

HARLOW COLLEGE FURTHER EDUCATION CORPORATION

AUDIT COMMITTEE

Minutes of the meeting held virtually on Zoom on Tuesday 05 October 2021

Membership *Paul Bartlett
 *Brian Keane
 *Ray Levy (Chair)
 *Michael Travers

*denotes present

In attendance Paul Goddard, Scrutton Bland
 Paul Whitehead, Vice-Principal
 Deanne Morgan, Executive Director – Finance
 Ben Nicholl, Executive Director – MIS, Exams and IT
 Ruth Lucas, Head of Governance

1 Apologies for Absence

Apologies for absence were received from Shachi Blakemore, Buzzacott.

Ray Levy chaired the meeting as Paul Bartlett had to join the meeting on his phone.

2 Declarations of Interest

Michael Travers declared that he is a staff governor.

3 Minutes of the Previous Meeting

The minutes of the Audit Committee meeting and the joint Resources and Audit Committee meeting both held on 22 June 2021 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.

Paul Whitehead provided the Committee with an update on audits the College is currently subject to.

The College was selected for an Office for Students audit in Summer 2021 and the College is working its way through it. This has been progressing well and the College has completed all the work required to date. There has however been a pause until January 2022 on this audit work due to the workload of the Office for Students.

The College has also been selected for a full ESFA audit which will be undertaken by KPMG on behalf of the ESFA. The audit will commence on 15 November 2021 and is scheduled to last four weeks.

The College has also been subject to a 16 – 19 Transition Fund audit.

Internal audit dates have had to be changed due to these audits and Paul Whitehead thanked Scrutton Bland for their understanding and flexibility. The current focus of internal audit is on funding assurance for apprenticeships, adult work and classroom-based work.

Paul Bartlett asked what period the ESFA audit covers. Paul Whitehead confirmed that it is for the academic year 2020 – 2021 and it is post the final data return therefore data will be finalised at that point. The audit is expected to be completed in time for the rearranged joint Audit and Resources Committee and Corporation meetings in December, ensuring that the accounts are signed off and submitted to the ESFA in a timely fashion.

Paul Bartlett highlighted that Buzzacott would be nervous signing off the external audit if the ESFA audit had not been concluded. Paul Whitehead confirmed that the College has had an upfront discussion with Buzzacott. External audit cannot rely on the ESFA audit and they will have to undertake their own testing, however if something is presenting in the ESFA audit, it will need to be finalised before Buzzacott sign the accounts off.

Paul Bartlett asked what the impact of all the audits is on the team, in terms of time, resources and the ability for them to undertake their day job. Paul Whitehead reported that the different regulatory bodies are looking at different aspects of the College's data and there is a need to maintain the internal audit regime going into the external audit period. There is a three-person team leading on all the audit work who would have to work on the data at the end of the year irrespective of audit. The team is currently gathering the evidence required and working up an operational plan, including defining individuals' roles. The College systems are strong and the team is strong and well-placed to move the audits forward.

The Audit Committee noted the update on audits.

5 Internal Audit Progress Report 2021-2022

The Audit Committee received and considered the internal audit progress report 2021-2022, presented by Paul Goddard, Scrutton Bland.

The Audit Committee was informed that there are two internal audit reports for 2020-2021 outstanding. The draft report on apprenticeship and adult funding assurance has been issued to the College for management responses and the fieldwork for the classroom-based funding assurance audit is currently being finalised as this was undertaken in September 2021. These two audit reports and the Annual Internal Audit Report will be presented to the Audit Committee at its meeting on 14 December 2021.

Paul Goddard reported that this progress report is a forward look into 2021 – 2022, detailing the proposed timescales for the audits. The learner recruitment audit dates need to be confirmed with the College. The College has proposed to change the Centre for Excellence in Maths audit to a Key Financial Controls audit. The only output and expenditure for the Centre for Excellence in Maths partners last year was a report and the cost of the report. The associated audit work for this will be included in the Annex G audit work undertaken by Buzzacott and the College would like to use these assigned audit days for a Key Financial Controls audit. The Audit Committee approved this change to the internal audit plan for 2021-2022.

Ruth Lucas reported that the College has been successful in securing £418,000 as part

of the FE Professional Development Grants programme and an Annex G audit could be required. The funding for this has been included in the cost of the project and Scrutton Bland will be approached to complete the Annex G audit if required.

The Audit Committee noted the internal audit progress report 2021-2022 and approved the change from a Centre for Excellence in Maths audit to a Key Financial Controls audit.

6 Internal Audit Tracker -

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

Paul Whitehead informed the Committee of progress against the recommendations as follows:

- Recommendation 1 – ESFA Audit:

This work has been accelerated. There is a full report for off the job planned hours for all apprentices. Meetings have been held with all delivery teams and some are behind of their 20% off the job training. Management are ensuring that systems are in place and remedial action is being taken where necessary. Strong systems have been implemented to move forward with this and the College is confident that systems put in place are long-term solutions.

