

HARLOW COLLEGE FURTHER EDUCATION CORPORATION

AUDIT COMMITTEE

Minutes of the meeting held virtually on MS Teams on Tuesday 03 October 2023

Membership *Ray Levy (Chair)
 *Michael Travers
 *Dawn Turner

*denotes present

In attendance Paul Goddard, Scrutton Bland
 Ryan Pearce, Scrutton Bland
 Paul Whitehead, Vice-Principal
 Deanne Morgan, Executive Director – Finance
 Ruth Lucas, Head of Governance

1 Apologies for Absence

Apologies for absence were received from Shachi Blakemore, Buzzacott, and Will Allanson, Harlow College.

2 Declarations of Interest

Michael Travers declared that he is a staff governor and had contributed to agenda item 8 – Regularity Self-Assessment Questionnaire.

3 Minutes of the Previous Meeting

The minutes of the Audit Committee meeting held on 23 June 2023 and the joint Resources and Audit Committee meeting held on 27 June 2023 were agreed as an accurate record of the meeting and were signed remotely by the Chair.

4 Matters Arising from the Minutes (not mentioned elsewhere on the agenda)

There were no matters arising.

5 Internal Audit

5.1 Internal Audit Annual Report 2022-2023

The Audit Committee received and considered the internal audit annual report for 2022-2023, presented by Paul Goddard, Scrutton Bland.

Governors noted the following opinion as stated in Scrutton Bland's Annual Report:

"In our opinion, for the year ended 31 July 2023 the College:-

- has adequate and effective risk management processes;*
- has adequate and effective governance processes;*
- has adequate and effective control processes; and*

- *has adequate and effective processes surrounding efficiency and effectiveness.*

These opinions are designed to assist the Audit Committee when preparing their own Annual Report.”

Paul Goddard reported that Scutton Bland were comfortable in giving a green assurance opinion across all four opinions above and the opinions are the cleanest they can be.

Governors were informed that during 2022-2023, fewer individual assurance audits were undertaken due to more grant audits being required. These have been separated in the 2023-2024 Internal Audit Plan.

Paul Goddard highlighted Section 2.2 of the report relating to the Post-16 Audit Code of Practice and confirmed that the report is based on the 2022-2023 Post-16 Audit Code of Practice which was published in April 2023.

Governors' attention was brought to Appendix A. Five individual assurance assignments were delivered throughout the year, one with a strong assurance level and four with a significant assurance level. Paul Goddard highlighted the Learner Records audit which demonstrated that the College has a good level of compliance despite five recommendations being made.

In total, one medium level recommendation was raised and nine low level recommendations were raised. The number and level of recommendations for 2022-2023 were three lower than in 2021-2022. Two added value points were raised compared to thirteen in the previous year however the high number last year was due to the carbon reduction advisory audit which was undertaken.

Three Annex G audits were undertaken, all of which had a positive outcome with the Annex G certificates being signed.

A Governor asked what does the positive outcome refer to in the Annex G audits. Paul Goddard reported that for these audits, a one-page template certificate is provided by the DfE for the auditors to complete and sign. No concerns had been raised in the Annex G audits therefore Scutton Bland had classified them as having a positive outcome.

Governors' attention was brought to the benchmarking data and Governors were informed that the College had higher than average strong and significant assurance audits and high level recommendations have been identified across Scutton Bland's FE client base, whereas no high level recommendations were made to the College.

Paul Goddard thanked management for their support throughout the year, for making themselves available for the audits and providing feedback on the audit briefs in a timely manner.

Ruth Lucas thanked Scutton Bland for being responsive and adaptable when changes to dates or audit scopes had been requested by the College.

The Audit Committee noted the Internal Audit Annual Report for 2022-2023.

5.2 Internal Audit Progress Report 2023–2024

The Audit Committee received and considered the internal audit progress report, presented by Paul Goddard, Scrutton Bland.

Governors noted that dates have been confirmed for all audits and that the fieldwork for the Human Resources – Recruitment and Retention audit has been completed and the feedback meeting will take place imminently. Paul Goddard reported that there had previously been a number of paper-based manual HR processes and the College's direction of travel with this has been positive. The auditor undertaking the audit had reported that there was nothing of significant concern arising from the audit.

A Governor asked what the risk management audit would focus on and Paul Goddard confirmed it will look at the risk register and risk appetite with the potential to develop this further.

The Audit Committee noted the internal audit progress report.

6 Internal Audit Tracker

The Audit Committee received and considered the audit tracker, presented by Deanne Morgan, Executive Director – Finance.

