

HARLOW COLLEGE FURTHER EDUCATION CORPORATION

AUDIT COMMITTEE

Minutes of the meeting held virtually on Zoom on Monday 10 October 2022

Membership *Ray Levy (Chair)
 *Michael Travers
 *Dawn Turner

*denotes present

In attendance Paul Goddard, Scrutton Bland
 Alice Walker, 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 Election of Chair and Membership of Audit Committee

Ruth Lucas informed the Committee that Brian Keane has retired from Harlow Council therefore resigned from his post as Governor at Harlow College and Paul Bartlett's term of office has come to an end. The membership of the Committee has been updated to reflect this.

Ray Levy was unanimously elected as Chair of the Audit Committee.

2 Apologies for Absence

Apologies for absence were received from Shachi Blakemore, Buzzacott, and Wendy Martin, Harlow College.

3 Declarations of Interest

Michael Travers declared that he is a staff governor.

4 Minutes of the Previous Meeting

The minutes of the Audit Committee meeting and the joint Resources and Audit Committee meeting both held on 21 June 2022 were agreed as an accurate record of the meeting and were signed remotely by the Chair.

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

5.1 Risk Management (agenda item 11 refers)

A Governor asked if wording has been updated to the risk around competition from BMAT to include competition from private training providers. It was confirmed that this has been done.

6 Internal Audit

Paul Goddard introduced Alice Walker from Scrutton Bland to the Audit Committee. Alice

is the College's new client manager.

6.1 To receive the Internal Audit Report Risk and Assurance Report on Funding Assurance, presented by Scrutton Bland.

The Audit Committee received and considered the internal audit report on Funding Assurance, presented by Alice Walker, Scrutton Bland.

Governors were informed that the internal audit report on Funding Assurance provided Governors with significant assurance that the governance, risk management and control arrangements for the material risks reviewed are managed effectively. One medium level recommendation and four low level recommendations have been made.

Alice Walker informed Governors that the audit covered 16-18, adults and apprenticeship funding and a good level of compliance was evidenced during the audit.

There was high compliance with apprenticeship off the job hours tracking however some inconsistencies with documents were seen with apprenticeship agreements and commitment statements. This presents a risk that any off the job hours claimed before the signing of the agreements could be discounted, therefore a medium level recommendation was raised around this.

A Governor asked if a process has been put in place to deal with this issue and it was confirmed that has. Paul Goddard informed Governors that the rules have changed for 2022-2023, which has presented new challenges for colleges. Off the job training now needs to be six hours per week and how this is captured and recorded need to be changed, however Paul Goddard reported that this is achievable for Harlow College.

The low level recommendations do not affect funding however an issue with co-investment payments was found which was followed up in the subsequent income and debtors audit (see agenda item 6.2).

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

6.2 To receive the Internal Audit Report Risk and Assurance Report on Key Financial Controls, presented by Scrutton Bland.

The Audit Committee received and considered the internal audit report on Key Financial Controls – Income and Debtors, presented by Alice Walker, Scrutton Bland.

Governors were informed that the internal audit report on Key Financial Controls – Income and Debtors, provided Governors with significant assurance that the governance, risk management and control arrangements for the material risks reviewed are managed effectively. Five low level recommendations have been made.

Alice Walker highlighted an error in funding for apprenticeships which was linked to an error with MIS reporting therefore invoices were three months late being raised. Management need to take a decision on whether to chase the debt or

write the debt off.

A Governor asked if any debts had been written off. Deanne Morgan confirmed that the Finance Team are working through this and none have been written off to date.

The other recommendations made were highlighted to the Committee.

The Audit Committee noted the internal audit report on Key Financial Controls – Income and Debtors.

6.3 To receive the EdTech Demonstrator Annex G audit certificate, presented by Scrutton Bland.

The Audit Committee received and considered the EdTech Annex G Certificate, presented by Alice Walker, Scrutton Bland.

Governors were informed that this audit was a compliance audit for the EdTech Demonstrator which confirmed that the funding claimed was backed up with appropriate evidence. The audit was completed in advance of the Department for Education's deadline and confirmed that no issues arose for the audit work. Ruth Lucas confirmed that the certificate has been submitted to the Department for Education in advance of their deadline and the Department has confirmed receipt.

The Audit Committee noted the EdTech Annex G Certificate.

6.4 To receive the 2022-2023 Risk and Assurance Progress Report, presented by Scrutton Bland.

The Audit Committee received and considered the internal audit progress report, presented by Alice Walker, Scrutton Bland.

Governors noted that dates have been confirmed for all audits and that the fieldwork for the Learner Recruitment audit has been completed.

