

NORTH HERTFORDSHIRE COLLEGE FURTHER EDUCATION CORPORATION - AUDIT COMMITTEE

A meeting of the Audit Committee was held on Wednesday 24 February 2016 in Room B104, NHC, Hitchin starting at 18.00.

PRESENT

Vernon McClure (Acting Chair)
Paul Holgate

Ruth Orpwood

IN ATTENDANCE

Matt Hamnett (Chief Executive)
Daniel Harris (RSM)

Yvonne Laird (Finance Director)
Robert Dale (Company Secretary)

Item 1a: Apologies for Absence

- Lucy Hann (Managing Director, Hart L&D), Grant Spilsbury (RSM).

Item 1b: Declarations of Interest

- None.

Item 1c: Minutes of the Previous Meeting

- Agreed as an accurate record and signed accordingly.

Item 1d: Matters Arising from the Minutes

- 16/11/15/1.4. A cumulative action log would be started with these Minutes.
- 16/11/15/2.2. The Chair would be able to report to each Corporation Board meeting.
- 16/11/15/3.2. An implementation log listing Internal Audit recommendations had been prepared and would be updated and circulated to members.
- 16/11/15/4.1. A review of the existing schedule of delegation from Board to committees would be undertaken later in the year, probably jointly with a Board effectiveness review exercise.
- 16/11/15/6. It was agreed that the need for internal audit work on data integrity could be revisited later in 2016, but for now it could be deprioritized.
- 16/11/15/4.1. After the previous meeting, the final draft Annual Report and Financial Statements and Management Letter had been amended, circulated to Members and recommended by them to the Board. The Report and Financial Statements had been sent to the Skills Funding Agency (SFA) by the deadline. A better process would be in place in 2015/16.

Item 2: Internal Audit Plan – Progress Report

- One Audit report had been completed since the last meeting – an addition to the original plan arising from an SFA requirement to audit sub-contractors (see Item 3). A similar update would be given to each meeting together with a report about any issues that might affect the end of year opinion.

- Members discussed how to accommodate the 12 days extra work (cost c£6,500) necessitated by the sub-contractor audit. They agreed that the planned IT audit could be removed, given other work commissioned by the CEO following discussion at the Corporation Board meeting in November 2015. It was agreed that planned days for other audits would not be reduced, with the attendant increase in the cost of the audit plan to be accepted.

Item 3: Sub-contracting Controls Audit

- The audit had identified some material issues in sub-contracting controls and documentation.
- The number of sub-contractors was high in RSM's experience. The CEO explained that many of the subcontractors listed for 2015/16 were in contract run-off, having started learners during the previous year. The advent of the apprenticeship levy would dramatically reduce the extent to which subcontracting formed part of the FE sector model. The intention was for Hart L&D to grow direct delivery and reduce sub-contracting to a minimum, maintaining relationships only if there was strategic value (eg providing access to new sectors or geographic markets).
- It was agreed that Lucy Hann would put a paper to the Board in June, as part of her 2016/17 business plan for Hart L&D, describing her approach to sub-contracting and proposing a model for Corporation oversight of that activity.
- Action to address the recommendations in the RSM audit report should all have been completed by the end of May 2016. The IA implementation log would be updated to include these points and circulated after the meeting with an update on the current position.
- There appeared to be some inconsistencies in the report in the listing of sub-contractors; members asked that this be checked.

Item 4: Updated Corporate Risk Register

- The register had been updated with new post-mitigation risk ratings added. Members asked for an indicator of movement since the last report (up, down or no change) to be added.
- Members asked why the net risk around Maths and English had risen since the last review. The CEO explained that more students had to take Maths and English than had been expected; action taken in preparation for 2015/16 was not yet delivering the desired improvement in performance.
- A new Head of Maths & English had recently joined and made a very strong start (including launching a new student engagement campaign, planned for March) but her impact would be more pronounced in 2016/17.
- Members asked about cash-flow. The Finance Director explained that the position had eased significantly as a result of the sale of Shephalbury and the Centre for the Arts building, and agreed to share January management accounts with the committee.
- The risk of an Ofsted Grade 3 remained if the college was inspected during 2015/16. Positive movement in the quality of teaching and learning in-year, and the leadership and management action that had been taken to move the college forward should be recognized at any inspection but until we have 2015/16 outturn data showing a clear, positive, movement from 2014/15 the risk of a Grade 3 would remain high.
- Two extra risks had been identified (Cyber security and Information security) and it was proposed to downgrade two about data integrity because of the work undertaken to address past issues. Members endorsed this approach.

Item 5: Committee Membership

- Two candidates for Board membership had been interviewed (one being considered as a potential Chair of the Audit Committee). Matt Hamnett would meet both on 25 February 2016.
- A briefing on the membership arrangements in current Terms of Reference would be circulated with the minutes; having five members – if possible – would give the committee extra security.

Item 6: Draft 2016 Agenda Plan

- Members agreed they would prefer to meet four times a year, and suggested that one more meeting be added to the draft schedule (in early September).
- Planning for the end-of-year audit was in hand; members agreed that they would welcome the chance to review and comment on the plan but did not need to be involved in agreeing it with the external auditors (a chance to review was included in the draft agenda plan).
- Some new agenda items were proposed: a review of the annual Internal Audit Opinion (in September); a review of value for money; reports at each meeting on Whistleblowing cases; an update on changes in accounting policies and practices and their impact on comparatives.
- The draft agenda plan would be revised and recirculated after the meeting.

Item 7: Closed Session

- Matt Hamnett and Yvonne Laird left the room.
- Members were reassured that the Executive was directing internal audit activity towards areas in which risks were identified or improvements needed.
- To improve assurance offered by the Corporate Risk Register, including evidence that mitigation was effective in lowering net risk scores – articulating how/why the team knew or believed the impact was real – was desirable.

Item 8: Any Other Business

- None.

Item 9: Date of Next meeting

- Thursday 16 June 2016, starting at 18.00, at Hitchin.

Papers for Information

- A paper from RSM on emerging issues in the FE sector had been shared for members' information. RSM would provide similar briefings on key points for inclusion in future agendas.

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Signed as an accurate record – Chair

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Date

ACTION LOG

No	Ref	What	By whom	When	Complete (Y/N)
16.1	24/02/16/1d	Introduce cumulative action log.	RD	25/02/16	Y
16.2	24/02/16/1d	Report from the Chair to be standard on Board agendas.	RD	04/04/16	Y
16.3	24/02/16/1d	Update and circulate Internal Audit implementation log.	RD	05/03/16	Y
16.4	24/02/16/1d	Review Schedule of Delegation	RD/Board	06/06/16	
16.5	24/02/16/2	Revise Internal Audit Plan adding five days to expected work, and shelving planned IT audit work.	YL/RSM	12/03/16	
16.10	24/02/16/3	Check inconsistencies in listing of sub-contractors.	YL/RSM	31/03/16	
16.6	24/02/16/4	Add indicator of movement since previous report (+/-/=) to risk register.	YL	19/03/16	
16.7	24/02/16/5	Share briefing on membership composition set out in current Terms of Reference.	RD	05/03/16	Y
16.8	24/02/16/6	Update and circulate draft Agenda Plan.	RD	05/03/16	Y
16.9	24/02/16/7	Enhance Executive explanations about how and why risk mitigation would be effective	MH	31/05/16	