

HARLOW COLLEGE FURTHER EDUCATION CORPORATION

AUDIT COMMITTEE

Minutes of the meeting held on Wednesday 03 October 2018

Membership	*P Bartlett (Chair) *C Chatt A Durcan
*denotes present	*R Levy
In attendance	P Goddard, Scrutton Bland W Allanson, Deputy Principal P Whitehead, Vice-Principal D Morgan, Executive Director – Financial Services D Sheridan, Clerk to the Corporation R Lucas, Deputy Clerk to the Corporation

852 Apologies for Absence

There were no apologies for absence.

853 Declarations of Interest

C Chatt declared an interest in all items on the agenda as he is a staff Governor, employed by Harlow College.

854 Minutes of the Previous Meeting

The minutes of the Audit Committee meeting held on 19 June 2018 were agreed as an accurate record of the meeting and were signed by the Chair.

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

There were no matters arising.

856 Internal Audit Reports

856.1 Health and Safety

The Audit Committee received and considered the internal audit report on Health and Safety, presented by P Goddard, Scrutton Bland.

P Goddard highlighted the areas covered by the audit and informed Governors that the internal audit report on Health and Safety provided Governors with limited assurance that the governance, risk management and control arrangements for the material risks reviewed are managed effectively.

Governors noted that two high level recommendations, 2 medium level recommendations and four low level recommendations had been made. P Goddard reported that the College's management have been supportive and some of the issues raised had already been identified by management. P

Goddard reported that across the sector, there are often a high number of recommendations resulting from health and safety audits.

All the recommendations were discussed in detail by the Audit Committee and assurances on progress made to date were reported on by management.

Governors were informed that W Allanson now has responsibility for health and safety following the retirement of M Stokes. W Allanson chairs the Health and Safety Committee and the Health and Safety Manager now reports directly to W Allanson. An action plan has been formed and is being prioritised, with monthly tracking taking place.

C Chatt reported that there could be a lack of awareness of what risk assessments are within teams and suggested that one champion per team could be trained. W Allanson reported that the focus should be on the team leader and / or Assistant Academy Manager.

P Bartlett asked if there is anything the Audit Committee should be doing and whether there should be a follow-up audit. It was agreed that management would report back to the Audit Committee over and above what is included in the audit tracker and that Scrutton Bland would conduct a follow-up audit this term.

The Audit Committee noted the internal audit report on Health and Safety.

856.2 HAMEC Return on Investment

The Audit Committee received and considered the internal audit report on HAMEC Return on Investment, presented by P Goddard, Scrutton Bland.

P Goddard highlighted the areas covered by the audit and informed Governors that the internal audit report on HAMEC Return on Investment provided Governors with significant assurance that the governance, risk management and control arrangements for the material risks reviewed are managed effectively. Governors noted that two low level recommendations had been made which were discussed by the Committee.

Governors noted that the income target for commercial activity has been revised for 2018/19 to a more realistic level. R Levy asked if there is a limited on the level of commercial activity. D Morgan reported that there is, however any commercial activity is linked to benefitting students.

The Audit Committee noted the internal audit report on HAMEC Return on Investment.

856.3 IT Infrastructure

The Audit Committee received and considered the internal audit report on IT Infrastructure, presented by P Goddard, Scrutton Bland.

P Goddard highlighted the areas covered by the audit and informed Governors that the internal audit report on IT Infrastructure provided Governors with

significant assurance that the governance, risk management and control arrangements for the material risks reviewed are managed effectively.

Governors noted that one medium level recommendation and two low level recommendations had been made which were discussed by the Committee and P Whitehead provided Governors with further information regarding the systems and progress made to date on the recommendations.

The Audit Committee noted the internal audit report on IT Infrastructure.

856.4 Internal Audit Annual Report 2017-2018

The Audit Committee received and considered the internal audit annual report for 2017-2018, presented by P Goddard from Scrutton Bland.

