

# HARLOW COLLEGE FURTHER EDUCATION CORPORATION

## AUDIT COMMITTEE

### Minutes of the meeting held virtually on Zoom on Tuesday 02 March 2021

Membership Paul Bartlett  
\*Chris Chatt  
\*Ray Levy (Chair)

\*denotes present

In attendance Paul Goddard, Scrutton Bland  
Carl Bullen, Scrutton Bland  
Will Allanson, Deputy Principal  
Paul Whitehead, Vice-Principal  
Deanne Morgan, Executive Director – Finance and Facilities  
Ruth Lucas, Head of Governance

#### 1 Apologies for Absence

Apologies for absence were received from Paul Bartlett due to personal circumstances.

Ray Levy chaired the meeting in Paul Bartlett's absence.

#### 2 Declarations of Interest

Chris Chatt declared that he is a staff governor.

#### 3 Minutes of the Previous Meeting

The minutes and the confidential minutes of the Audit Committee meeting held on 03 December 2020 and the minutes of the joint Audit and Resources Committee meeting also held on 03 December 2020 were agreed as an accurate record of the meeting and were signed by the Chair.

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

There were no matters arising.

#### 5 Internal Audit

##### 5.1 Cashflow

The Audit Committee received and considered the internal audit report on Cashflow, presented by Carl Bullen, Scrutton Bland.

Governors were informed that the internal audit report on Cashflow provided Governors with strong assurance that the governance, risk management and control arrangements for the material risks reviewed are managed effectively. No recommendations had been made and one added value point was raised around key performance indicators.

Carl Bullen informed Governors that the audit focused on the forecasting and reporting frameworks and concluded that there is a good level of regular oversight

by Governors and management from which the College is able to maintain its going concern assessment.

Paul Goddard reported that cashflow is a high-profile area and a number of colleges are not in as good a cash position as Harlow College is with the amount of cash in the bank. Paul Goddard highlighted that there is still a need to have rigorous processes around cashflow management and reporting, irrespective of the cash levels in the bank. Paul Goddard confirmed that Harlow College's processes mirror the processes of colleges with significantly less cash in the bank which provides Governors with additional assurance.

The Audit Committee noted the internal report on Cashflow.

## **5.2 Centre for Excellence in Maths**

The Audit Committee received and considered the internal audit report on the Centre for Excellence in Maths, presented by P Goddard, Scrutton Bland.

Governors were informed that the internal audit report on the Centre for Excellence in Maths provided Governors with strong assurance that the governance, risk management and control arrangements for the material risks reviewed are managed effectively and that no recommendations had been made.

Paul Goddard explained that the audit focused on Northampton College and USP College and was intended to provide Harlow College with assurance on the expenditure incurred by the two partner colleges. The audit found there was clear, transparent evidence of cost and expenditure rationale linked to the contracted outputs.

The Audit Committee noted the internal audit report on the Centre for Excellence in Maths.

## **5.3 Business Continuity**

The Audit Committee received and considered the internal audit report on Business Continuity, presented by Carl Bullen, Scrutton Bland.

Governors were informed that the internal audit report on Business Continuity provided Governors with significant assurance that the governance, risk management and control arrangements for the material risks reviewed are managed effectively and that one low recommendation had been made in relation to scenario testing and one added value point had been raised.

Carl Bullen reported that the audit focused on the College's business continuity framework and processes, including the handling of the COVID-19 pandemic. The audit concluded that the College has a robust framework in place which is being action managed effectively.

Ray Levy asked what the College is doing in relation to scenario testing. Will Allanson reported that he is working with the College's Health and Safety Manager and that the scenario testing will follow the same processes as the planned fire evacuation testing.

The Audit Committee noted the internal audit report on Business Continuity.

#### **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 three audits have been completed to date as reported above. The student attendance, participation and progress monitoring audit scheduled for January 2021 has been postponed at the request of management and a revised date needs to be agreed. The policy framework audit has been completed and the draft report is in the process of being produced. The majority of the work has been completed for the EdTech Annex G audit and the work will be concluded in April once the funding period has come to an end. Governors noted the three other audits which are scheduled to take place in the Summer Term. The dates and the scope for the T-Levels audit were discussed. As the College is already working with advisors from the ETF, there is a need to ensure the internal audit is not covering areas that are already being scrutinised by the ETF.