- Recommendation 2 – External Audit:

Work is on-going with the fixed asset register and good progress has been made to date.

- Recommendation 3 – Business Continuity:

First testing is planned for October 2021.

- Recommendation 4 – Policy Framework:

A tracker is in place for all policies and there is good oversight of policies and the tracker by management, This recommendation has been marked as completed and will be removed from the tracker.

- Recommendation 5 – Policy Framework:

A full review of the financial regulations will take place in June 2022 as part of its annual review.

The Audit Committee approved the audit tracker.

7 Teachers' Pension Scheme Audit

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

Deanne Morgan reported that the audit had been completed and submitted on time as a

clean audit.

Paul Bartlett congratulated the finance team and payroll on the clean audit.

The Audit Committee noted the Teachers' Pension Scheme audit.

8 Regularity Audit

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

Deanne Morgan reported that the Regularity Audit is considered each time the Audit Committee meets with changes highlighted in green and is submitted annually as part of the external audit.

Governors were informed that this version is the final version for 2020-2021, which, if approved, will be signed by the Chair and the Accounting Officer.

The Audit Committee approved the Regularity Audit and recommended its signing by the Chair and Accounting Officer to the Corporation for approval at its meeting on 21 October 2021.

9 English College's Code of Good Governance

The Audit Committee received and considered the report on English College's Code of Good Governance, presented by Ruth Lucas, Head of Governance.

Ruth Lucas reported that the Corporation needs to report that it is compliant with a governance code in the financial statements and that an updated English College's Code of Good Governance was published in September 2021 however the College does not need to report against the new Code this year.

Brain Keane asked what the changes are in the new Code. Ruth Lucas reported that there are not many substantive changes however there is an increased focus on sustainability and the green economy. Paul Goddard confirmed this and added that some "shoulds" have changed to "musts".

Ruth Lucas highlighted the mapping exercise against the Code and that the Code works on a comply or explain basis. Areas in light blue have been fully adopted by the Corporation, areas in grey are not applicable, the area in yellow is adopted but not yet fully delivered and the areas in dark blue are where a rationale for a different approach has been adopted.

The Audit Committee agreed that the Corporation has been compliant with the English College's Code of Good Governance during 2020 – 2021 and agreed to recommend to the Corporation that a statement of compliance be included in the financial statements.

10 Risk Management

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

Paul Whitehead informed the Committee that all risks have been reviewed and risk

control measures and sources of assurance have been updated where necessary.

No risks have been deleted from the Risk Register since the Audit Committee's last review.

Two new risks have been added to the Risk Register as follows:

- Risk 8 - T Levels capital refurbishment works significantly overrun in relation to programme of works and available budget, causing prolonged campus disruption and placing additional financial pressures on the organisation. The risk score is 15.

This risk has been added due to the T-Level capital refurbishment work having been delayed which has had an impact on the College's capacity to room students and the costs for the works have been rising which has resulted in contingency funding being used. Part of Building K is due to be handed back to the College this week and Princess Alexandra Hospital have moved out of Building C therefore the pressure on space is gradually reducing.

- Risk 11 - College fails to comply with ESFA funding requirements resulting in financial claw back. The risk score is 12.

This risk has been added due to the potential for clawback as a result of the ESFA audit as the data used in the audit will have been finalised and therefore if errors are found, they will be categorised as actual errors. If 5% or more of the audit sample is found to have errors, 5% of the entire contract value will be clawed back. The Committee needs to be aware of the risk however the College has good systems in place. There is some uncertainty how any potential clawback will be handled and in what year.

The following risks have been revised:

- Risk 4 - Failure to train and retain specialist staff to support the curriculum, specifically aeronautical engineering and electrical and to support Industry staff into teaching, learning and assessment.

The risk wording has been amended to include electrical staff and the risk score has increased from 9 to 20. This was originally focused on recruiting and retaining specialist staff at Stansted Airport College however this has improved as a result of the pandemic. Since there have been some signs of recovery in the aviation industry, this could become an issue again. Electrical staff have also been added into the wording of the risk as the College is experiencing similar challenges.

Brian Keane highlighted that the risk score had increased significantly and asked how concerned the College was around Stansted Airport College and being able to meet the staffing requirements. Paul Whitehead reported that presently it is fully staffed however it could pose a longer-term risk. The College is supporting the aviation industry and at present the College is recruiting and retaining its staff well. The risk score decreased during the pandemic therefore the increase is back to a similar level to where it was at pre-pandemic.

- Risk 5 - 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 and NI employer contributions (increase in staff costs and risk to year end surplus). New legislation relating to McCloud and Sargeant cases could increase costs.

The risk wording has been amended to include NI as well as pension costs however there has been no change to the risk score.

Paul Bartlett asked if the College is currently aware of the financial impact the rise in NI will have. Deanne Morgan reported that it has been calculated and will be included in the management accounts presented to the Corporation at its meeting on 21 October 2021.

- Risk 10 - COVID-19 local outbreaks impact on onsite delivery causing large scale move to online learning.

