

Audit Committee

Agreed

26 September 2024

Members Rachael Fisher (Chair); Suzanne Lyne; Shawez Mir; Kunal Parkash

Attendees Maxine Deslandes (Director of Finance); Matt Fawcett (Deputy Principal, Planning, Partnerships & Projects); Anil Nagpal (Chief Operating Officer); Karen Redhead (CEO/Principal); Richard Ward (Director of Governance)

Paul Goddard (Scrutton Bland)

1 Attendance

The Chair welcomed Suzanne Lyne to her first meeting of the College's Audit Committee and welcomed all attendees to the first meeting of the new academic year. Shachi Blakemore (Buzzacott) had sent her apologies.

2 Declarations of interest

No interests were declared.

3 Minutes

***Resolved*, That the minutes of the meeting held on 27 June 2024 be approved as a correct record.**

4 Subcontracting update

The Deputy Principal, Planning, Partnerships and Projects presented an update on the College's subcontracting arrangements, covering the end of the 2023/24 academic year and the start of 2024/25. He reported that the College had improved upon the ESFA AEB position reported at R12 (5 September 2024) and was now at £1,436k against a contract value of £1,455k, with a high level of confidence that the full contract value would be delivered.

The paper went on to cover a summary of the performance of the College's subcontractors and actions taken in response to subcontracting

audit recommendations. The Deputy Principal reported that the College's application to exceed the 25% cap on subcontracting during 2024/25 had been approved by the ESFA. The College had not engaged in any new GLA subcontracting with the only provision in this area having been rolled over from 2022/23. The Deputy Principal drew the Committee's attention to the College's rationale for subcontracting and the selection of each of its subcontractors. The Committee discussed:

- **The pace of the reduction of the College's ESFA subcontracting.** The Deputy Principal noted that the College had met the targets it had set itself to significantly reduce the proportion of its ESFA provision which was subcontracted. He noted that the College was also looking for ways to reduce its reliance on referral agencies.
- **The quality of the College's subcontracted provision compared to internally-delivered courses.** The Deputy Principal noted that the subcontracted provision was largely complementary to the College's direct offer. He reminded the Committee that the College had an unusually large proportion of out-of-area delivery within its ESFA contract, and the CEO/Principal explained how that had come to be the case.

5 Internal audit assignments

Income diversification

Paul Goddard (Scrutton Bland) informed the Committee that many colleges were seeking to diversify their income and it was by no means easy to achieve. In this advisory report, Scrutton Bland had made four 'medium risk' and one 'low risk' recommendations relating to setting a strong framework. A governor asked what potential there was for generating income from renting out space at Hammersmith & Fulham College. The Chief Operating Officer confirmed that this was something the College did and indeed was looking to extend. He added that the work would be led within the College's Executive Team by himself and the Deputy Principal (Planning, Partnerships & Projects).

GLA subcontracting

Paul Goddard informed the Committee that this assignment arose from the GLA's requirement that College's provide independent assurance of their compliance with its standards. He noted that there was a significant degree of crossover with ESFA requirements. The assignment had found that the College was fully compliant in all areas with the GLA's

requirements, and included one low risk recommendation relating to one aspect of the wording of the College's contracts.

Health and safety

Paul Goddard spoke to the third audit assignment which was another advisory report containing seven 'low risk' recommendations and one 'medium risk' recommendation relating to central record keeping. He noted that the College had many of the necessary systems and processes in place and the thrust of the report's recommendations was on ensuring compliance and accurate documentation of what was taking place in the College. He added that the new Director of Estates and Infrastructure had engaged very positively with the assignment process. The Chief Operating Officer commented that the College was making progress in reinstating a PPM schedule and was targeting expenditure on priority areas.

6 Internal audit tracker

The Chief Operating Officer spoke to the internal audit tracker. He drew the Committee's attention to the number of recommendations made by the internal audit service, noting that just over 40% were awaiting validation by Scrutton Bland as completed. The Director of Finance added that since the last meeting, 13 recommendations had been validated and removed from the tracker and 14 new recommendations had been added.

The Committee noted that in some cases, Scrutton Bland had not considered the evidence provided by the College to be sufficient for the recommendation to be treated as fully resolved. The Committee asked whether greater priority could be given to assessing whether recommendations recorded as 'completed' by the College could be checked by Scrutton Bland, with a particular focus on 'high risk' recommendations.

A governor asked what the process was for dealing with audit recommendations made earlier than the previous academic year. The Director of Finance commented that in some cases, highlighted recommendations had been repeated in subsequent audit assignments. The CEO/Principal added that the tracker was being monitored at meetings of the College's Senior Leadership Team.

7 Risk management

The Chief Operating Officer presented the College's strategic risk register, which included ten risks, two of which were 'Significant', five 'High' and three 'Acceptable'. Since the last update, two previously 'High' risks had been reassessed as 'Acceptable' to reflect new evidence and commentary.

The Committee discussed the alignment of the risks to the College's strategic plan, and the extent to which some risks were unlikely to change from year to year. The Committee reflected on the consolidation of strategic risks which had taken place in the previous academic year.

8 Fraud report

The Chief Operating Officer reported that there had been no instances of actual or suspected fraud since the June meeting and presented an updated anti-fraud checklist for post-16 providers. A governor asked whether the same anti-fraud controls applied across the College, including Taste restaurant. The Chief Operating Officer confirmed that this was the case.

9 External audit tracker

The Chief Operating Officer informed the Committee that the two outstanding external audit recommendations were expected to be validated as a result of the successful implementation of the College's new finance system, as had been discussed at previous committee meetings. The Director of Finance commented that the new finance system was receiving positive feedback.

10 Draft regularity self-assessment questionnaire

The Chief Operating Officer presented a draft of the College's response to the regularity self-assessment questionnaire, which would continue to be updated in the lead up to the presentation of the annual report and financial statements. The Chief Operating Officer drew the Committee's attention to the fraud assessment which had been included for the Committee's consideration.

11 Consideration of training and development

The Director of Governance presented a paper arising from the requirement set out in paragraph 26 of the Post-16 Audit Code of Practice for the Committee to 'consider the development of members and put in place appropriate training to ensure their skills and knowledge are up to date'. Members of the Committee had responded to a series of questions which sought to prompt reflection on the Committee's development needs.

Paul Goddard commented that some colleges undertook deep dives into particularly challenging areas, for example risks where mitigations were not yet proving effective. He added that Scrutton Bland had provided

additional services to aid audit committees. The Director of Governance suggested that the first meeting of 2025 might be a good opportunity as the agenda was likely to be lighter than the next meeting.

Paul Goddard (Scrutton Bland) left the meeting.

12 Process for appointment of internal and external audit services

This item was taken confidentially.

13 Committee evaluation

The Chair invited comments on the papers and discussion at the meeting. Governors commented positively on the introduction of TeamEngine as the College's new board portal. Staff thanked committee members for the constructive challenge that they had provided during the meeting.

14 Next meeting

5.00 pm on Tuesday 26 November 2024.