

HARLOW COLLEGE FURTHER EDUCATION CORPORATION

AUDIT COMMITTEE

Minutes of the meeting held on Monday 01 July 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 D Sheridan, Clerk to the Corporation R Lucas, Deputy Clerk to the Corporation N Cattini, RSM UK P Goddard, Scrutton Bland N Meadows, Scrutton Bland

892 Apologies for Absence

Apologies for absence were received from Lily Lin subsequent to the meeting.

893 Declarations of Interest

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

894 Minutes of the Previous Meeting

The minutes and the confidential minutes of the Audit Committee meeting held on 26 February 2019 were agreed as accurate records of the meetings and were signed by the Chair.

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

895.1 Risk Register (minute 886 refers)

P Bartlett asked if management had held a discussion around how to report risks to Committees. P Whitehead reported that Committee ownership of each risk has been incorporated into the risk register and that the front sheet of all Committee and Corporation reports now includes a more detailed risk assessment section, linked to risks on the risk register.

895.2 Any Other Business (minute 889 refers)

D Morgan provided Governors with an update on the Teachers' Pension Scheme audit. D Morgan confirmed that the audit covers the 2017/18 academic year and that there was a refund that crossed over from 2016/17 into 2017/18. The latest unaudited accounts have been submitted and N Cattini confirmed that RSM UK had been waiting for the revised guidance to be published before this

audit work commenced.

896 Internal Audit Reports

896.1 Budgetary Control

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

The Audit Committee was informed that the internal audit report on Budgetary Control 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.

Governors were informed that the focus of the audit was on the College's budget setting processes and the in-year budget monitoring and forecasting process that are in place. Governors noted the management response to the recommendation raised and that a risk assessment would take place annually as to whether a presentation to managers on the College's processes is required. P Goddard reported that the quality of reporting was strong and the Audit Committee said 'well done' to the finance department.

The Audit Committee noted the internal audit report on Budgetary Control.

896.2 GDPR

The Audit Committee received and considered the internal audit report on GDPR, presented by N Meadows, Scrutton Bland.

The Audit Committee was informed that the internal audit report on GDPR 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 low level recommendation and four low level recommendations had been made. Governors were informed that the average number of recommendations for this type of audit undertaken by Scrutton Bland is 8.9.

Governors were informed that the College has well-embedded GDPR practices in place.

A discussion was held around the medium recommendations and the one which had only been partially accepted. Governors noted that the penetration testing was deemed to be unaffordable and P Bartlett asked how much it would cost. P Whitehead reported that the College would have to pay an external consultancy firm to 'attack' the network. The College has obtained Cyber Essentials Plus accreditation and as part of this, penetration testing is undertaken. The data restore element of the recommendation has not been accepted due to the huge amount of work it would take to implement and the disruption it would cause across the College.

The Audit Committee noted the internal audit report on GDPR.

896.3 Funding Assurance – Apprenticeships

The Audit Committee received and considered the internal audit report on Funding Assurance – Apprenticeships, presented by P Goddard, Scrutton Bland.

The Audit Committee was informed that the internal audit report on Funding Assurance – Apprenticeships 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 medium recommendations and one low level recommendation had been made.

Governors were informed that the funding requirements are constantly evolving and that this is challenging on every level. P Goddard reported that Scrutton Bland are not issuing many green assurances on this type of audit in the sector highlighting the robust systems in place at the College and the areas of good practice which have been identified as part of the audit process.

P Goddard reported that the hardest element in relation to this audit area is the requirement for 20% off the job delivery and highlighted that the first recommendation is based around this, as four out of twenty learners were significantly behind the planned year-end requirement. There was also insufficient recording of off the job training for six out of twenty learners. P Goddard reported that the management response was positive and that work is already been undertaken to address this.

R Levy asked what the implication is for not meeting the 20% off the job training element. P Goddard reported that is a breach of the funding requirements and that there is a risk that funding could be clawed back. P Whitehead provided Governors with information on how the ESFA sample monthly learning evidence however the 20% requirement is across the whole programme. If over 5% of the funding is deemed to be at risk, there could be contract reconciliation by the ESFA.

P Goddard highlighted recommendation 2 in which the ILR funding value was marginally different to what is recorded for the employer for four out of twenty learners and that a more wide-scale evaluation was undertaken by management. P Whitehead reported that this further work identified a similar level of anomalies however the majority were under claims rather than over claims. P Whitehead further explained the added complication with end point assessment costs which need to be agreed with the employer at the start of the apprenticeship. However if the end point assessment cost at that point is unknown, 20% needs to be put in. This figure could then change once the actual cost is known and contracts need to be changed.

