

management and control arrangements for the material risks reviewed are managed effectively.

Governors were informed that one medium risk recommendation and four low risk recommendations had been made.

Ryan Pearce explained that the medium risk recommendation was around monitoring off the job hours throughout the apprenticeship as there is a risk that if apprentices do not complete the required level of off the job training, funding could be clawed back.

A Governor asked if there is anything more management could be doing in addition to the provided management response. Ryan Pearce reported that this is a common issue raised by Scrutton Bland in many similar audits and that the College's processes are adequate however it is important that the hours are tracked during the year.

Ryan Pearce reported that the low risk recommendations were low risk and low frequency findings. The sample was 25 learners and only odd anomalies were found.

The Audit Committee noted the internal report on Funding Assurance.

5.2 Examinations

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

Governors were informed that the internal audit report on Examinations provided Governors with significant assurance that the governance, risk management and control arrangements for the material risks reviewed are managed effectively.

Paul Goddard reported that Scrutton Bland were confident with the team structure, processes in place and the rigour given to this area.

Governors were informed that one low risk recommendation had been made around the tracking and monitoring of late fees and highlighted that having a baseline of the number and issues would be beneficial to the College.

A Governor asked what level of numbers of late fees did the College have. Deanne Morgan reported it was quite a significant number however the College is changing some of its processes around entering learners in for exams and its approach with late fees. The College is looking to reduce the cost of late fees when looking at budgets and financial planning for next academic year.

A Governor asked if there are any particular areas of the College or any particular learners that have higher late fees than other areas. Deanne Morgan reported that there is no pattern with late fees however there are some learners that are entered in to multiple repeat exams and management are working with these departments to improve their approach.

Ben Nicholl reported that with adult learners there is often very late notification of exams and paperwork can be delayed. The College is introducing a new online

system to address this.

The Audit Committee noted the internal report on Examinations.

5.3 Strategic Development Fund Annex G

The Audit Committee received and considered the Strategic Development Fund Annex G Certificate, presented by Paul Goddard, Scrutton Bland.

Governors were informed that this audit was a compliance audit for the Strategic Development Fund and whilst it was a £2.75m audit, only a template one page certificate is produced which confirms that the funding was spent in accordance with the grant funding agreement.

The Strategic Development Fund was an Essex-wide capital and revenue project led by Harlow College working in partnership with Essex colleges and the Essex Provider Network.

Paul Goddard reported that the audit was a very smooth process, with no issues arising from the audit, and thanked Ruth Lucas and the wider team for their support in the audit.

The audit was completed in advance of the Department for Education's deadline and Ruth Lucas confirmed that the College has received final sign-off of the project from the DfE.

The Audit Committee noted the Strategic Development Fund Annex G Certificate.

5.4 Internal Audit Progress Report

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

Governors were informed that all audits in the audit plan have been completed and all green assurances have been given.

Paul Goddard reported that the College has good controls and good processes in place and informed Governors that the Annual Report of the Internal Audit Service will be presented to the Audit Committee at its next meeting.

Deanne Morgan asked if the Annex G audit will be included in the Annual Report. Paul Goddard confirmed that it would be referenced in the report.

Deanne Morgan reported that the sector has to undertake a large number of Annex G audits and this is creating additional work, especially when the requirements to have such audits are only announced near to the end of a project period.

A Governor asked what specifically an Annex G audit is and Ruth Lucas explained that it is a standard audit for DfE funded projects and that Annex G is an annex in the grant funding agreement for the project.

Scrutton Bland thanked management for their engagement in internal audit throughout the year and Ruth Lucas thanked Scrutton Bland on behalf of the

College and the Corporation.

The Audit Committee noted the internal audit progress report.

6 Audit Tracker

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

Governors noted that good progress is being made with the outstanding internal and external audit recommendations. Most of the recommendations are on track however some dates have been amended to dates by which implementation of the recommendation could realistically be achieved.

The Audit Committee approved the audit tracker.

7 Internal Audit Plan 2023/24

The Audit Committee received and considered the Internal Audit Plan 2023/24, presented by Paul Goddard, Scrutton Bland.

Paul Goddard reported that the plan had been scoped out by Scrutton Bland and senior management at the College, with particular input from Deanne Morgan.

Governors' attention was brought to Section 4 which maps out the College's key risks to potential or previous internal audit coverage.

Appendix A sets out the proposed audits for 2023/24 and Governors noted that the number of audit days has been reduced however Annex G audits have not been included in the plan but will be undertaken as and when required.

A Governor asked if there are any contingency days in the plan. Deanne Morgan reported that there are no contingency days at present in the plan however if the College identifies a need for a particular audit, it can be added into the plan. In previous years, contingency days have been used for Annex G audits and if these are required in 2023-2024, they will be added in.

