

# HARLOW COLLEGE FURTHER EDUCATION CORPORATION

## JOINT AUDIT & RESOURCES COMMITTEE MEETING

Minutes of the meeting held on virtually on Zoom Tuesday 14 December 2021

Membership	*Paul Bartlett Julian Bedford Julia Fillary *Eddie Johnson (Chair) *Brian Keane *Liz Laycock	*Ray Levy *Brian Spencer *Karen Spencer *Paul Taylor *Michael Travers
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\*denotes present

In attendance	Shachi Blakemore, Buzzacott Paul Goddard, Scrutton Bland Will Allanson, Deputy Principal Paul Whitehead, Vice-Principal Deanne Morgan, Executive Director – Finance Wendy Martin, Assistant Principal Ruth Lucas, Head of Governance
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### 1 Chair for the Joint Meeting

Eddie Johnson was elected as the Chair for the joint meeting.

### 2 Apologies for Absence

Apologies for absence were received from Julian Bedford due to work commitments and Julia Fillary due to personal reasons.

### 3 Declarations of Interest

E Johnson declared that he is an Essex County Councillor.

### 4 Minutes of the Previous Meeting

The minutes of the joint Audit and Resources Committee meeting held on 22 June 2021 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 2020-2021 for recommendation to the Corporation.

The Audit and Resources Committee received and considered the Post Audit Management Report 2020-2021, presented by Shachi Blakemore, Buzzacott.

Shachi Blakemore introduced herself and reminded the Committee that this

was Buzzacott's first year as external auditors. Buzzacott required a lot of background information to be gathered in addition to the main audit and thanked Deanne Morgan and her team for their hard work and support. The audit has gone smoothly and is as per the agreed timescales which is unusual for a first year audit.

Governors were informed that the only issue that will prevent sign off of the financial statements at the Corporation meeting on 21 December 2021 is the conclusion of the ESFA audit. Assurance is required on the income which has been recognised in the accounts before the sign off. Paul Whitehead informed Governors that the College is working through the ESFA audit actions and is still hoping to get the accounts signed off as originally planned. Shachi Blakemore has offered to sign off the accounts over the Christmas period if required. The College will seek an extension from the ESFA to submit the financial statements after 31 December 2021 however the College will continue to try to get everything signed off at the Corporation meeting on 21 December 2021 however if needed, the accounts will be signed off in the new year.

Shachi Blakemore reported that clear opinions will be given on the truth and fairness of the figures in the financial statements and on regularity confirming to the Corporation and the ESFA that money has been spent with propriety. An additional opinion will be given in the form of an Annex G audit for the Maths Centre for Excellence which will be issued separately.

Governors' attention was brought to pages 9 – 13 of the report, where some of the risks were relevant to all colleges and some more specific to Harlow College, as follows:

- Going concern – Governors were reminded that last year the accounts were signed off with a material uncertainty linked to the refinancing of the bank loans. This year there is no material uncertainty and Buzzacott agrees with the College's assessment of going concern. Buzzacott has also tested going concern into next year.
- Bank covenants – these have been tested for this year and next year and Buzzacott is satisfied with their testing.
- Capital expenditure – some testing has been undertaken and Buzzacott is satisfied with this.
- Income recognition – in previous years, the audit profession could place reliance on the ESFA funding reconciliation however they can no longer do this and need to complete their own testing, part of which was looking at the work of the internal auditors. It is expected that colleges will still treat this as a high risk.

Governors' attention was brought to the list of adjustments in Appendix 1 which decreased the College's overall position by £141k.

Shachi Blakemore highlighted the six recommendations raised in the report around systems and processes and explained the A – C classification used with A being classed as requiring immediate action and C not warranting urgent attention. No recommendations have been classified as A. Four recommendations have been classified as B, linked to the maintenance of the fixed asset register, depreciation charged, recording of lease commitments and salaries documentation. Two recommendations have been classified as C, relating to VAT refunds due to customers and prior approval of staff expenses.

Appendix 3 confirms the College's financial health rating as outstanding and sets out some benchmarking based on Buzzacott's other clients. The ESFA is currently undertaking a consultation on how it calculates financial health with a view to make it more inclusive.

Shachi Blakemore highlighted that there is a new intervention regime from 1 September and that all colleges will be required to meet with the ESFA and FE Commissioner's Team on an annual basis. Karen Spencer confirmed that the College had its annual strategic conversation with the ESFA and FE Commissioner's Team in May 2021 as part of the pilot programme.

Shachi Blakemore highlighted that the ESFA has issued guidance on the format of college management accounts as the format varies hugely between institutions and reported it would be worth looking at. Karen Spencer confirmed that this guidance has been seen and Paul Whitehead and Deanne Morgan will double check the format of the College's management accounts against the ESFA guidance.

Karen Spencer thanked Shachi Blakemore and her team for a very smooth audit which is testament to the audit team, Deanne Morgan and the College's finance team.

The Audit and Resources Committee approved the draft Post Audit Management Report for 2020-2021 and recommended it for full approval at the Corporation meeting on 21 December 2021.

## **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 21 December 2021.

Shachi Blakemore confirmed that the letter is a standard letter.

The Audit and Resources Committee approved the draft Letter of Representation for 2020-2021 and recommended it to the Corporation for approval and signature by the Chief Accounting Officer and the Chair of Governors at the meeting on 21 December 2021.

## **6 Annual Report and Financial Statements for 2020-2021**

The Audit and Resources Committees received and considered the report of Deanne Morgan, Executive Director – Finance, on the annual report and the financial statements for 2020-2021.

Deanne Morgan reported that the annual report and financial statements are published and become public documents.

Deanne Morgan informed the Committee that the provisional results were reported to the Corporation at its meeting on 21 October 2021 however there has been some movement in the figures due to audit adjustments, additional depreciation of IT assets and the successful Adult Education Budget business case.

Governors were informed that staff costs, particularly pension costs, continue to be a challenge.

The financial statements indicate the College's financial health rating is outstanding. The College continues to meet both bank covenants however this is not confirmed until the bank reviews the financial statements in January.

Deanne Morgan thanked Ray Levy for his detailed feedback on the financial statements and confirmed that amendments will be made prior to the financial statements being published for the Corporation meeting.

The Committee noted that the financial statements contained figures as of today which are subject to change as a result of the ESFA audit.

The Audit and Resources Committees approved the draft annual report and the financial statements for 2020-2021, subject to any final amendments, and recommended them to the Corporation on 21 December 2021, to be signed remotely 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 2021 and the Letter of Representation

#### **2. Operating and Financial Review 2020-2021**

To receive and approve the Operating and Financial Review 2020-2021

#### **3. Financial Statements 2020-2021**

To receive and approve the Financial Statements 2020-2021