The low level recommendation concerning employer incentive payments was noted.

P Goddard also reported that the audit followed up on previous recommendations made in previous audits and that all have been implemented and good progress has been made.

P Bartlett asked how realistic the due dates are for the recommendations and P Whitehead reported that a significant amount of work has been undertaken to implement them however there has been some staffing turnover in MIS which might have an impact on the recommendations being fully implemented by the July due date.

The Audit Committee noted the internal audit report on Funding Assurance – Apprenticeships.

896.4 Curriculum Planning

The Audit Committee received and considered the internal audit report on Curriculum Planning presented by N Meadows, Scrutton Bland.

The Audit Committee was informed that the internal audit report on Curriculum Planning provided Governors with significant assurance that the governance, risk management and control arrangements for the material risks reviewed are managed effectively. Governors noted that three low level recommendations had been made.

Governors were informed that the curriculum planning process has clear links to the College's Strategic Plan and objectives linked to future skills need and this is cascaded throughout the organisation. Financial and course profitability is also assessed as part of the curriculum planning process.

P Whitehead provided Governors with an update on the recommendations made and the management responses. A discussion was held at the Standards and Curriculum Committee around approving changes to the curriculum and it was agreed that only significant changes to the curriculum will be presented to the Standards and Curriculum Committee for approval.

The Audit Committee noted the internal audit report on Curriculum Planning.

896.5 HR – Single Central Record

The Audit Committee received and considered the internal audit report on HR – Single Central Record, presented by P Goddard, Scrutton Bland.

The Audit Committee was informed that the internal audit report on HR – Single Central Record provided Governors with reasonable assurance that the governance, risk management and control arrangements for the material risks reviewed are managed effectively. Governors noted that one medium recommendation and two low level recommendations had been made.

P Goddard reported that this has been a significant area of focus since the College's Ofsted inspection in January 2019 and highlighted the narrative contained within pages 1 and 2 of the report.

P Goddard highlighted the medium recommendation and that the issues of obtaining information back from individuals to managers, a lag that is out of HR's control, however HR chase up and follow up can be evidenced. It was reported that the Single Central Record has evolved and grown over a number of years,

becoming less easy to manage and has lost some of its main purpose. P Goddard also highlighted the two low level recommendations made.

P Bartlett asked about the previously reported lag in time with staff teaching without a DBS certificate. W Allanson reported on the College's process to risk assess those without a completed DBS however as many as possible are completed prior to the individual starting employment with the College.

P Bartlett asked about the size of the Single Central Record and W Allanson confirmed that it is significant and there is a need to split it into information that is essential to the Single Central Record with items included in it that are not required moved into a separate document. W Allanson also reported that a monthly HR report is presented to the Principalship and the Executive and this feeds into Heads of Academies and helps to address the lag in information being received by HR.

The Audit Committee noted the internal audit report on HR – Single Central Record and requested that a follow-up audit is planned for next academic year, as is custom with all amber or red rated audit reports.

896.6 Internal Audit Progress Report

The Audit Committee received and considered the Internal Audit Progress Report, presented by P Goddard, Scrutton Bland.

Governors noted that all audits had been completed and all reports finalised except the Stansted Airport College audit report, which only took place in June and the draft report is still to be issued to the College. The final report will be presented at the next Audit Committee meeting.

The Audit Committee noted the Internal Audit Progress Report.

897 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 – Health and Safety – there has been some slippage with all staff training due to the scale of the work required.
- Recommendation 2 – Health and Safety – there has been some slippage due to the role of fire warden being wrapped into the role of critical incident wardens as part of the College's disaster recovery and business continuity plans.
- Recommendation 3 – IT Infrastructure – completed and to be removed from the tracker.
- Recommendation 4 – IT Infrastructure – partially completed and the survey will be undertaken over the summer.
- Recommendation 5 – HAMEC – completed and to be removed from the tracker.
- Recommendation 6 – HAMEC – an on-going training log has been developed a programme of training is being put in place. A new CNC Operator has been employed by the College.