Paul Goddard highlighted the contingency days in the audit plan and Paul Whitehead confirmed that at present, there are no new proposed audit areas to be covered using the contingency days however more days could be assigned to the student records audit.

Will Allanson reported that the College has a number of significant capital projects taking place this year which could benefit from internal audit scrutiny. Ray Levy asked if Scrutton Bland had conducted similar audits with other clients and Paul Goddard confirmed that they had.

The Audit Committee agreed that Paul Whitehead and Will Allanson will revisit the internal audit plan and put together a proposal for the remaining audits and contingency days this academic year and the Committee agreed that any variation to the audit plan could be agreed by the Audit Committee via email.

The Audit Committee noted the internal audit progress report.

### **6 Internal Audit Tracker**

The Audit Committee received and considered the audit tracker, presented by Paul Whitehead, Vice-Principal.

Paul Whitehead informed the Committee that the tracker currently only contained three recommendations which is testament to the work completed by Scrutton Bland and the College. Governors noted one of the recommendations has been completed and will be removed from the tracker and the other two, significant progress has been made. Implementation of one of the recommendations around apprenticeships has been impacted by the COVID-19 pandemic as resources have had to be diverted temporarily.

Ray Levy asked about the ESFA audit recommendation which refers to starts in 2017 and Paul Whitehead confirmed that this was correct and relates to the ESFA's testing regime and contract.

The Audit Committee approved the audit tracker.

## 7 Risk Register

The Audit Committee received and reviewed the Risk Register, presented by Paul Whitehead, Vice-Principal.

The Committee noted that no risks have been added or deleted from the risk register since the Audit Committee's last review of the register.

The Committee noted that no risks have been rescored with a lower risk score and two risks have been rescored, with a higher risk score, as follows:

- Risk 4 - Not recruiting to the 19+ AEB target. Transition from relying on unemployed students as the sole sources of recruitment.

This risk has increased from 16 to 20 due to the impact of the current national lockdown. Colleges are now able to work face-to-face with delivering adult education and training however the College's ability to recruit to its AEB target is dependent on adults having the appetite to access onsite opportunities.

The College has been successful in expanding its e-learning offer and numbers are increasing.

Significant changes have been made to the enrolment processes which should have a positive impact.

Ray Levy asked if the adult offer was being marketed on social media. Paul Whitehead confirmed that it was and Will Allanson informed Governors that the HR department at Manchester Airport Group has been promoting the College's e-learning offer to their employees, particularly those who have been furloughed. The College is looking to extend this to other employers.

Despite enrolment numbers increasing, this remains a big risk area for the College.

- Risk 7 – Ongoing monitoring of financial health to ensure the College has 'Good' status, cash generation is good and also ensure the College meets banking/covenant requirements (including refinancing of loans) and generates cash to support ongoing capital investment.

This risk has increased from 8 to 16 due to the impact of the national lockdown on our ability to meet the Adult Education Budget financial target as detailed above. Whilst the ESFA financial health rating is important, the College has other measures against which finances are monitored, such as the bank covenants, generating cash and cashflow. It is the College's ability to generate cash at present and the cashflow which has led to the increase in the risk scoring. At present, the College has significant cash due to capital projects and the timings of payments however there is an ongoing issue faced by the College of generating cash.

Ray Levy asked about the discussions with the bank around the refinancing of the loans. Deanne Morgan reported that the bank is investigating different ways of profiling the loans based on the different products available. It is hoped that there will be an update from the bank for the Corporation meeting on 25 March 2021

however due to timings, there might be a need for the Corporation to agree the product by written resolution if the bank's timescales do not match the Corporation meeting schedule.

Paul Goddard reported that on other clients' risk registers, safeguarding has been reinstated due to the nature of remote working, and staff and student voice, moral and support have been added to risk registers.