Governors were informed that all audit reports for 2021-2022 have now been presented to the Audit Committee and the Annual Report of the Internal Audit Service will be presented at the next Audit Committee meeting on 6 December 2022.

The Audit Committee noted the internal audit progress report.

7 Internal Audit Tracker -

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

Governors were informed that seven recommendations have been completed and will be removed from the tracker, with progress being made towards the remaining four recommendations.

Deanne Morgan highlighted recommendations 1, 6 and 7, all of which relate to the fixed asset register and asked the Audit Committee to consider management combining these

into one recommendation.

Deanne Morgan reported that the fixed asset register is reviewed regularly however due to the size of the register, it is a long task to verify all the entries and the Finance Team do not have the resources to do it. The Team is looking to change its approach and increase the value of items that are recorded on the register as this will help in the long-term.

A Governor asked if the register is reviewed at one point in the year. Deanne Morgan confirmed that it is reconciled monthly and at year end however there is not always a visual verification of the smaller assets that are still in use.

Paul Goddard reported that other colleges sample check approximately 20% of their register and asked if the College was aiming to get to 100%. Deanne Morgan confirmed that 100% over two years is being aimed for and it is a rolling programme of review.

The Audit Committee agreed for recommendations 1, 6 and 7 to be combined and approved the audit tracker.

8 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. An overpayment of 47p was identified.

Deanne Morgan highlighted that one member of staff has been making additional voluntary contributions however HR did not have the original records and the auditor was unable to verify if the payments were still being made. HR will take this forward to verify.

The Audit Committee noted the Teachers' Pension Scheme audit.

9 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 2021-2022, 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 20 October 2022.

10 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 which the College has reported against this year.

Ruth Lucas highlighted the mapping exercise against the Code and that the Code works on a comply or explain basis. Governors were informed that the format of this has been changed and now includes evidence for each section of the Code. Governors' attention was brought to the area in which the College is partly compliant as the Corporation does allow Governors to stand for more than two terms of office. The rationale for this is stated in the Governor Recruitment Policy and Procedure.

Paul Goddard highlighted the requirement to have an external review of governance every three years. Ruth Lucas provided the Committee with further information from training she has attended and feedback from colleges involved in the pilots. Ruth Lucas informed Governors that a paper on external reviews of governance will be presented at the Corporation meeting on 20 October 2022.

The Audit Committee agreed that the Corporation has been compliant with the English College's Code of Good Governance during 2021 – 2022 and agreed to recommend to the Corporation at its meeting on 20 October 2022 that a statement of compliance be included in the financial statements.

11 Risk Management

The Audit Committee received and reviewed the risk register, presented by Deanne Morgan, Executive Director – Finance.

Deanne Morgan reported that the Executive's risk register review process has been amended to better fit with the cycle of business for Executive team meetings.

Governors were informed that no risks have been added to or deleted from the risk register since the last Audit Committee meeting.

Governors noted that the following risk has been revised with a higher risk score:

- Risk 10 - Student Recruitment: leaner for HE programmes and compliance with OfS regulation.

The risk score has increased from 8 to 12 due the decline in HE student numbers for 2022-23.

Governors noted that the following risks have been revised with a lower risk score:

- Risk 6 – Quality (16-18 year olds and Adult): Failure to achieve strong outcomes for students in respect of government performance measures (QARs, DfE tables, MLPs) and the quality of learning, teaching and assessment.

The risk score has been reduced from 20 to 15 due to there being good predicted outcomes for student study programmes.

- Risk 7 - Government policy: The Government selects a funding policy for further education which runs counter to Harlow College's strategic direction.

The risk score has been reduced from 20 to 15 due to Government priorities being currently diverted to maintaining the economy.

Paul Goddard highlighted the Office for National Statistics' review of classification of colleges and how this is an area of uncertainty. Ruth Lucas reported that the outcome of the classification is expected at the end of October / beginning of November.

- Risk 11 - Finances: Teachers' and Local Government Pension Scheme Pension.

The risk score has reduced from 16 to 9. As we await the 2021-22 LGPS performance and the triannual valuations due in 2023 it is difficult to predict the likelihood. The pension is performing well and has increased the balance sheet significantly.

- Risk 13 - IT: Increase mobile working and reliance on technology means the College is at great risk from cyber attack.

The risk score has been reduced from 12 to 8. The impact remains the same however the College has robust processes in place to prevent and recover if need be from such an occurrence and there has been a reduction in mobile working.

