

# HARLOW COLLEGE FURTHER EDUCATION CORPORATION

## AUDIT COMMITTEE

### Minutes of the meeting held on Wednesday 02 October 2019

Membership	*P Bartlett (Chair) C Chatt A Durcan *R Levy
*denotes present	L Lin
In attendance	P Goddard, Scrutton Bland W Allanson, Deputy Principal P Whitehead, Vice-Principal D Morgan, Executive Director – Financial Services R Lucas, Head of Governance

#### 907 Apologies for Absence

Apologies for absence were received from L Lin, C Chatt, Nick Cattini – RSM UK and B Nicholl, Harlow College.

#### 908 Declarations of Interest

There were no additional declarations from Governors or staff members.

#### 909 Minutes of the Previous Meeting

The minutes of the Audit Committee meeting held on 01 July 2019 were agreed as an accurate record of the meeting, subject to a few minor typographical changes and will be signed by the Chair at the Corporation meeting being held on 24 October 2019.

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

There were no matters arising.

#### 911 Internal Audit

##### 911.1 Stansted Airport College

The Audit Committee received and considered the internal audit report on Stansted Airport College, presented by P Goddard, Scrutton Bland.

P Goddard highlighted the areas covered by the audit and informed Governors that the internal audit report on Stansted Airport College 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 which has been completed since the audit and Governors agreed that this recommendation can be moved straight to the completed recommendation section of the audit tracker.

A discussion was held around recruiting the right quality of staff and retaining them once in post. Governors were informed that staff recruitment was strong over the summer however there is a national shortage of engineering teaching staff and this poses a challenge to Stansted Airport College. P Bartlett asked if any partnerships are being explored and whether secondments could be offered. W Allanson highlighted that some elements are being explored and partnerships are being used where appropriate. Governors noted that two members of staff have resigned, one of which still has their notice period to serve. P Goddard highlighted the need for this to be managed carefully so that it does not have an impact on early student satisfaction.

The Audit Committee noted the internal audit report on Stansted Airport College.

## **911.2 Internal Audit Annual Report 2018-2019**

The Audit Committee received and considered the internal audit annual report for 2018-2019, 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 2019 the College:-*

- *has adequate and effective risk management processes;*
- *has adequate and effective governance processes;*
- *has adequate and effective control processes; and*
- *has adequate and effective processes regarding efficiency and effectiveness.*

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

Twelve assignments were delivered throughout the year, four of which gave strong assurance, five of which gave significant assurance, two of which gave reasonable assurance and one of which was a follow-up audit in which good progress was reported. 35 recommendations were made in total throughout the year, none of which were high risk, seven were medium risk and 28 were low risk. Ten added value points were made.

P Goddard highlighted section 1.6 covering data quality and Governors noted that in the three audits that encompassed elements of data quality, strong and significant assurances were given.

P Goddard highlighted the sector benchmarking graphs and informed Governors that the College is in the top quartile of Scrutton Bland's further education clients in terms of number of recommendations and assurance level benchmarking. P Goddard thanked Harlow College management for their support throughout the year.

P Goddard highlighted two areas of external fraud which are becoming more common and wider in the sector. A discussion was held around these and management agreed processes that would be implemented to safeguard the

College.

The Audit Committee noted the Internal Audit Annual Report for 2018-2019.

### **911.3 Internal Audit Plan 2019-2020**

The Audit Committee received the internal audit plan for 2019-2020, presented by P Goddard from Scrutton Bland.

The Audit Committee agreed the Internal Audit Plan for 2019-2020 and R Lucas informed the Committee that once internal audit reports have been finalised, they will be shared with the Audit Committee, in line with the previous year's practice.

### **912 Audit Tracker**

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

Governors were informed that the format of the audit tracker had been changed slightly and a summary position included in the covering paper in order to make it more user-friendly and easier for Governors to access and analyse.

Governors were informed that 16 out of the 27 recommendations on the tracker have been completed, with 2 on track to complete on time, 5 with good or some progress having been made and 4 with limited progress having been made.