- Recommendation 7 – Health and Safety Follow Up – on track to be completed in October 2019.
- Recommendation 8 – Health and Safety Follow Up – completed and to be removed from the tracker.
- Recommendation 9 – Health and Safety Follow Up – on track to be completed in July 2019.
- Recommendation 10 – Health and Safety Follow Up – completed and to be removed from the tracker.
- Recommendation 11 – Health and Safety Follow Up – completed and to be removed from the tracker.
- Recommendation 12 – Estates Management – this is in progress and a review of roles is being undertaken with a focus on making roles and processes more efficient.
- Recommendation 13 – Estates Management – ways to improve systems are being investigated and regular reports are received by the Resources Committee on Harlow College developments and the campus.
- Recommendation 14 – Estates Management – completed and to be removed from the tracker.
- Recommendation 15 – Estates Management – this is in progress however it has been delayed slightly due to other priorities within the campus team. A CCTV policy has been drafted.
- Recommendation 16 – Estates Management – A manual record is held however a report has been requested from the security company. No response has been received to this request to date.
- Recommendation 17 – Estates Management – completed and to be removed from the tracker.
- Recommendation 18 – Estates Management – on-going and plan for periodic sampling is being developed.
- Recommendation 19 – Procurement and Payments – completed and to be removed from the tracker.
- Recommendation 20 – Procurement and Payments – completed and to be removed from the tracker.
- Recommendation 21 – Procurement and Payments – completed and to be removed from the tracker.
- Recommendation 22 – Risk Management and Governance – completed and to be removed from the tracker.
- Recommendation 23 – Marketing – draft brand guidelines have been produced and will be circulated to relevant staff.

P Bartlett asked if the revised implementation dates for recommendations 1 and 2 were realistic and W Allanson confirmed that the Health and Safety Manager is confident that the actions will be implemented by September 2019. D Morgan confirmed that the Health and Safety Manager is no longer undertaking campus operations work therefore can dedicated 100% of his time on health and safety.

P Bartlett asked if Stansted Airport College was open at the time of the Health and Safety audit and W Allanson confirmed that it was not however it has been incorporated into the recommendations and actions that need to be undertaken.

The Audit Committee approved the audit tracker.

898 Review of the 2017-18 Individualised Learner Record student instance full-time equivalence and its effect on Office for Students fee calculations

The Audit Committee received an update on the Review of the 2017-18 Individualised Learner Record student instance full-time equivalence and its effect on Office for Students (OfS) fee calculations and a letter received from the OfS, presented by P Whitehead, Vice-Principal.

P Whitehead informed Governors that the OfS has oversight of all HE provision and monitors data in the ILR, from Level 4 and above which includes FE and HE provision and Level 4 apprenticeships.

P Whitehead informed Governors that an error had been made in the data set returned to the OfS as FTE students were counted as 1 rather than 100 and student numbers as part of this is used to calculate the OfS subscription fee. The OfS checked a sample of the data and following discussions with P Whitehead, actions were agreed. P Whitehead confirmed that the OfS now has accurate data and that there are no further implications for the College, however the College and Audit Committee will need to continue to monitor the College's processes. Lessons learnt from the process have been identified and more robust validation systems are being put in place.

Governors noted the content of the letter from the OfS and the Audit Committee discussed the best way to provide oversight of the process. After a detailed discussion, the Audit Committee requested that HE data is sampled as part of the learner records funding compliance audit next academic year.

The Audit Committee noted the Review of the 2017-18 Individualised Learner Record student instance full-time equivalence and its effect on OfS fee calculations and a letter received from the OfS.

899 Internal Audit Plan 2019/20

The Audit Committee received and considered the Internal Audit Plan for 2019/20, presented by P Goddard from Scrutton Bland.

Governors noted the areas on which opinions must be given to: risk management, governance, assurance, internal control, value for money, safeguarding of assets and solvency. P Goddard reported that the College's risk register had been mapped against the proposed audit coverage for 2019/20 and Governors noted when areas were last audited.

Governors considered Appendix A which details the proposed list of audits.

P Whitehead provided Governors with information on T-Levels. They are new qualifications which are equivalent in value to A-Levels and comprise of an academic element, a technical element and an extended work place element. They are a Level 3 qualification which will be delivered over two years and the intended destination after completing the T-Level would be a Level 4 apprenticeship. Approximately 900 guided learning hours per year will be required which will equate to at least four days delivery per week. Governors were informed that the College has been selected to deliver T-Levels from 2021/22 in Digital, Construction, Education and Childcare and Health and Science.