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

"In our opinion, for the year ended 31 July 2018 the College:-

- *has adequate and effective risk management processes;*
- *has adequate and effective governance processes;*
- *has adequate and effective control processes, notwithstanding our findings relating to Health and Safety; and*
- *has adequate and effective progresses regarding efficiency and effectiveness.*

These opinions should contribute towards the assurances used by the Audit Committee when preparing their own Annual Report."

Seven assignments were delivered throughout the year, six of which gave significant assurance and one of which gave limited assurance. 25 recommendations were made in total throughout the year, three of which were high risk, three were medium risk and 19 were low risk. Two added value points were made.

P Goddard highlighted section 1.6 in data quality and Governors noted that in the four audits that encompassed elements of data quality, significant assurances were given. P Goddard highlighted the sector benchmarking graphs and thanked Harlow College management for their support throughout the year.

The Audit Committee noted the Internal Audit Annual Report for 2017-2018.

856.5 Internal Audit Plan 2018-2019

The Audit Committee received the internal audit plan for 2018-2019, presented by P Goddard from Scrutton Bland.

The Audit Committee agreed the Internal Audit Plan for 2018-2019 subject to a Health and Safety follow up audit being included.

857 Audit Tracker

The Audit Committee received and considered the Audit Tracker, presented by P Whitehead, Vice-Principal.

Governors were informed that thirteen out of the fifteen recommendations on the tracker have been completed and P Whitehead gave an overview of the actions undertaken by the College in order to complete the recommendations.

Governors noted the progress made against the outstanding two recommendations and were informed that the recommendations from the three audit reports presented at this meeting will now be added to the tracker.

The Audit Committee approved the audit tracker.

858 Regularity Audit

The Audit Committee received and considered the report on the Regularity Audit presented by D Morgan, Executive Director – Financial Services.

D Morgan informed Governors that the Regularity Audit is an annual questionnaire on an ESFA template. It forms part of the external audit process and is signed by the Accounting Officer and Chair of Governors.

Governors noted the section on subsidiaries and that the College's five subsidiaries were dissolved on 7 August 2018. The section on ex-gratia payments was also highlighted and Governors noted that there are two payments which could be deemed as ex-gratia payments, however the calculations were based on statutory contractual entitlements.

After reviewing the proposed responses contained within the questionnaire, the Audit Committee approved the Regularity Audit for signature by the Accounting Officer and Chair of Governors.

859 English Colleges' Code of Good Governance

The Search and Governance Committee received and considered the assessment of the Corporation against the Code of Good Governance for English Colleges for 2017/18, presented by D Sheridan, Clerk to the Corporation.

Governors were informed that the report is produced annually and is included in the College's annual accounts. The Code is adopted on a 'comply or explain' basis.

The Audit Committee reviewed points in the mapped document of the elements of the Code and noted that the College was compliant with the vast majority of its elements. The Committee reviewed all elements that were adopted but not yet delivered and where the College had adopted an alternative approach. Governors noted the sections which were not applicable.

The Audit Committee approved the proposed response to the Code of Good

Governance for English Colleges and agreed to recommend the report to the Corporation for approval.

860 Harlow College Whistleblowing Policy

The Audit Committee received and considered the Harlow College Whistleblowing Policy, presented by D Sheridan, Clerk to the Corporation,

Governors were informed that the Policy remains largely unchanged however it has been updated to ensure the College is complying with national good practice.

Governors noted the proposed amendments to the Policy. In Section 5.4 the NSPCC helpline has been added in, in Section 7.3, reference to the Information Commissioner’s Office has been added in and Section 9.3, detailing the Prescribes Persons Order has been added in.

Governors were informed that the Policy is accessible to staff via the College’s intranet.

The Audit Committee approved the Harlow College Whistleblowing Policy on behalf of the Corporation.

861 Risk Management

The Audit Committee received and reviewed the Risk Register, presented by P Whitehead, Vice-Principal. Governors noted that all risks are reviewed by the College’s Executive on a monthly basis and currently there are nine high risks, seven medium risks and one low risk. Governors discussed changes since the last Audit Committee meeting and noted that all risks have been reviewed and where appropriate, the risk control measures and / or sources of assurances have been updated.