A discussion was held around when actions would be marked as complete where the action is on-going or not time-bound. It was agreed that once the action had been initially completed it could be marked as complete and that the on-going action would be noted.

Governors asked what would happen if the follow up Health and Safety audit identified that previously made recommendations had not been completed. P Goddard informed Governors that the recommendations would be restated as part of the audit report along with any new recommendations.

The Audit Committee approved the audit tracker.

### **913 Teachers' Pension Scheme Audit**

The Audit Committee received and considered the Teachers' Pension Scheme audit report, presented by D Morgan, Executive Director – Finance and Facilities.

D Morgan reported that the audit had been completed, no issues to report had been identified and the audit certificate had been submitted to the Teachers' Pension Scheme

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

### **914 Regularity Audit**

The Audit Committee received and considered the report on the Regularity Audit

presented by D Morgan, Executive Director – Finance and Facilities.

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

D Morgan informed Governors that the sections highlighted in yellow were new to the template this year. D Morgan highlighted that the College is implementing a revised system for maintaining the Executive Members' register of interests.

After reviewing the proposed responses contained within the questionnaire, the Audit Committee agreed to recommend the Regularity Audit to the Corporation for approval and for signature by the Accounting Officer and Chair of Governors.

## **915 English Colleges' Code of Good Governance**

The Audit Committee received and considered the assessment of the Corporation against the Code of Good Governance for English Colleges for 2018/19, presented by R Lucas, Head of Governance.

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

The Audit Committee reviewed the points in the mapped document of the Code and noted that the College was compliant with the vast majority of its elements. The Committee reviewed the elements that were adopted but not yet delivered and where the College had adopted an alternative approach. A detailed discussion was held around Board equality and diversity in terms of appointing new Governors. Governors noted the sections in the Code which were not applicable to Harlow College.

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.

## **916 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 eight high risks, ten medium risks and no low risks. 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 risks had been deleted from the register and that one risk had been added to the register:

- Risk 13 - BREXIT - with freedom of movement due to end on 31 October 2019 which could have a potential impact on learners and staff's settled status.

The risk score is 8.

A discussion was held around this risk in relation to changes of eligibility for

students and the need for a small number of staff to have confirmed settled status. Governors were informed that HR are holding meetings with affected staff and a proactive approach is being taken.

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

- Risk 1 - Instability of funding processes and contract management and failure to procure future funding. Poor planning from Government impedes our ability to meet demand. Devolution of AEB - London and Greater Cambridgeshire and Peterborough. Changes to apprenticeship funding processes for non-levy employers

This risk has increased from 15 to 20 due to not having in place funding for learners with Greater London postcodes.

Following on from this, a discussion was held around the increase in 16 – 18 funding announced as part of the Spending Review and what that would be in cash terms for the College.

- Risk 7 - Failure to 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 increased from 9 to 12 due to retention of staff in year one of Stansted Airport College Engineering staff and continued development needs of high proportion so new staff.

- Risk 12 - Failure to secure new high needs funding going forwards with changes to processes with the Local Authorities. LAs appear to be trying to reduce costs by setting hourly funding rates and what they will fund.

This risk has decreased from 12 to 9 due to significantly more settled systems for applying for funding and robust reporting on actual delivery to mitigate clawback and good working relationships with the Local Authorities.

- Risk 18 - Failure to deliver on key curriculum projects such as Maths Centres for Excellence, Taking Teaching Further, CITB Construction Hub etc. Specifically meeting improvement aims and ensuring partners deliver both quality and funding outcomes.

The risk score has increased from 4 to 6 due to more significant volume of projects and the complexity of managing multiple contracts with differing reporting demands

Governors' attention was brought to two further risks on the risk register:

- Risk 2 - 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). Potential financial implications resulting from the Pensions Age Discrimination Case relating to enhanced pension deals for under 55's.

This risk wording has been expanded to encompass the potential financial

implications the College could face in light of the McCloud case. The risk scoring has not changed due to potential increase in payments being balanced out by the Spending Review confirming that the increase in the Teachers' Pension Scheme contributions will be funded by the ESFA in 2020-2021.