A Governor asked about the staff recruitment and retention audit and whether that would link to health and wellbeing or would that be a separate audit. Paul Goddard confirmed that some strands would be covered however it would be separate piece of work if this was to be looked at in any detail. Paul Whitehead reported that it is hoped that the report would give an indication of areas that need further investigation and that reasons for retention would be highlighted as well as reasons for staff leaving.

The Audit Committee thanked Scrutton Bland for the Internal Audit Plan.

The Audit Committee approved the Internal Audit Plan for 2023/24 and agreed to recommend it to the Corporation at its meeting on 6 July 2023.

8 External Audit Strategy

The Audit Committee received and considered the External Audit Strategy, presented by Shachi Blakemore, Buzzacott.

Governors were informed that the strategy focuses on high risk areas for testing along with specific risks which have arisen during the year, for example risks arising from the ONS reclassification. Governors were reminded that the regularity audit takes place annually however there is now an extra set of rules due to reclassification. The reclassification has led to a much more consent-based model for transactions and part of the external audit testing will be to determine if there have been any transactions that require ESFA approval. The testing will also look for evidence that the relevant changes have been communicated throughout the College.

Management override of controls is a risk that is tested annually. Buzzacott will test the transactions to see if they have been through the correct processes. There will be a change in the approach to testing this year as previously the controls within the finance system were tested however this year the IT environment in which the finance data is processed will be tested, however it will not be an IT or cyber security audit.

Buzzacott has noted the forecast financial result for this year and that the College is anticipating a deficit next year.

The audit will test if the College is able to pay its liabilities for 12 months from the signing of the financial statements. The focus on this testing is cash reserves and the going concern risk is currently low for the College.

The audit will look at if reasonable assumptions have been made in financial planning and will look at the current position of the covenants and the position at 12 months from signing of the financial statements. Covenants is an area that remains a risk for the College.

In terms of emerging sector issues, Shachi Blakemore emphasized the importance of cyber security as cyber attacks are happening in the sector. A Governor asked if those colleges that had been subject to a cyber attack had disaster recovery plans in place. Shachi Blakemore confirmed that some had great plans in place and others did not however the learning often takes place after the attack. Paul Goddard reported that this is sometimes a higher risk as colleges' priorities are elsewhere. Paul Whitehead reported that it is a difficult environment to work through, with colleges getting low levels of funding against a landscape of ever-increasing high risks. Colleges have to manage with what funding they have available and any additional cyber security controls or oversight costs colleges more. Ben Nicholl reported that in order for Harlow College to get cyber insurance, Harlow College, like other colleges, had to go through a number of processes and gain a number of assurances. Shachi Blakemore reported that insurance can often become null and void if something is not being met or done in the small print.

Paul Whitehead reported that following ONS reclassification, colleges can no longer negotiate borrowing with the bank and this has to be done via the ESFA which could prove to be more challenging going forward. Governors were informed that the College is currently in a good position in terms of cash reserves therefore this is not an immediate risk to the College.

Shachi Blakemore reported that there is now more focus on pay awards and that there is a need to disclose the Principal's basic salary as a multiple of median basic salary of staff in the financial statements. Colleges should ensure that this is reported accurately as there is currently a lot of media scrutiny of this.

Paul Whitehead informed the Committee that a pay award has not been made for 2023-2024 for any staff however some additional non-pay benefits have been introduced. A Governor asked how well this has been received by staff and Paul Whitehead reported that there has been a mixed reaction.

The Audit Committee endorsed the External Audit Strategy for Harlow College for the year ending 31 July 2023.

9 Audit Code of Practice 2022-2023

The Audit Committee received and considered the report on the Audit Code of Practice (ACoP) 2022-2023, presented by Ruth Lucas, Head of Governance.

Ruth Lucas reported that the ACoP is published annually by the ESFA and this version was released in April 2023 and is applicable from 1 August 2022. The ACoP focuses on protecting the College's funding and assets, meeting legal obligations and fraud.

Ruth Lucas presented the changes to this edition of the ACoP and highlighted the main ones that are most relevant currently to the Audit Committee, particularly those in relation to the ONS reclassification of colleges.

Ruth Lucas highlighted three key documents in relation to the ONS reclassification – HM Treasury's Managing Public Money, the "Dear Accounting Officer" letter dated 29 November 2022 and the bite sized guides that have been published.

