

**HERTFORD REGIONAL COLLEGE
NOTES OF THE MEETING OF THE AUDIT COMMITTEE
WEDNESDAY 28 JUNE 2017**



Present: Jan Wing (Chair)
Ricky Irons

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

Apologies: Ken Ayling
Kyle Broad

Having been advised that the meeting was inquorate, those members present agreed to proceed for the purposes of discussion only.

In the absence of the Chair, Jan Wing Chaired the meeting.

623 Declaration of Interests & Confidential Items

None.

It was agreed that Item 2 would be taken as a confidential Item.

624 To Meet Auditors without Officers Present

It was confirmed that there was nothing that needed to be raised with the Governors under this item.

625 Minutes of the Meeting Held on 8 March 2017

The minutes of the last meeting were reviewed.

626 Matters Arising

Hourly Paid Staff (Minute 618)

Following discussion at the previous meeting it was confirmed that new staff on substantive contracts were now being engaged via the College's new company, HRG, and with arrangements now in place, it was agreed that in the context of any further discussion, the matter was now considered closed.

627 Internal Audit Reports

Reports were received from the Internal Audit service, RSM, comprising:

627.1 Internal Audit: Progress Report

Members were told that the audit plan was progressing well with no significant identified to date that it was considered would negatively affect the opinion of the IAS at the year-end.

After noting progress, there was review of the update with particular discussion of the information and briefings provided. Noting the commentary on the new statutory Insolvency

framework that the government intended to introduce for the Sector, the IAS agreed to provide further details to allow for the briefing of governors in due course.

In accordance with the Audit Plan for the year, the Internal Audit Reports for 2016/17 were then presented covering the reviews of:

627.2 Sub-contracting Controls

A report was presented outlining findings following a review into the College's subcontracted provision in-line with the Skills Funding Agency requirements.

Members were advised that the College's arrangements had been considered satisfactory with six advisory actions agreed as part of the audit. It was noted that a certificate of confirmation had been issued accordingly.

The report was noted.

627.3 Business Efficiency Deep Dive Review: Health & Social Care Department

In-line with the internal audit plan for 2016/17, a report was received outlining the findings of a deep dive review assessing the business efficiency for the Health and Social Care Department (The Department).

After reporting that the objective of the review had been to identify whether there were effective controls in place, it was reported that taking account of the issues identified, it was the opinion of the IAS that the Board could take reasonable assurance that the controls in place were suitably designed and consistently applied within the Department. It was reported that where issues had been identified recommendations had been made, comprising two medium and two low rated recommendations, which had been accepted by management.

The report was noted.

627.4 Follow-up Review (June 2017)

As part of the approved internal audit periodic plan for 2016/17, a report was received outlining the findings of the follow-up review of progress made by the College in the implementation of the previously agreed management actions.

Members were advised that it was the opinion of the IAS that the College had demonstrated good progress in implementing agreed management actions, with 10 of the 13 management actions fully implemented and three low priority actions being re-stated for non-completion. It was reported that:

- There were no high priority actions requiring follow up and the six medium priority actions followed up were considered complete and receiving adequate management attention.
- New management actions had been agreed where appropriate with further discussion to take place regarding the relevancy, treatment and any further action necessary in the case of those more historic matters.

The report was noted.

627.5 Internal Audit Plan 2017-18

The Internal Audit Strategy and Audit Plan for 2017/18 were presented.

The potential areas of coverage were summarised noting proposals to present to the Committee at its next meeting a fully costed plan, clearly linked to the College's strategic objectives, its risks and including changes within the Sector and confirming that this would not impact on commencement or delivery of the Plan.

Summarising the proposed Plan for the year, there was consideration of the areas prioritised for review and the planned allocation of activity for the year noting:

- The risk based assurances, including the proposed reviews to assess the College's IT control framework, specifically regarding cyber security, and safeguarding, to potentially include test of the College Lock Down Procedures observing, in the context of recent national events, these to be a timely and prudent element of the Plan.
- The audit fee and the increased number of audit days and proposed timings contained within the Plan for the year, noting that the fee would be capped to that stated with allocation of resources and timing of reviews to be agreed with management and to be determined according to the nature of the review.

