

# HARLOW COLLEGE FURTHER EDUCATION CORPORATION

## AUDIT COMMITTEE

### Minutes of the meeting held virtually on Zoom on Tuesday 14 December 2021

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

\*denotes present

In attendance                   Shachi Blakemore, Buzzacott  
  Paul Goddard, Scrutton Bland  
  Will Allanson, Deputy Principal  
  Paul Whitehead, Vice-Principal  
  Deanne Morgan, Executive Director – Finance and Facilities  
  Wendy Martin, Assistant Principal  
  Ruth Lucas, Head of Governance

#### **1 Apologies for Absence**

There were no apologies for absence.

#### **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 held on 05 October 2021 were agreed as an accurate record of the meeting and were signed remotely by the Chair.

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

##### **4.1 Matters Arising from the Minutes – ESFA Audit (minute 4 refers)**

Paul Whitehead provided the Audit Committee with an update on the ESFA audit.

Good progress has been made with the audit and KPMG, who are undertaking the audit on behalf of the ESFA. Further testing is now being undertaken. Four to five errors have been identified across the funding streams and where an issue has been identified, the whole of the population is then looked at. There has been a week's delay due to KPMG's volume of work. Final outcomes have been looked at and it is expected that there might be some further areas to test. The College has identified itself any errors in the population and these have been sent back to KPMG. It is expected that new samples to be tested will be sent across from KPMG. The process does not allow any error to be random therefore the whole of the population needs to be tested. It has been a lengthy process and approximately 2,000 records have been sent over to KPMG. The College is working to get everything together as quickly as possible so that the audit can be brought to a conclusion however the College is dependent on the speed at which KPMG can work. Identified errors are below 5% for each funding stream however errors outside of the sample could lead to funding adjustments.

Paul Bartlett asked if this would have an impact on the external audit and signing off the financial statements. Shachi Blakemore reported that it does as the outcome of the audit is still outstanding. Shachi Blakemore advised the College to seek an ESFA extension for the submission of the financial statements as the concern is there could be a material adjustment as a result of the audit and it would not be appropriate for Buzzacott to sign off the financial statements without knowing the quantum of any adjustment.

Paul Whitehead reported that the College is turning around the requested samples within 24 hours however the conclusion of the audit is subject to KPMG's workload and factors outside of the College's control. Paul Whitehead confirmed that he has been in discussion with the ESFA around an extension to submitting the financial statements however it is the College's preference to aim not to use an extension and submit by the 31 December 2021. Paul Whitehead reported that the current value of adjustments of £70k - £80k will not make a significant difference to the accounts. It is a difficult position for colleges to be in with the timescales. Paul Whitehead reminded the Committee that the Audit Code of Practice states that external auditors cannot rely on ESFA reconciliation and need to undertake their own testing however Buzzacott are unable to sign the accounts off until the ESFA audit has been concluded.

Shachi Blakemore asked if KPMG were likely to sign up to saying adjustments are likely to be less than £100k and highlighted that having a draft report from KPMG would give Buzzacott more assurance. Paul Whitehead reported that it would be difficult for KPMG to say this when they are still undertaking testing however he was hopeful that a draft report with a draft total adjustment figure could be issued before the report is finalised.

Shachi Blakemore reported that she would make herself available to sign the financial statements over the Christmas period however it would be good to know if an extension has been granted by the ESFA. Paul Whitehead reported that the College wants to file the financial statements as soon as possible however the College will ask the ESFA for an extension, therefore if the financial statements cannot be signed off at the Corporation meeting on 21 December 2021, there is a back up plan in place. Paul Bartlett highlighted that if the ESFA would not grant an extension that he and the Chair of Governors would get involved.

The Audit Committee agreed that the Corporation would approve the financial statements at its meeting on 21 December 2021 subject to the final outcome of the ESFA audit. If the audit has been finalised by the meeting, the accounts can be signed. If the audit has not been finalised by the meeting and the final adjustment figure is immaterial, the financial statements can be signed based on the Corporation's approval on 21 December 2021. If the figure is material – over £250k or if it changes the College's financial health rating – then an additional Corporation meeting will need to be held in January to sign the financial statements. Shachi Blakemore confirmed that Buzzacott are comfortable with this approach.

## **5 Internal Audit**

### **5.1 Apprenticeships and Adult Funding Assurance Internal Audit Report & & 5.2 Classroom-Based Funding Assurance Internal Audit Report**

The Audit Committee received and considered the internal audit reports on apprenticeship and adult and classroom-based funding assurance, presented by Paul Goddard, Scrutton Bland.

Governors were informed that the internal audit report on apprenticeship and adult funding assurance provided Governors with reasonable assurance that the governance, risk management and control arrangements for the material risks reviewed are managed effectively. One medium level recommendation has been made around the dates and quality of document signing and four low level recommendations have been made. Scrutton Bland highlighted that they were comfortable with the process of tracking and recording off the job training however it has not been fully completed.

Governors were informed that the internal audit report on classroom-based 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 has been made around the wording of the residency declaration as there appears to be some misunderstanding with the wording and four low level recommendations have been made around.

Paul Whitehead apologised to Paul Goddard and his team and acknowledged there had been some delays with these audits due to the number of different audits that were being undertaken at the time.

Paul Whitehead reported that the College is comfortable it can address and clear the issues identified. No issues were identified with advanced learner loans and only a small number of issues were identified with 16 – 19 learner responsive, adult and apprenticeships.