The Audit Committee reviewed the Audit Committee's Terms of Reference and noted that they are based on the terms of reference included in the ACoP. Ruth Lucas reported that the ACoP is not proposing any changes to the terms of reference from last year despite the ONS reclassification. Ruth Lucas reported that a proposed addition in red has been included to cover ONS reclassification and Paul Goddard reported that this was a good way to capture the requirements of reclassification in the terms of reference.

The Audit Committee approved the Audit Committee's Terms of Reference for 2023-2024 and noted the report on the Audit Code of Practice 2022-2023.

10 Regularity Audit Self-Assessment Questionnaire Review

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

Governors were informed that a new version of the questionnaire has been published following ONS reclassification.

Deanne Morgan reminded Governors that the Self-Assessment Questionnaire is reviewed each time the Committee meets and reported that the latest updates are highlighted in grey. This version will be updated for the last few months of the year and will form the final version which will be considered and agreed by the Audit Committee and submitted to the external auditors.

The Audit Committee noted the Regularity Audit Self-Assessment Questionnaire Review.

11 Risk Management

The Audit Committee received and reviewed the Risk Register and the Risk Management Policy, presented by Deanne Morgan, Executive Director – Finance.

Deanne Morgan informed the Committee that no risks have been added to and no risks have been deleted from the risk register since the Audit Committee's last review of the register.

Three risks have been revised with a higher risk score since the Audit Committee's last review of the Risk Register, as follows:

- Risk 3 – The Government selects a funding policy for further education which runs counter to Harlow College's strategic direction.

The risk score has increased from 15 to 20 due to the current government direction of not funding the sector for pay and inflation increases which is impacting wider areas of the College and is very difficult to manage.

- Risk 6 - 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 increased from 10 to 15 as financial planning for next year is very challenging and the College has approached the bank for a covenant waiver for next year.

- Risk 11 - Quality: Failure to improve the quality of English and Maths, specifically attendance and achievement on GCSE and functional skills.

This risk has increased from 9 to 12 as the mock results show a dip in predicted grades, however the College is looking at ways to improve this.

Three risks have been revised with a lower risk score since the Audit Committee's last review of the Risk Register, as follows:

- Risk 7 - Student recruitment: Under recruiting to the 19+ AEB target and over recruiting on the GLA contract. Transition from relying on unemployed students as the sole sources of recruitment.

The risk score has reduced from 16 to 12 as the College is on track to achieve the target.

- Risk 8 – Quality (16-18 years old and Adult): Failure to achieve strong outcomes for students in respect of government performance measures and the quality of learning, teaching and assessment.

This risk has reduced from 15 to 12 as achievement rates are currently higher than last year and above target at 75.3%.

- Risk 14 - Compliance: Failure to deliver on key curriculum projects (e.g. Maths Centres for Excellence, Taking Teaching Further, GLA contracts and SDF).

The risk score has reduced from 4 to 1 as the College has proven successful processes in place for the delivery, monitoring, reporting and auditing of projects, which is evidenced by several successful Annex G audits.

Deanne Morgan highlighted the section on emerging issues with ONS reclassification potentially being a big risk but as the immediate requirements do not apply to the College, there is not a risk to record on the register at present.

The Audit Committee considered the Risk Management Policy. Governors noted that the Policy had been updated to reflect new processes and procedures which have been implemented by the College.

The Audit Committee approved the Risk Register and the Risk Management Policy and agreed to recommend them both to the Corporation for approval at its meeting on 6 July 2023.

12 ONS Reclassification

Ruth Lucas reported that ONS reclassification had been covered in detail in previous agenda items.

Ruth Lucas informed the Committee that further guidance on the new financial handbook is expected in the autumn term and the handbook will be introduced from 2024-2025.

The Audit Committee noted the verbal update on ONS reclassification.

13 Fraud Report

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 since the last Audit Committee meeting.

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

14 Data Breach Report

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

The Committee noted that there have been no new data breaches since the last Audit Committee meeting.

The Audit Committee noted the Data Breach Report.

15 Any Other Business

There were no items of any other business.

16 Dates of Future Meetings and Committee Business Plan

The Audit Committee received and approved the dates of future meeting and the Committee's business plan.

Ruth Lucas reported that Audit Committee meetings will remain virtual next academic year, as attendance has increased and it reduces the amount of time required by the external and internal auditors as they do not need to travel to Harlow for the meetings.

Following this meeting the Audit Committee met privately with Buzzacott, external auditors, and Scrutton Bland, internal auditors. The Head of Governance was informed that no issues or concerns were raised.

Key Points From The Meeting For Corporation:

1. Internal Audit Strategy

To receive and approve the Internal Audit Strategy for 2023 – 2024.

2. Review of the Risk Register and Risk Management Policy

To review and note the current Risk Register and to review and approve the Risk Management Policy.