Governors were informed that five recommendations have been completed and will be removed from the tracker, with progress being made towards the remaining recommendations, however progress against one has been delayed. A Governor asked why progress had been delayed and Deanne Morgan confirmed that this was due to key members of staff being heavily involvement in enrolment and that the implementation date originally set was too ambitious.

A Governor asked for more information around actions taken in recommendation 6 in respect of learners signing their learning agreements in a timely manner. Paul Whitehead reported that when some learners come to enrol, they do not have ID with them or decide to change courses. The learning agreements therefore cannot be signed at enrolment or need to be updated and are issued to the teams to get them signed by the learners, which sometimes can cause a delay. Formal data meetings are taking place between MIS and the teams to check the date and look of any anomalies.

The Audit Committee approved the audit tracker.

7 Teachers' Pension Scheme Audit

The Audit Committee received and considered the Teachers' Pension Scheme audit, presented by Deanne Morgan, Executive Director – Finance.

Deanne Morgan reported that the audit is a statutory requirement and had been completed and submitted on time.

No exceptions had been reported by the auditors and an overpayment of 17.98p in the TPS' favour was identified.

The Audit Committee noted the Teachers' Pension Scheme audit.

8 Regularity Self-Assessment Questionnaire

The Audit Committee received and considered the Regularity Self-Assessment Questionnaire, presented by Deanne Morgan, Executive Director – Finance.

Deanne Morgan reported that the Regularity Self-Assessment Questionnaire is a template issued by the ESFA and colleges are required to complete it to assess regularity. It is considered each time the Audit Committee meets, with changes since the last Audit Committee highlighted in grey, and is submitted annually as part of the external audit.

Governors were informed that this version is the final version for 2022-2023, which, if approved, will be signed by the Chair and the Accounting Officer and submitted with the annual accounts.

The Audit Committee approved the Regularity Self-Assessment Questionnaire and recommended that the Corporation, at its meeting to be held on 16 October 2023, approve its signing by the Chair and Accounting Officer.

9 Code of Good Governance for English Colleges

The Audit Committee received and considered the report on Code of Good Governance for English Colleges, presented by Ruth Lucas, Head of Governance.

Ruth Lucas reported that the Corporation needs to report that it is compliant with a governance code in the financial statements and that the Corporation adopted the AoC's Code of Good Governance for English Colleges in July 2015.

Ruth Lucas highlighted the mapping exercise against the Code and that the Code works on a comply or explain basis. Governors' attention was brought to the area in which the College is partly compliant as the Corporation does allow Governors to stand for more than two terms of office. The rationale for this is stated in the Governor Recruitment Policy and Procedure.

Ruth Lucas reported that the AoC has published a new Code of Good Governance which was launched on 27 September 2023. Colleges who choose to comply with the Code need to adopt the new Code by 2024-2025, reporting on compliance with the Code in December 2025 at the latest, however Corporations could opt to adopt the Code sooner. A full report on the new Code will be presented to the Search and Governance Committee.

A Governor asked why a new Code had been published. It was reported that the current Code had been added to over the years and it had become rather unwieldy whereas the new Code is more concise and focused and its development had been led by a Governance Professional.

The Audit Committee agreed that the Corporation has been compliant with the Code of Good Governance for English Colleges during 2022– 2023 and agreed to recommend to the Corporation that at its meeting to be held on 16 October 2023 it approves a statement of compliance is included in the financial statements.

10 Risk Management

The Audit Committee received and reviewed the risk register, presented by Deanne Morgan, Executive Director – Finance.

Governors were informed that all risks have been reviewed by the College's Executive and no risks have been added to or deleted from the risk register since the last Audit Committee meeting.

Governors noted that four risks have been revised with a lower risk score as follows:

- Risk 4 – The Government selects a funding policy for further education which runs counter to Harlow College's strategic direction.

The risk score has decreased from 20 to 15 as in September the College received a revised 2023/24 ESFA 16-19 allocation of £1.2m. The risk does however remain high. There has been an increase in learner numbers this year however the ESFA have not yet announced if there will be a process for in-year growth this academic year.

- Risk 10 – Finances: Maintenance of Good Financial Health. Good cash generation and meet banking/covenant requirements. Generate income/cash to support ongoing capital investment, including the impact of the recession & rising cost of utilities and materials.

The risk score has decreased from 15 to 12 due to the increase in funding and the bank covenant being reduced from 1.4 to 1.25 however the risk is still high as finances will still need to be monitored closely to achieve what is set out in the financial plan.

- Risk 12 – Student recruitment: 16-19 three year down trend in enrolments. Impacts future student numbers and funding income.