There was discussion of the proposed Plan for the year reflecting further on the recent security incident, reviewing with management:

- The College's response following the incidents, including the Grenfell Tower fire, welcoming confirmation of review and updating of processes and procedures in response to advice and guidance issued subsequently, noting this to be an ongoing exercise to ensure that any action remained alive to latest practice as and when issued.
- The merits of bringing forward other elements of the Plan, specifically Business Continuity and Disaster Recovery. Observing its complimentary nature and the merits in so doing, it was suggested that in advance of formal review for internal desk based exercises to be undertaken to ensure clarity and comprehensive understanding of processes and procedures; and for separation of disaster recovery from terrorist incidents to reflect better the distinct nature of the risks and action each presented.

After consideration, it was **RESOLVED** to **RECOMMEND** for the Corporation to:

- **APPROVE** the Internal Audit Strategy and Plan for 2017/18, subject to those amendments requested.

628 External Audit Reports

Reports were received comprising:

628.1 External Audit Reports 2015/16: Recommendations Update

A report was received providing an update on the implementation of the External Audit recommendations raised during the year-end Audit of the financial statements.

Reviewing the update, discussion included:

- The observation concerning the losses predicted for the College Joint venture HERTVEC welcoming confirmation that the latest management accounts showed that the company would achieve a profit that in turn would generate a profit for the College.
- The significant payments on accounts relating to bursaries reviewing the reasons, particularly students' reticence in taking advantage of the bursaries; and noting it to be a sector-wide issue with the College looking at how the unspent funds could be utilised.
- The observation made after being unable to locate the main title for the Broxbourne site, noting this to have been similarly raised by the Resources Committee at its recent meeting, members were advised that no progress had yet been made and that this would be reviewed in September 2017.
- The observation of the overpayment not been paid back to the council in relation to high needs students from 2014/15 financial year. Noting that Management had notified the local council of the overpayment, the complexities in addressing the matter were acknowledged noting that the College was currently keep the matter on the balance sheet and would be reconsidered during 2017/18.

After thanking Management for the update, the report was noted.

628.2 Financial Statements Audit Strategy 2016-17

A report was presented by the College's External (Financial Statements) Auditors (EAS) outlining the proposed approach to and timetable for the audit for the year ended 31 July 2017.

After outlining the timescales for the fieldwork to allow for presentation in advance of formal submission of the Financial Statements, the proposed arrangements for the financial year-end were summarised highlighting:

- The materiality threshold, currently anticipated to be £206,000 based on the year-end forecast reported in the management accounts and based on the income balance, which would be the subject of report at the final audit.
- The risks based audit approach noting those of particular focus.
- The timescales for the audit to ensure presentation and submission in-line with SFA deadlines.

After discussion, the report was noted.

629 Risk Management Report and Risk Register Update.

The risk management report and risk register update was received.

The key changes were summarised reporting on those changes in the risk profile in 2017 compared with 2016, acknowledged to be reflective of the environment within which the College was operating.

Review with management focused on welcoming confirmation that the College Major Incident Plan (risk ref 34) would be reviewed based on the Committee's observations.

Reflecting further on the Plan and its cross reference with Prevent, there was consideration of the training provided and the further professional development activity that could be undertaken, including response to and a communication strategy in the event of lock-down. Noting discussion that had taken place elsewhere on the agenda (Minute 627.5 refers), members were advised of the reiterating review and updating of processes and procedures in response to advice and guidance issued subsequently, noting this to be an ongoing exercise to ensure that any action remained alive to latest practice as and when issued.

The report was noted.

630 Any Other Business

There was no other business.

631 Date of the next Meeting.

The next scheduled meeting will take place on 22 November 2017 - TBC