R Levy asked if the planned 43 days is a fixed number of days. P Whitehead confirmed that the number of days could increase if it was felt necessary however the cost would also increase. The 43 day plan is in line with previous years however Scrutton Bland are flexible in their approach if the number of days needed to change.

A detailed discussion was held around the list of proposed audits and the Audit Committee requested the following changes to the plan:

- A follow up Health and Safety audit;
- A follow up Single Central Record audit;
- HE sampling to be included in the remit of the Learner Records Funding Compliance audit.

The Audit Committee approved the Internal Audit Plan for 2019/20 subject to the proposed amendments as detailed above and agreed to recommend it to the Corporation at its meeting on 11 July 2019.

900 External Audit Strategy

The Audit Committee received and considered the report on the External Audit Strategy for the year ending 31 July 2019 presented by N Cattini from RSM UK. Governors noted that the Audit Plan was developed after an initial planning meeting with the College and a detailed programme will now be put in place.

N Cattini highlighted Sections 1 and 2 of the strategy and the summary timetable.

N Cattini reported on Section 3 – Risks and Other Areas of Focus – in detail. Governors noted that the audit will focus on and test the following areas:

- income recognition with a focus on the CITB and Centre for Excellence Maths projects income.
- pension scheme liabilities with a focus on the potential impact of gender pay equalisation along with other uncertainties with the pension schemes.
- going concern – Governors need to ensure that the College is a going concern for a year following the date of approval of the financial statements. This are will also focus on the bank covenants and terms of borrowing from the bank and the funding impact of the increase in TPS pension contributions.
- management override of controls which is routine testing.
- valuation of donated assets which will be a one-off issue for the donated jet at Stansted Airport College.
- accommodation strategy focusing on any KPIs associated with HAMEC and Stansted Airport College, on-going compliance requirements and the capital element of the CITB funding.

Governors were invited to ask questions on the proposed External Audit Strategy.

P Bartlett asked if the donated jet would need to be depreciated in the accounts. N Cattini confirmed that as it is not currently available to use, there will be no effect on this year's financial statements.

P Bartlett asked if there would be a requirement for an additional statement regarding going concern. P Whitehead reported that the College has received confirmation that the increase in TPS contributions will be covered by Government for the next academic year

and more information might be available on future years as part of the Spending Review. N Cattini reported that there is a need for the College to collate all information available and demonstrate that it has the cash to meet its liabilities and that the adequacy of disclosure will be crucial.

R Levy asked if any of this is linked to the Insolvency Regime. N Cattini confirmed that this was not the case however the current FE landscape has been clarified by this.

Governors noted the fee proposal set out in Section 4.

Governors' attention was brought to Appendix D which confirms RSM UK's independence and Appendix E which contains sector updates on emerging issues, the main two issues being the AoC's Remuneration Code and the Audit Code of Practice with the recommendation of a staff governor not being a member of the Audit Committee being removed

The Audit Committee approved the External Audit Strategy for Harlow College for the year ending 31 July 2019.

901 Audit Code of Practice 2018/19

The Audit Committee received and considered the report on the Audit Code of Practice, presented by D Sheridan, Clerk to the Corporation. D Sheridan reported that the Code was released in February 2019 and is applicable from 1 August 2018.

D Sheridan highlighted that the Audit Code of Practice focuses on protecting the College's funding and assets, meeting legal obligations and fraud. D Sheridan highlighted that the Code no longer specifies that a staff governor should not be a member of the Audit Committee.

Fraud features heavily in the Code and is a big issue faced by Colleges. Governors discussed this in detail and noted that an internal audit on fraud is planned for 2019/20 and it was agreed that the Audit Committee should consider the College's Anti-Fraud Policy at its next meeting. Governors noted that fraud is covered as part of the College's risk management processes and forms part of the regularity review which is presented to the Audit Committee. Governors also noted that academic fraud will be reported to the Standards and Curriculum Committee with financial fraud being reported to the Audit Committee. Governors' attention was brought to Annex D – Anti-Fraud Checklist for Post-16 Providers. It was agreed that a mapping exercise should be undertaken against the points in the checklist and be presented at the next meeting of the Audit Committee.

Governors were informed that significant failings with regards to fraud had been identified in the FE Commissioner's Report on Hadlow College, the first insolvent college. It was agreed that the report would be circulated to Governors.