A Governor asked about the Cyber Essentials accreditation. Ben Nicholl reported that the College is currently working with JISC to gain Cyber Essentials and Cyber Essentials Plus accreditation. The College is working at gaining both of these at present and therefore reduce costs. A Governor asked if the accreditation was likely to be gained by the autumn. Ben Nicholl reported that Cyber Essentials would be however Cyber Essentials Plus is likely to be gained in April 2023, in line with when the funding agreements are issued.

A Governor asked if the cyber security internal audit report should be added to the sources of assurance and it was agreed that it should.

- Risk 16 - Competition: BMAT in direct competition by sponsoring the UTC (BMAT STEM) in terms of change in nature. BMAT STEM 6th form. Competition from private training providers for apprenticeships

The risk score has been reduced from 16 to 4. The BMAT sixth form that was due to open in September 2022 has been delayed and the College has seen an increase in its sixth form.

- Risk 17 - Compliance: 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.

The risk score has reduced from 6 to 3. Although the impact remains the same the likelihood has been reduced due to there being an established awareness of GDPR within the College.

- Risk 18 - Health & Safety: COVID-19 local outbreaks impact on onsite delivery causing large scale move to online learning.

The risk score has decreased from 8 to 2 due legislative changes and the reduction in staff and students reporting COVID infections.

Governors' attention was brought to the following two risks, although their risk scores had not been changed:

- Risk 1 - Student recruitment: Not recruiting to the 19+ AEB target. Transition from relying on unemployed students as the sole sources of recruitment.

Governors were informed that the AEB will be further broken down in the management accounts to make it easier for this budget to be tracked and monitored.

- Risk 2 - Staff recruitment and retention: 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.

Governors were informed that HR are constantly reviewing this.

Paul Goddard reported that this is an issue being seen across the sector and some colleges have removed all financial restrictions on HR.

A Governor asked about the oversight of risks by other Committees. Deanne Morgan reported that risks are assigned to Committees on the risk register and risks are reported on the cover sheet of all Corporation and Committee papers. Paul Whitehead reported that risks are covered on the agenda of the appropriate Committee and a mapping exercise will be undertaken. Ruth Lucas suggested that review of risks by Committees are included in the risk management report to Audit Committee.

A Governor suggested the Committee asking themselves if the risk management processes are working well. It was agreed that there is oversight of risk management constantly by the Audit Committee and the strength of approach is the strength of the Committee.

Paul Goddard offered to deliver a session on risk management and risk appetite, looking at what is working well and what could be done differently.

It was noted that all members of the Audit Committee attended the AoC Audit Committee Masterclass training session delivered by RSM UK and Stone King.

The Audit Committee approved the Risk Register.

12 Anti-Fraud Update

12.1 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.

12.2 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.

Paul Goddard highlighted that fraud from a cyber crime perspective is now part of the Audit Code of Practice.

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

12.3 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. The template has been provided by the College's external auditors and the College's responses are in bold. The fraud risk assessment will be submitted to Buzzacott as part of the external audit.

A Governor asked if there was anything around supplier fraud and procurement processes. Deanne Morgan reported that processes are in place, there are regular reconciliations undertaken, rotation of duties within the Finance Team, segregation of duties between those reporting and those doing the transactions and double checks are in place for paying suppliers. It was agreed that this will be added into the fraud risk assessment.

The Audit Committee noted the fraud risk assessment.

12.4 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.

Deanne Morgan reported that potentially fraudulent emails are received and reported straight to IT. Firewalls are working well. Paul Whitehead added that all staff receive regular updates from the IT Manager on reporting suspected fraudulent emails and all staff undertake cyber security training on a regular basis.

Deanne Morgan highlighted that the College's bank monitors the College's credit card activity closely and will query any transactions they believe necessary.

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

13 Data Breach Report

The Audit Committee received and considered the Data Breach Report, presented by Ruth Lucas, Head of Governance.

The Committee noted that there has been one data breach this academic year to date and two data breaches last academic year, none of which were reportable to the Information Commissioner's Office.

A Governor asked how the College determines if a data breach is reportable or not. Ruth Lucas explained that if a data breach is likely to affect the rights and freedoms of an individual then the data breach is reportable. It is the individual organisation's responsibility to determine whether a breach reaches this reportable threshold. The College undertakes a robust risk assessment to decide whether or not the breach is reportable and where appropriate, will seek advice from the Information Commissioner's Office.

The Audit Committee noted the Data Breach Report.

14 Any Other Business

There were no items of any other business.

15 Dates of Future Meetings

Autumn Term 2022	Tuesday 06 December 2022 (including joint meeting with Resources Committee)	9.30am
Spring Term 2023	Tuesday 07 March 2023	9.30am
Summer Term 2023	Tuesday 27 June 2023 (including joint meeting with Resources Committee)	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.