

HARLOW COLLEGE FURTHER EDUCATION CORPORATION

JOINT AUDIT & RESOURCES COMMITTEE MEETING

**Minutes of the meeting held on virtually on MS Teams
on Wednesday 6 December 2023**

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| Membership | *Julia Fillary *Liz Laycock *Ray Levy (Chair) Karen Spencer | *Paul Taylor *Michael Travers *Dawn Turner *Ed Whittle |
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*denotes present

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| In attendance | Shachi Blakemore, Buzzacott Paul Goddard, Scrutton Bland Paul Whitehead, Vice-Principal Deanne Morgan, Executive Director – Finance Ruth Lucas, Head of Governance |
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1 Chair for the Joint Meeting

Ray Levy was elected as the Chair for the joint meeting.

2 Apologies for Absence

Apologies for absence were received from Karen Spencer and Will Allanson.

3 Declarations of Interest

There were no additional declarations of interest.

4 Minutes of the Previous Meeting

The minutes of the joint Audit and Resources Committee meeting held on 27 June 2023 were agreed as a true and accurate record and were signed remotely by the Chairs of the Audit and Resources Committees.

5 Audit Findings Report

5.1 To receive, consider and approve the Post Audit Management Report 2022-2023 for recommendation to the Corporation.

The Audit and Resources Committee received and considered the Post Audit Management Report 2022-2023, presented by Shachi Blakemore, Buzzacott.

Shachi Blakemore reported that the audit had gone very well and thanked Deanne Morgan, Paul Whitehead and the finance team for their hard work and for being well prepared for the audit. Shachi Blakemore reported that some of Buzzacott's college clients struggle with the preparation for the audit however this is not the case with Harlow College and the audit team

were able to hit the ground running.

Governors were informed that the audit has been completed subject to the following:

- The ESFA audit report.
- The final funding reconciliation for 2022-2023 from the ESFA, expected early December 2023.
- The going concern assessment that includes the latest management accounts and cash flow projections.
- Receipt of the letter of representation from the College.
- Confirmation immediately prior to the financial statements being signed that no significant events have taken place since the audit that would impact on the financial statements.

Shachi Blakemore reported that the risk with the ESFA audit is low however this cannot be confirmed until something is received in writing from the ESFA auditors. It is envisaged that any funding adjustment would be below the materiality threshold however if any adjustment below the materiality threshold puts the College into a different financial health category, it will be classed as material. Shachi Blakemore reported if something is received in writing from the ESFA auditors confirming the adjustments to be between two values which do not have a material effect on the accounts, then Buzzacott will be in a position to sign-off the accounts without having the final audit report.

Governors were informed that the audit report is clean and a clean regularity opinion has been given. Extra guidance for the regularity audit has been published this year due to the ONS reclassification. The audit relies on the College's self-declaration of compliance with new requirements in light of the reclassification and this is tested by Buzzacott. Shachi Blakemore confirmed that no issues were identified during this process.

Governors' attention was brought to ISA315 which focuses on IT controls for finance data, no observations were made around this in the testing undertaken. Colleges are being recommended to gain Cyber Essentials accreditation as it is possible that this might become an ESFA condition of funding. The College already has this accreditation.

The bank loans and covenants were looked at to see if the covenants had been breached and it was confirmed that they had not been.

There was nothing of concern raised with capital and revenue expenditure and the College had treated them fairly.

Shachi Blakemore reported that the College's related party transactions were robust and comprehensive, making these transactions very transparent.

One recommendation has been raised for when the College is acting as an agent for funding for other institutions and receives income in, which then gets paid out to these organisations. It has been recommended that this

income and expenditure be stripped out of the College's own year end statutory accounts and monthly management accounts.

The pension scheme liabilities on the balance sheet were highlighted. All colleges have a significant asset however this cannot be recovered and is not a recognised asset. It is therefore stripped out of the operating result.

Shachi Blakemore highlighted sector issues, including the increase in the Teachers' Pension Scheme contribution rate to 28%. This will be funded for next year by the Government however there is no guarantee that it will continue to be funded after the first year.

The other sector issue is cyber security and insurance with Heads of IT presenting to the Audit Committee to make them fully aware of what the risks are. A Governor asked if this is discussed at Audit Committee meetings. A Governor reported that it is on the College's risk register however a presentation to the Audit Committee would be beneficial. Paul Whitehead confirmed that this can be organised and confirmed that the College has cyber insurance in place, there is regular off-site back-ups of data and there is 24 hour monitoring and scanning for cyber attacks.

A Governor asked about the benchmark data in the report with reference to the 35 other colleges and asked if the profile and size of these colleges were similar to the College. Shachi Blakemore reported that the 35 colleges include sixth form colleges which are better funded than FE colleges and colleges with a turnover of up to £100m however the average is a turnover of £20m - £25m.

A Governor asked if Governors should be concerned as the College does not look favourable compared to the benchmarks. Paul Whitehead reported that there is a difficulty with the benchmarks in the college sector due to the shape and size of colleges differing significantly. Colleges are dependent on different types of provision and their estates all differ whereas there are clearer comparators with schools. There are a number of differing factors in colleges that shape and change the nature of colleges' cost bases and income. The issues are very different between colleges and therefore not easy to compare.

The Audit and Resources Committee approved the draft Post Audit Management Report for 2022-2023 and recommended it for full approval at the Corporation meeting on 14 December 2023.

5.2 To receive and approve the Letter of Representation for recommendation to the Corporation

The Audit and Resources Committees received and considered the draft Letter of Representation for recommendation to the Corporation on 14 December 2023.

Shachi Blakemore confirmed that the letter is a standard letter, similar to the previous year. The letter confirms that the College has disclosed everything

they should have to Buzzacott

The Audit and Resources Committee approved the draft Letter of Representation for 2022-2023 and recommended it to the Corporation for approval and signature by the Chief Accounting Officer and the Chair of Governors at the meeting on 14 December 2023.

6 Annual Report and Financial Statements for 2022-2023

The Audit and Resources Committees received and considered the annual report and the financial statements for 2022-2023, presented by Deanne Morgan, Executive Director – Finance.

Deanne Morgan informed the Committee that the provisional results were reported to the Corporation at its meeting on 16 October 2023 however there has been some movement in the figures that were reported to that meeting. These movements include:

- A presentation adjustment due to the swap gain as the College is receiving money back from the Government due to the interest rate on the product which is now classed as being above the line for adjustments.
- An income adjustment due to GLA income which will not materialise.
- Presentation adjustments to creditors which has improved the College's financial health rating score.
- A presentation adjustment to the income received from the Strategic Development Fund as some of the income is netted off against expenditure. This has an impact on the College's staff costs to income ratio which is now at 72%.

Governors noted that the financial health score is good and the bank covenants are comfortably met.

Deanne Morgan thanked Ray Levy for his comprehensive feedback on the accounts and informed Governors that the financial statements are subject to a final review by Buzzacott, which will be incorporated into the version that will be sent to the Corporation in advance of its meeting on 14 December 2023.

The Audit and Resources Committees approved the draft annual report and the financial statements for 2022-2023, subject to any final amendments, and recommended them to the Corporation on 14 December 2023, to be signed by the Chair and Accounting Officer.

Key Points From The Meeting For Corporation:

1. Post Audit Management Report and the Letter of Representation

To receive and approve the Post Audit Management Report for the period to 31

July 2023 and the Letter of Representation.

2. Annual Report and Financial Statements 2022-2023

To receive and approve the Annual Report and Financial Statements 2022-2023.