

HARLOW COLLEGE FURTHER EDUCATION CORPORATION

AUDIT COMMITTEE

Minutes of the meeting held on Tuesday 26 February 2019

Membership	*P Bartlett (Chair) *C Chatt A Durcan *R Levy
*denotes present	L Lin
In attendance	W Allanson, Deputy Principal P Whitehead, Vice-Principal D Morgan, Executive Director – Finance & Facilities B Nicholl, Executive Director – IT & MIS D Sheridan, Clerk to the Corporation R Lucas, Deputy Clerk to the Corporation

879 Apologies for Absence

Apologies for absence were received from L Lin and P Goddard, Scrutton Bland.

880 Declarations of Interest

C Chatt declared an interest as he is a staff governor on the Audit Committee.

881 Minutes of the Previous Meeting

The minutes and the confidential minutes of the Audit Committee meeting held on 6 December 2018 and the minutes of the joint Audit and Resources Committee meeting held on 6 December 2018 were agreed as accurate records of the meetings and were signed by the Chair.

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

882.1 Report of Fraud Against the College (minute 869.1 refers)

R Levy asked if the College had decided to incorporate academic fraud into the fraud report. P Whitehead reported that following discussion with B Jones, Vice-Principal, it was felt that it would be more appropriate to report academic fraud to the Standards Committee, in line with the proposed changes to the risk register. Governors asked if academic fraud would also be reported to the Audit Committee. It was reported that the internal audit on learner numbers would identify potential fraud issues that would impact on finances and P Whitehead reported that if fraud becomes a major issue, it will be added to the risk register, of which the Audit Committee has oversight.

883 Internal Audit

883.1 To receive the Internal Audit Risk and Assurance Report on Health and Safety Follow Up

The Audit Committee received and considered the internal audit report on Health and Safety Follow Up, presented by P Whitehead and W Allanson, on behalf of Scrutton Bland.

Governors noted that significant progress has been made since the initial audit and noted the progress made against the recommendations. Governors noted that the two high risks have been revised to a medium and low risk. Governors were informed that recommendation 3 has been fully implemented since the time of the follow up audit. Five new recommendations have been made in light of good progress being made against the original recommendations.

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

883.2 To receive the Internal Audit Risk and Assurance Report on Estates Management

The Audit Committee received and considered the internal audit report on Estates Management, presented by P Whitehead and D Morgan, on behalf of Scrutton Bland. The Audit Committee was informed that the internal audit report on Estates Management provided Governors with reasonable assurance that the governance, risk management and control arrangements for the material risks reviewed are managed effectively.

Governors noted that two medium level recommendations, five low level recommendations and one added value point had been made. P Whitehead informed the Committee that the main issue arising from the audit is the lack of a coherent tracking system. The College is therefore considering investing in an estates management system.

P Bartlett asked if the assurance level was a fair reflection as no high level recommendations had been made. D Morgan reported that the audit was intense and that the auditors had revisited some areas of the audit before the judgment was made. P Whitehead reported that whilst the risks detailed within the report are of a low likelihood, the impact would be high and therefore felt the reasonable assurance level was a fair judgement.

The Audit Committee noted the internal audit report on Estates Management.

883.3 To receive the Internal Audit Risk and Assurance Report on Procurement and Payments

The Audit Committee received and considered the internal audit report on Estates Management, presented by P Whitehead and D Morgan, on behalf of Scrutton Bland. The Audit Committee was informed that the internal audit report

on Procurement and Payments provided Governors with significant assurance that the governance, risk management and control arrangements for the material risks reviewed are managed effectively. Governors noted that four low level recommendations and two added value points had been made.

A discussion was held around the recommendations, with particular reference to recommendation two and lowering the threshold for tendering to £10k. Managers have considered this and the value of the invoices received during the last academic year and reported that if recommendation one is implemented, recommendation two would not be necessary. The Audit Committee agreed with management and agreed not to lower the threshold for tendering. The Audit Committee noted that a different approach had been suggested by management for recommendations three and four and the Governors agreed with the proposed approach.

The Audit Committee noted the internal audit report on Procurement and Payments.

883.4 To receive the Internal Audit Risk and Assurance Report on Risk Management and Governance

The Audit Committee received and considered the internal audit report on Risk Management and Governance, presented by P Whitehead, on behalf of Scrutton Bland. The Audit Committee was informed that the internal audit report on Risk Management provided Governors with significant assurance and the internal audit report on Governance provided Governors with strong assurance that the governance, risk management and control arrangements for the material risks reviewed are managed effectively.

Governors noted that no recommendations or value added points had been made for Governance and one low level recommendation and five added value points had been made for Risk Management.

Governors noted the added value points raised. Particular attention was paid to the third and fifth point. The third value added point, relating to adding a target risk score, has been considered by management however it is not proposed to implement this due to a number of risks being out of the College's control, that the current system works well and there is good engagement with senior management. The fifth value added point, relating to assigning risks to specific Committees, has been implemented and will allow wider Governor engagement with the risk register. This has been incorporated in the latest version of the risk register and a system for reporting to Committees is being developed.

The Audit Committee noted the internal audit report on Risk Management and Governance.

883.5 To receive the Internal Audit Risk and Assurance Report on Marketing

The Audit Committee received and considered the internal audit report on Marketing, presented by P Whitehead, on behalf of Scrutton Bland.

The Audit Committee was informed that the internal audit report on Marketing

provided Governors with strong assurance that the governance, risk management and control arrangements for the material risks reviewed are managed effectively.

Governors noted that one low level recommendation had been made. P Whitehead informed the Committee that the brand guidelines have been drafted and are in the process of being finalised and shared.

The Audit Committee noted the internal audit report on Marketing and congratulated the marketing team on the report.