Governors noted that no new risks had been added to the register and one risk had been deleted from the register:

- “VAT liability due to group structures set up in the 1990s imposes a significant financial impact to the College”. This risk has been deleted as although HMRC did object to the strike off of the subsidiaries, this was lifted and the subsidiaries were officially struck off in August 2018.

The Committee noted that four risks have been rescored, three with a higher risk score and one with a lower risk score.

- Risk 4 - Not recruiting to the 19+ AEB target

This risk has increased from 10 to 15 due to the market being more challenging with lower numbers of unemployed learners being referred to the College by JCP.

- Risk 8 - Review of buildings with VAT relief may incur repayment of VAT, specifically for HAMEC and the potential attempt of a VAT clawback from SELEP and/to ECC.

This risk has increased from 9 to 12 due to ECC requesting their allocation of VAT to be returned.

- Risk 9 - Teachers' and Local Government Pension Scheme Pension – significant increase in pension liability (risk to cumulative reserves), increase of deficit contributions (risk to year end surplus) and increase in employer contributions

(increase in staff costs and risk to year end surplus).

This risk has increased from 2 to 12 due to the significant increases that have been seen last year and the predicted increases for next year.

Governors requested that the figures of the College's exposure be available for the Corporation meeting on 18 October 2018 and that the risk should be increased.

- Risk 10 - Stansted Project - failure to deliver on budget (£7.95m) and on time to open in September 2018. Failure to secure sufficient applications and students to be financially viable in September 2018. Failure to secure a letter of comfort from the ESFA.

The risk score has decreased from 15 to 10 due to the building being completed prior to the start of term and a letter of comfort being secured from the ESFA, although it is unclear when the College will receive the in-year funding. Governors noted that there are 280 full time students and twelve apprentices currently enrolled at Stansted Airport College.

The Audit Committee requested that a risk linked to the Health and Safety internal audit report should be added to the risk register.

The Audit Committee approved the risk register, subject to the addition detailed above.

862 Report on Fraud Against the College

The Audit Committee received and considered the fraud report, presented by D Morgan, Executive Director – Financial Services.

The Committee noted that the College had been subject to two failed fraud attempts since the last Audit Committee meeting, both of which were emails requesting payment and D Morgan highlighted the action taken by the College.

P Goddard asked whether the report covered external and academic fraud. It was reported that this report focuses on financial fraud, however academic fraud had previously been an entry on the College's risk register. It was agreed that the College would speak to B Jones, Vice-Principal, to see if the report could and should be expanded to cover academic fraud.

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

863 Data Breach Report

The Audit Committee received and considered the Data Breach Report, presented by P Whitehead, Vice-Principal and R Lucas, Data Protection Officer.

Governors noted that there had been two breaches, however after conducting a risk assessment and where appropriate seeking advice from the Information Commissioner's Office, both cases were none-reportable.

The risk assessment process was explained, which includes details of what has happened, mitigating factors and the risks to the individuals' rights and freedoms. The Audit Committee requested that the significance of the breaches be rated and added to

the report.

P Goddard asked if there had been an increase in the number of subject access requests the College has received. It was noted that only one had been received since the General Data Protection Regulations came into force in May 2018. Governors were asked if they would like a report of subject access requests however the Audit Committee reported that this was not necessary at this time.

The Audit Committee noted the Data Breach Report.

864 Any Other Business

Teachers' Pension Scheme

The Audit Committee received and considered the Teachers' Pension Scheme audit report which had been prepared by RSM, the College's external auditors.

Governors were informed that there will be some rewording and revising of the figures in the report and that queries raised by P Bartlett in advance of the meeting had been addressed by RSM.

The Audit Committee noted the Teachers' Pension Scheme audit report.

865 Dates of Future Meetings

Autumn Term	Thursday 06 December 2018	08.30am
Spring Term	Tuesday 28 February 2019	08.30am
Summer Term	Tuesday 25 June 2019	08.30am