- Risk 3 - Not recruiting to the 19+ AEB target Transition from relying on unemployed students as the sole sources of recruitment. Changes to contracting with devolved authorities and lack of College contracts poses a risk to recruitment particularly with the Stansted Academy.

The risk wording has been expanded to encompass the more specific impact of devolution of the AEB on recruitment and the risk control measures have been expanded. The risk scoring has not changed.

P Goddard asked how student enrolment for 2019-2020 was going. P Whitehead confirmed that Stansted Airport College has recruited to target and that the apprenticeship numbers are higher than originally planned. Recruitment at Harlow College is on track with a slight increase in learner numbers from last academic year. Whilst this is positive for 16 – 18 recruitment, it is too early to tell in other areas. Higher education has recruited better than originally planned, group sizes ensuring value for money are being focused on and work is already being undertaken for 2020-2021 recruitment.

The Audit Committee approved the risk register.

#### **917 Anti-Fraud Policy and Anti-Fraud Checklist for Post-16 Providers**

The Audit Committee received and considered the Anti-Fraud Policy and Anti-Fraud Checklist for Post-16 Providers, presented by D Morgan, Executive Director – Finance and Facilities. .

Governors were informed that the Policy remains largely unchanged however it has been updated to ensure that it reflects practice and references correct College policies and procedures. Governors were further informed that the Policy has been submitted to the College's lawyers for their comment.

P Goddard suggested that a threshold level should be included in Section 5.6 and further suggested that internal audit would be notified in Section 6.7.

Governors noted that going forward the Policy will be considered as part of the annual review of the Financial Regulations undertaken in the Summer Term.

Governors noted the Anti-Fraud Checklist for Post-16 Providers and the College's response to the ten points in the Checklist.

The Audit Committee noted the Anti-Fraud Policy and agreed to recommend it to the Corporation for approval subject to the changes above and any other changes suggested by the lawyers. The Audit Committee also agreed to review the Anti-Fraud Checklist for Post-16 Providers on an annual basis.

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

The Audit Committee received and considered the fraud report, presented by D

Morgan, Executive Director – Finance and Facilities. .

The Committee noted that the format of the report had been changed to make it more useful for Governors.

Governors noted that there had been one attempt of fraud this academic year which was not successful.

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

## **919 Data Breach Report**

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

The Committee noted that the format of the report had been changed to make it more useful for Governors.

Governors noted that there had been one breach this academic year, however after conducting a risk assessment, the case was deemed as non-reportable to the Information Commissioner's Office.

P Whitehead informed Governors that the College's GDPR policies are in the process of being reviewed and updated and that two-factor authentication for signing in on different machines and devices is being trialled

The Audit Committee noted the Data Breach Report.

## **920 Any Other Business**

### **ESFA Audit**

P Whitehead informed the Audit Committee that the College had been selected at random for an ESFA audit across all funding provision, with 50 16-18 learner records, 50 apprenticeship records, 50 AEB learner records and 30 learner loan records having been sampled.

P Whitehead confirmed that there were currently no significant issues and due to the positive feedback received, it is likely the College will receive an unqualified opinion. P Whitehead confirmed that some management points and funding issues have been raised and gave Governors some further information on these.

A further two day follow-up will take place in October, after which a management letter will be produced.

R Levy asked if the College will not be subject for a further audit for a specified timescale. P Whitehead reported that colleges are selected on a risk basis and at random so the College could be selected again as early as next academic year.

The Audit Committee noted the verbal report on the ESFA audit and noted that further reports will be made to the Audit Committee.

## **921 Dates of Future Meetings**

Autumn Term	Thursday 05 December 2019	08.30am <i>(including joint meeting with the Resources Committee)</i>
Spring Term	Tuesday 03 March 2020	08.30am
Summer Term	Tuesday 23 June 2020	08.30am <i>(including joint meeting with the Resources Committee)</i>