the next meeting.

The report was noted.

iv Audit Follow-up

Members were updated on progress in the implementation of management actions previously agreed, covering Safeguarding, Apprenticeships and Governance & Risk Management.

Confirmation was welcomed of reasonable progress in the implementation of agreed Management actions, noting those that had been restated or new actions proposed where appropriate.

The report was noted.

653.2 Other In-Year Reviews & Risk Management
Reports on other in-year reviews were presented comprising:

653.2a.Office for Students (OfS) Review: 2017/18ILR
A Letter from the Office for Students following its review of the 2017-18 Individualised Learner Record and its effect on Office for Students fee calculations. Provided for information, the letter advises of errors were identified in the data and amendments processed to correct these and confirms that the amended data will be used for the calculation of student numbers which will be used in the OfS fee calculations.

653.2b Risk Management Report and Risk Register Update.
The Risk Management Report and updated Risk Register were received.

Acknowledging the risk profile to be reflective of the environment within which the College was operating, members were advised of little significant change since the previous report.

The updated Register was reviewed. There was particular discussion of any particular risks considered the responsibility of the Corporation, noting specifically the potential for loss of holders of senior posts, reflecting on the need for succession planning in parallel with the staff progression and development processes already in place. The need was then observed for the potential loss of members at Board level, recognising the challenge in finding the most appropriate professional expertise and experience to ensure fulfilment of statutory responsibilities, strategic leadership and support and challenge of Management. It was agreed that this would be reflected in the Register.

Members then considered the format of the Register. After commending its clarity, it was requested for further amendment to:

▪ Include a target score.
▪ Identify where monitoring was taking place, including at Board and Committee level.

After consideration, the report was noted.

The IAS left the meeting at this point.

654 ACADEMIC YEAR 2019/20: AUDIT ARRANGEMENTS
External (Financial Statements) Audit Service

A report was provided following completion of the retendering process for the College audit services.

Members were advised that in respect of:

654.1 The external audit service, three firms had been selected to attend and provide presentations to a Tender Review Panel, which included Audit Committee member, John Sills, and the Audit Committee Chair, Mark Eastwood. It was reported that:

- One firm was eliminated, Ensors, advising members that as a firm looking to move into the FE sector, the knowledge and understanding of the sector had been insufficiently persuasive to inspire confidence in proceeding to selection.
- Of the remaining two firms, BDO and the current incumbents, MacIntyre Hudson both had been considered perfectly able to deliver the service but with the higher fee quoted within BDO's tender and little difference in performance observed during the interview to distinguish between them, the Panel concluded that MacIntyre Hudson should be reappointed. It was noted however that in so doing, it would be requested for (i) meetings to take place with the College Principal and SLT; (ii) Data to be provided benchmarking the College against sector performance; and (iii) a more tailored Audit Management Letter, replacing the current descriptive narrative with an Audit opinion for the Committee and the Board to review and consider.

654.2 The Internal Audit Service, tender presentations had been arranged for 10 July 2019:

- Proposing for a brief meeting after the presentations on the 10 July to consider the Panel conclusions and make its recommendation at the Board meeting.
- Observing the requirement for the Internal Audit Pan and Strategy to be presented to the Corporation for approval. There was discussion of arrangements for so doing, to allow the Committee to review the Strategy and Plan prior to the first meeting in the autumn term, agreeing that it could include a meeting by Conference call, unless a meeting in person was considered necessary.

It was **RESOLVED** to **RECOMMEND** for the Corporation to:

654.3 **APPROVE** the **APPOINTMENT** of MacIntyre Hudson as the College External Auditors for a period of three years with effect from 1 August 2019.

655 OTHER BUSINESS & NEXT MEETING
655.1 Any Other Business
There was no other business.

655.2 Date of the next Meeting
Wednesday 27 November 2019