The risk score has reduced from 12 to 6 as the College has successfully over-achieved its 16-19 learner target however the College needs to retain the learners at the six week health check point. Other colleges are also reporting growth in enrolment figures.

- Risk 17 – IT: Sustainable and affordable model for continued use of IT

The risk score has reduced from 6 to 2 as the IT and Digital Strategy is embedded in the College. Stock is refreshed every year and there is no longer a big outlay of costs.

Governors noted that there were no new or emerging issues at present.

Paul Goddard reported that other FE clients have RAAC and carbon reduction on their risk registers. Deanne Morgan confirmed that RAAC is not an issue for the College and that carbon reduction was on the risk register last year however due to work that has been undertaken, it has been removed from the register however it is being closely monitored by the College.

The Audit Committee approved the Risk Register.

11 Anti-Fraud Update

11.1 Report on Fraud Against the College

The Audit Committee received and considered the fraud report, presented by Deanne Morgan, Executive Director – Finance

The Committee noted that there has been no fraud or fraud attempts against the College during 2022-2023.

Deanne Morgan reported that there had been some instances of fraud during 2023-2024.

In August 2023, there had been three instances of fraud by the same company on a College credit card totaling £4,092.76. The card was cancelled and the transactions reversed, resulting in no loss to the College.

In September 2023, the College was notified by the credit card company that there were three suspicious transactions totaling £102.80 by a different company on the same College credit card, after a new card was issued for the above fraud items. The card was cancelled again and the transactions reversed, resulting in no loss to the College.

Additional internal processes have been introduced and credit card transactions are recorded on a separate spreadsheet. The College now has online access to the credit card transactions via the bank. The fraud has been reported to the College's Relationship Manager at Clydesdale Bank with the question being asked as to why it had not been picked up by the bank. An alert system has been set up for transactions of £500 or higher and payment cards are being explored as part of the College's Treasury Strategy. The limit on the credit card which had been fraudulently used has been reduced. The fraud has been reported to Action Fraud, the College's internal and external auditors, the Chair of the Corporation and the Chair of the Audit Committee, as per the Post-16 Audit Code of Practice and the College's Financial Regulations, who have confirmed that they are comfortable with the actions taken by the College.

The Audit Committee noted the report on fraud against the College.

11.2 Fraud Risk Assessment

The Audit Committee received and considered the fraud risk assessment, presented by Deanne Morgan, Executive Director – Finance

Deanne Morgan informed Governors that the template has been provided by the College's external auditors and will be submitted to Buzzacott as part of the external audit.

Deanne Morgan reported that the credit card fraud had been included in the risk assessment as it covers all of 2022-2023 and part of 2023-2024, up to the date that the financial statements are signed.

A Governor asked if a statement on fraud needs to be included in the financial

statements and Deanne Morgan reported that it depends on what is in the template.

Paul Goddard reported that an increase in internal fraud is being seen, which is most likely a reflection on the current times and the economic crisis. This highlights the need of segregation of duties, particularly for those in positions of trust.

The Audit Committee noted the fraud risk assessment.

11.3 Anti-Fraud Checklist for Post-16 Providers

The Audit Committee received and considered the anti-fraud checklist for post 16 providers, presented by Deanne Morgan, Executive Director – Finance.

The checklist is provided by the ESFA and Governors noted the responses provided by the College.

The Audit Committee noted the anti-fraud checklist for post 16 providers

12 Data Breach Report

The Audit Committee received and considered the Data Breach Report, presented by Ruth Lucas, Head of Governance.

The Committee noted that the format of the report had been updated.

In 2022-2023, there were four data breaches in total, one of which occurred since the last meeting of the Audit Committee. This was in relation to three individuals who had applied for a job at the College. It did not reach the threshold to report to the Information Commissioner's Office.

To date in 2023-2024, there has been one data breach in relation to a single staff record. It did not reach the threshold to report to the Information Commissioner's Office.

The Audit Committee noted the Data Breach Report.

13 Any Other Business

There were no items of any other business.

14 Dates of Future Meetings

Autumn Term 2023	Wednesday 06 December 2023 (including joint meeting with Resources Committee)	9.30am
Spring Term 2024	Tuesday 05 March 2024	9.30am
Summer Term 2024	Wednesday 07 July 2024 (including joint meeting with Resources Committee)	9.30am

Key Points From The Meeting For Corporation:

1. Regularity Audit

To receive and approve the Regulatory Audit for signing by the Chair and the Accounting Officer.

2. Code of Good Governance for English Colleges

To review and approve the College's compliance with the Code of Good Governance for English Colleges and for a statement confirming this to be included in the financial statements.