Paul Whitehead confirmed that safeguarding is already on the College's risk register and reported that the College has and continues to undertake a significant amount of work around staff and student moral and support, is active in managing this and feedback from staff and students has been positive. Whilst it is acknowledged that this is a challenging area to manage, the College does not believe at present that this is a significant risk to the organisation as a whole and therefore has not been added to the risk register.

The Audit Committee approved the risk register.

## **8 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 and Facilities.

Deanne Morgan informed Governors that the Regularity Self-Assessment Questionnaire is presented to the Audit Committee annually in October and it covers the previous academic year. The Committee had previously agreed it would be useful to review the Questionnaire in-year so that any potential issues arising can be dealt with in-year. This review is therefore an interim in-year review.

Deanne Morgan informed Governors that the sections highlighted in green were new additions to the Questionnaire as follows:

- No sub-contracting has taken place to date during 2020-2021.
- The annual fire check has been completed.
- Updated IT protection has been put in place and no security breaches have occurred year-to-date.
- No insurance claims have been made year-to-date.
- Disposal of assets – laptops that were formerly allocated to staff are being disposed of from an accounting point of view and repurposed for distribution to bursary students. IT assets purchased in November 2013 have been disposed of permanently in 2020/21.
- The fixed asset register is being reviewed on an on-going basis to check that assets listed still exist and are in use, which may result in disposals.
- No ex-gratia payments have been made to staff or ex-staff.
- Key Management Personnel expenses have totalled £242.49. This is greatly reduced due to online, remote working.
- No overseas trips have taken place.
- A section on COVID is included linked to the Public Procurement Notice (PPN) 2020 which ensures that suppliers are not overpaid by still receiving payments from the College whilst they are claiming furlough for their staff.
- Exam registration fees continue to be reviewed in line with the PPN.
- The Coronavirus Job Retention Scheme – the College has only furloughed staff

whose role provides a commercial service and generates its own income stream for the College. Members of the catering team have been temporally furloughed until onsite catering facilities can be offered again by the College.

- The College is in active dialogue with the funding agency regarding AEB funding and the threshold for the clawback of funds.

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

## **9 Fraud Update**

### **9.1 Report on Fraud Against the College**

The Audit Committee received and considered the fraud report, presented by Deanne Morgan, Executive Director – Finance and Facilities.

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.

### **9.2 Fraud Risk Assessment**

The Audit Committee received and considered the Fraud Risk Assessment, presented by Deanne Morgan, Executive Director – Finance and Facilities.

Deanne Morgan thanked Scrutton Bland for providing a template for the Fraud Risk Assessment and reminded Governors that the Audit Committee agreed at its meeting in October 2020 that this would be a useful document for the Committee and management.

Governors noted that the Risk Assessment covers risk areas, controls and monitoring and evidence and assurance.

Paul Goddard reported that it was good to see the completed document and asked how areas could be RAG rated. Deanne Morgan informed Governors that the majority of areas are covered in detail in other documents however this template maps all the information in one document.

The Audit Committee was informed that this Risk Assessment would be combined with the annual Fraud Report which is presented to the Audit Committee every October.

The Audit Committee noted the Fraud Risk Assessment.

## **10 Data Breach Report**

The Audit Committee received and considered the Data Breach Report, presented by Paul Whitehead, Vice-Principal.

The Committee noted that there has been one data breach this academic year to date which was a single student record. An internal risk assessment was undertaken and the breach was assessed as non-reportable to the Information Commissioner's Office.

Paul Goddard reported that it was encouraging to see such a low number, particularly given the number of staff home-working. Paul Whitehead explained that the College has had a number of “near misses” which are also documented and lessons from which are learnt. Ruth Lucas reported that advice has been sought from the Information Commissioner’s Office on some of the near misses to ensure that they were categorised and handled correctly. Ruth Lucas also reported that staff have become more aware of how to transfer personal data securely, such as via OneDrive, as use of such systems have become part of their way of working during the COVID-19 pandemic.

The Audit Committee noted the Data Breach Report.

## **11 Any Other Business**

There were no items of any other business.

## **12 Dates of Future Meetings**

Summer Term	Tuesday 22 June 2021	TBC
	<i>(including joint meeting with the Resources Committee)</i>	