The Audit Committee reviewed and approved the Audit Committee's Terms of Reference for 2019/20 and noted the report on the new Audit Code of Practice.

902 Risk Management

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

Three risks have been deleted from the register as follows:

- Competition in the local area from other colleges, universities, training providers or school sixth forms impacts on student and apprenticeship numbers and provision due to there being no significant changes to this area currently and the College has had strong recruitment in recent years.
- Failure to implement/follow new procedures for pre-employment checks, including DBS checks as action has been taken to ensure this process is robust and has mitigated any risk in this area at this stage.
- Ownership negotiations with ARU over UCH as recent communication from ARU and Office for Students has removed risk in this area.

Three new risks have been added to the register as follows:

- Risk 6 - Recruitment of learners on HE programmes and compliance with OFS regulation, with a risk score of 12 (likelihood 4, impact 3).
- Risk 14 – Curriculum change such as T-Level Implementation and English and Maths strategy, with a risk score of 8 (likelihood 2, impact 4).
- Risk 17 - Failure to deliver on key curriculum projects such as Maths Centres for Excellence, Taking Teaching Further etc. Specifically meeting improvement aims and ensuring partners deliver both quality and funding outcomes, with a risk score of 4 (likelihood 2, impact 2).

One risk has had its risk score revised and has a higher score:

- Risk 5 - Risk from BMAT sponsoring the UTC (BMAT STEM) in terms of change in nature. This is due to the proposed plan for BMAT STEM to have a 120 place 6th form starting in September 2020. The risk score has been increased from 4 to 12 due to BMAT STEM's plans to open a sixth form as this will potentially increase competition for 16 – 18 year old recruitment.

Four risks have had their risk score revised and have a lower score:

- Risk 1 – 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 decreased from 20 to 16 due to allocations from the ESFA for 2019 – 20 to cover the increase in employer contributions having been communicated with the College.

A detailed discussion was held around this risk and whether the risk score should have been decreased. Based on all the information currently available to the College and to

the Audit Committee, it was agreed that the lower risk score was justified and that the risk still remains at the College's top risk and Governors acknowledged that the College will be quick to react to any developments around this risk.

- Risk 11 – Failure to recruit, train and retain specialist staff to support the curriculum, specifically aeronautical engineering and to support Industry staff into teaching, learning and assessment. This risk has decreased from 12 to 9 due to increased stability in staffing in these areas however this remains a challenge for the College.
- Risk 15 – Failure to implement the required actions needed to improve the College's Health & Safety measures and Scrutton Bland audit scoring from high risk. This risk has decreased from 10 to 6 due to significant progress having been made on audit actions, confirmed in a follow-up internal audit report.
- Risk 16 – Failure to comply with General Data Protection Regulation (GDPR) which came into effect in May 2018. The new regulations carry significant financial penalties for non-compliance. This risk has decreased from 8 to 6 due to more established systems being in place and significant assurance being provided by internal audit.

Governors noted that all other risks have been reviewed and where required, the risk wording, the risk control measures and / or the sources of assurances have been updated.

The Audit Committee reviewed the Risk Management Policy and noted that there were no proposed amendments to the Policy.

The Audit Committee approved the Risk Register and the Risk Management Policy and agreed to recommend them both to the Corporation for approval at its meeting on 11 July 2019.

903 Fraud Report

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 one new attempt of fraud since the last Audit Committee meeting in which a fraudulent £20 note was used in the canteen. A training session has since taken place with staff and a money testing pen has been given to the catering staff to check bank notes.

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

904 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. Governors noted the details of the data breach, the swift action taken by the College and that it was not necessary to report the data breach to the Information Commissioner's Office.

The Audit Committee noted the data breach report.

905 Any Other Business

P Bartlett reminded the Audit Committee that this meeting was D Sheridan's last Audit Committee meeting prior to her retirement and on behalf of the Committee thanked her for her hard work and commitment.

906 Dates of Future Meetings

The Audit Committee received and considered the dates of future meeting and the Committee's business plan.

D Sheridan reported that it is proposed to hold a joint meeting of the Resources and Audit Committees in June 2020 to discuss the financial forecasts prior to submission to the Corporation for approval. Each Committee would also meet separately that day to consider their own Committee's business.

This proposal was agreed by the Audit Committee and a revised set of meeting dates will be issued at the Corporation meeting on 11 July 2019 to reflect this change.