883.6 To receive and consider the Internal Audit Progress Report

The Audit Committee received and considered the Internal Audit Progress Report, presented by P Whitehead, on behalf of Scrutton Bland. Governors noted the progress made to date and were informed that the draft GDPR Audit Report was received by management yesterday, with a provisional assurance level of significant.

P Whitehead informed the Committee that the quality audit planned for March 2019 potentially was not good value for money due to the College's recent Ofsted inspection. The Audit Committee agreed to defer the quality audit. There are currently 1.1 days unallocated in the audit plan and the Audit Committee agreed to utilise these days with a HR audit based around the Single Central Record (SCR).

The Audit Committee noted the Internal Audit Progress Report.

884 Internal Audit Tracker

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

The Audit Committee received an update on all the recommendations as follows;

- Recommendation 1 – Human Resources – completed and will be removed from the tracker.
- Recommendation 2 – Health and Safety – completed and replaced with a new recommendation from the Health and Safety Follow Up Audit.
- Recommendation 3 – Health and Safety – work is on-going.
- Recommendation 4 – Health and Safety – mostly completed.
- Recommendation 5 – Health and Safety – partly completed and replaced with a new recommendation from the Health and Safety Follow Up Audit.
- Recommendation 6 – Health and Safety – completed and replaced with a new recommendation from the Health and Safety Follow Up Audit.
- Recommendation 7 – Health and Safety – partly completed and replaced with a new recommendation from the Health and Safety Follow Up Audit.
- Recommendation 8 – IT Infrastructure – following on from Ofsted, the College's approach has been adjusted and this recommendation will focus on the top ten most important reports rather than the top ten most used reports. This recommendation is expected to be implemented by Easter 2019.
- Recommendation 9 – IT Infrastructure – surveys are to be undertaken to gain

feedback from staff on the systems and this recommendation is expected to be implemented by Easter 2019.

- Recommendation 10 – HAMEC – a revised commercial income target has been set therefore the recommendation has been completed however as recruiting a CNC engineer will be crucial in achieving this target, it is proposed to leave this recommendation on the tracker with further updates being made to the Audit Committee.
- Recommendation 11 – HAMEC – a skills audit for staff at HAMEC and STAC will be undertaken in March 2019 to establish if the College has a need for external expertise or whether it is able to develop its existing staff.

The Audit Committee approved the audit tracker.

885 ESF Audit

The Audit Committee received a verbal update on the ESF Audit, presented by P Whitehead, Vice-Principal and B Nicholl, Executive Director – IT and MIS.

P Whitehead informed the Committee that the College receives funding from the ESFA for its apprenticeships and 19+ adult work which is partly match funded by ESF. The College therefore needs to follow ESF funding and audit rules. The ESFA determines which providers will be put forward for the ESF audit by undertaking their own audit in advance of the ESF audit. As a result of the ESFA's audit, the College is being put forward for the apprenticeship ESF audit but not the 19+ adult ESF audit. The main area of concern with the 19+ adult audit was around start dates and registers as there were a few gaps and anomalies however these are not of major significance and do not have any funding implications. The College, led by MIS, is working with the adult team to address the issues raised.

R Levy asked if the ESF team could ask to audit both areas at one institution however the College is not sure of the process and whether this could happen.

The Audit Committee noted the verbal update on the ESF Audit and asked for a further update at the next Audit Committee meeting.

886 Risk Register

The Audit Committee received and reviewed the Risk Register, presented by Paul Whitehead, Vice-Principal. Governors noted that all risks are reviewed by the College's Executive on a regular basis and currently there are eight high risks, eight medium risks and one low risk. Governors were informed that the risk register had been updated and now includes the Committees which are responsible for each risk. A discussion will be held with management about how the risks will be reported to the Committees.

Governors discussed changes to the risk register since the last Audit Committee meeting.

One risk has been deleted relating to VAT on HAMEC.

No new risks had been added to the register.

Three risks have had their risk scores revised and have a higher score:

- Risk 4 – failure to improve the quality of English and Maths. The risk score has increased for 9 to 12 due to issues with attendance at GCSE classes and teaching and learning of functional skills. This is based on the College’s own self-assessment and is in line with Ofsted’s findings.
- Risk 5 – failure to recruit and retain specialist staff. The risk score has been increased from 9 to 12 due to ongoing difficulties in recruiting and retaining specialist staff. Governors asked if the risk rating was high enough. P Whitehead informed the Committee that strategies and different ways of working have been put in place and more targeted recruitment is taking place and that the risk could increase if the strategies do not work. A discussion was held around the strategies and what the College is doing to address this risk.
- Risk 9 – failure to achieve strong outcomes for students. The risk score has been increased from 8 to 10. Although improvements have been made, the College is still behind some national benchmarks, however early current indicators and data are positive.

The Audit Committee approved the risk register.

887 Report on Fraud Against the College

The Audit Committee received and considered the report on fraud against the College, presented by D Morgan, Executive Director – Finance and Facilities. Governors noted that there had been no new attempts of fraud since the last Audit Committee meeting. She informed Governors that the College has new IT security software which is stopping some fraud attempts getting through.

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

888 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 one data breach had taken place since the last Audit Committee meeting and the action taken by the College.

The Audit Committee noted the data breach report.

889 Any Other Business

D Morgan informed the Audit Committee that the Teachers’ Pension Scheme (TPS) Audit had been signed off by RSM as previously reported to the Committee. There are however ongoing discussions with the TPS around a refund made in 2017/18 which relates to 2016/17 and where this should appear on the certificate. Conflicting advice is being given by the TPS therefore the College has forwarded all correspondence with the TPS to them and asked them to confirm where the refund should appear on the certificate and the certificate has been resubmitted.

890 Dates of Future Meetings

Summer Term

Tuesday 25 June 2019

08.30am