The risk wording has been rewritten with a focus on local or internal outbreaks and approach rather than a national focus. The risk score has decreased from 20 to 15 due to the College's approach to managing local cases and the Government's removal of whole group bubbles.

- Risk 15 - Curriculum change such as T-Level Implementation and the challenges in implementing T-Levels.

The risk wording has been amended to include the challenges in implementing T-Levels and the risk score has increased from 8 to 12. The College has recruited to the majority of T-Level pathways however it is not running the Science, Building Services and Nursing pathways. The Building Services pathway is not linked to the apprenticeship route. If learners undertake an apprenticeship, they can become fully qualified in four years however the T-Level pathway takes six years. The College therefore cannot advise the T-Level route to potential learners as part of its impartial information, advice and guidance. The Nursing pathway requires a significant level of vaccinations to be had and this has been a deterrent for potential learners.

- Risk 16 - Recruitment of learners on HE programmes and compliance with OFS regulation.

The risk score has decreased from 8 to 6 due to the College's strong recruitment onto HE programmes and the recent Office for Students audit.

- Risk 21 - BREXIT - with freedom of movement due to end with BREXIT which could have a potential impact on learners and staff's settled status.

The risk score has decreased from 8 to 4 as all affected staff have gained settled status without issue and it has not directly impacted on the College.

The Audit Committee approved the Risk Register.

11 Anti-Fraud Update

11.1 Anti-Fraud and Corruption Policy

Deanne Morgan informed the Audit Committee that the Anti-Fraud and Corruption Policy forms part of the College's financial regulations which are reviewed by the Resources Committee annually in June. It is proposed that the financial regulations will be reviewed at the joint Resources and Audit Committee in June 2022.

The Audit Committee endorsed this approach.

11.2 Anti-Fraud Checklist for Post-16 Providers

The Audit Committee received and considered the anti-fraud checklist for post 16 providers, presented by Deanne Morgan, Executive Director – Finance.

The checklist is provided by the ESFA and Governors noted the responses provided by the College.

The College's response does not get submitted to the ESFA however it ensures that the College has good practices and systems in place.

The Audit Committee noted the anti-fraud checklist for post 16 providers

11.3 Fraud Risk Assessment

The Audit Committee received and considered the fraud risk assessment, presented by Deanne Morgan, Executive Director – Finance

Deanne Morgan informed Governors that the fraud risk assessment is good practice and additions have been highlighted in green.

Governors were informed that the College has reduced the amount of cash it holds on site.

Paul Goddard reported that fraud across Scrutton Bland's college network has never been so low and highlighted that perhaps the nature of remote working had made it harder for fraud to be detected. Deanne Morgan reported that a Key Financial Controls audit would help to identify any potential issues with the way the College is working.

The Audit Committee noted the fraud risk assessment.

11.4 Report on Fraud Against the College

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

The Committee noted that there has been no fraud or fraud attempts against the College since the last Audit Committee meeting and that only one instance of attempted fraud occurred in 2020 – 2021.

Michael Travers asked whether such things as petty cash write offs should be included in the fraud report. Deanne Morgan reported that how the College handles write-offs is documented in the financial regulations. Paul Goddard reported that anything below the level delegated to management would not

normally flow through a Committee.

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

12 ESFA Letter to Accounting Officers

The Audit Committee received and considered the ESFA letter to Accounting Officers, presented by Ruth Lucas, Head of Governance.

Governors' attention was brought to the Accounts Direction and Audit Code of Practice supplementary bulletin, the requirement of Audit Committee members to have the right personal qualities rather than formal qualifications, the need to inform the ESFA of changes in external auditors and the requirement to comply with the Office for Students Accounts Direction.

Ray Levy asked if the requirement to tender for external auditors was written into any College policy. Paul Goddard reported that it is part of the Audit Code of Practice and recommended practice, therefore this recommendation can be seen to be met.

The Audit Committee noted the ESFA letter to Accounting Officers.

13 Whistleblowing Policy

The Audit Committee received and considered the Whistleblowing Policy, presented by Ruth Lucas, Head of Governance.

Governors were informed that the Policy had been extensively reviewed by management and the College's employment solicitors and a number of changes were proposed.

The Audit Committee approved the Whistleblowing Policy and the changes to the Policy.

13 Data Breach Report

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

The Committee noted that there have been no data breaches this academic year to date, however one additional data breach occurred last academic year since the last Audit Committee meeting. This breach involved one student name being given to the incorrect employer.

The Audit Committee noted the Data Breach Report.

14 Any Other Business

There were no items of any other business.

15 Dates of Next Meeting

Tuesday 14 December 2021, 8.30am / 9.30am

Key Points From The Meeting For Corporation: ,

1. Regularity Audit

To receive and approve the Regulatory Audit for signing by the Chair and the Accounting Officer.

2. English Colleges' Code of Good Governance

To review and approve the College's compliance with the English Colleges' Code of Good Governance and for a statement confirming this to be included in the financial statements.