Paul Bartlett asked that when this period gets reviewed, is there a big risk due to the pressure the team has been under and are more issues likely to be identified in this period. Paul Whitehead responded that he could not say there would be no impact. Resources have been significantly stretched and there has been a need to prioritise work in the team. Additional resource has been drawn in from across the College. The College is working its way through where it is now. The first ESFA return has been sent off with the usual internal scrutiny. There may be a need to relook at the resources within the team and it is still likely the College can be selected for future audits.

Brian Keane asked why one audit was given reasonable assurance and the other audit significant when they both had the same number of recommendations in each category. Paul Goddard reported that the overriding factor was that the apprenticeship tracking system was incomplete so testing could not be completed as planned. The significant assurance was originally reasonable assurance however there was some late movement in assurance levels. Both reports are on the margins of significant and reasonable assurance, with one falling either side of the line.

The Audit Committee noted the internal audit reports on apprenticeship and adult and classroom-based funding assurance,

### **5.3 Internal Audit Annual Report 2020-2021**

The Audit Committee received and considered the internal audit annual report for 2020-2021, presented by Paul 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 2021 the College:-*

- *has adequate and effective risk management processes;*
- *has adequate and effective governance processes; and*
- *has adequate and effective control processes; and*

*These opinions are designed to assist the Audit Committee when preparing their own Annual Report."*

Paul Goddard reported that the fourth opinion on adequate and effective processes regarding efficiency and effectiveness had not been provided as the internal audit coverage was insufficient to provide such an opinion. Paul Bartlett asked if this extra assurance would be covered in this year's plan and Paul Goddard confirmed that it would be.

Governors' attention was brought to Section 3 which details the changes to the audit plan in the year and that 31.5 days of internal audit work was undertaken rather than the planned 43 days.

Seven assignments were delivered throughout the year, two of which gave strong assurance, three of which gave significant assurance, one of which gave reasonable assurance and one of which found the College to be in compliance with funding regulations.

Paul Goddard highlighted the benchmarking and reported that across their FE clients fewer red assurances have been given throughout the year however this could be due to the fact that the year was not the best year to be auditing difficult areas. Harlow College is in line with sector averages and reported that there is nothing of concern to raise with the Audit Committee.

P Goddard thanked management for their support throughout the year, for making themselves available and for accommodating requests for change. Ruth Lucas thanked Scrutton Bland for their understanding and responsiveness to requested changes to the plan and this was echoed by the Audit Committee.

The Audit Committee noted the Internal Audit Annual Report for 2020-2021.

#### **5.4 Internal Audit Progress Report 2021-2022**

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

Governors were informed that two audits have been completed to date and the reports are currently being drafted. There are still two audits for which dates need to be confirmed.

The Audit Committee had the opportunity to reflect whether the internal audit plan was still relevant and it was agreed that there is a benefit to keeping the learner records audit in the plan.

The Audit Committee noted the internal audit progress report.

## **6 16-19 Tuition Fund Audit Report**

The Audit Committee received and considered the 16 – 19 Tuition Fund audit report, presented by Paul Whitehead, Vice-Principal.

Paul Whitehead informed Governors that the 16 – 19 Tuition Fund funding was given to support learners coming out of lockdown to catch up on any lost learning, particularly focused on work in small groups around low attainment in English and maths.

The College had an allocation of approximately £350k which was used for 1-2-1 support and tuition to re-engage learners, mental health support and getting students back on track. The audit team deemed that 1-2-1 work was not small group work therefore £146k of the activity was not eligible. This was strongly contested with the ESFA however they were resolute in their approach. As the audit was classed as a review rather than an audit, the £146k was transferred to 2021/2022 in addition to the College's allocation for the year. The ESFA has updated its guidance on what the funding can be used for and the College has a plan in place to deliver in line with the new guidance. The initial guidance published was not clear on what the funding could be spent on. Paul Bartlett asked if the budget had been updated to factor in the £146k for this year and Deanne Morgan confirmed that it had been.

The Audit Committee noted the 16 – 19 Tuition Fund audit report.

## **7 Internal Audit Tracker**

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

Paul Whitehead informed the Committee recommendation 1 around ensuring that there is an adequate audit trail to demonstrate the off-the-job-training delivered has been completed and will be removed from the tracker.

The other three recommendations on the tracker are not yet due however an update on progress has been provided in the tracker.

The Audit Committee approved the audit tracker.

## **8 Annual Report of the Audit Committee 2020-2021**

The Audit Committee received and considered the Annual Report of the Audit Committee 2020-2021, presented by Ruth Lucas, Head of Governance.

Ruth Lucas reminded the Committee that it is obliged under the Audit Code of Practice to present an annual report as part of the College's audit process and provide an opinion on its own effectiveness, how it has fulfilled its terms of reference and the adequacy and effectiveness of the Corporation's assurance arrangements, framework of governance, risk management and control processes for the effective and efficient use of resources, solvency and the safeguarding of assets.

Ruth Lucas highlighted the sections included in the report including new information

contained within this report based on the new requirements under the Audit Code of Practice, and the proposed Audit Committee opinion and resolution.

The Audit Committee noted that the surplus figure contained within the report is subject to change based on the outcome of the ESFA audit.

The Committee agreed the following opinion of the Audit Committee:

*“It is the opinion of the Audit Committee, based on the reports it has received and considered, and drawing upon the knowledge and expertise of its members and its audit services, supported by the work and views of College management, that during 2020-21 Harlow College:*

- *had adequate and effective assurance arrangements;*
- *had an adequate and effective framework of governance;*
- *had adequate and effective risk management and control processes for the effective and efficient use of resources, solvency of the College and the safeguarding of its assets;*
- *had adequate arrangements for securing economy, efficiency and effectiveness;*
- *had adequate and effective key internal controls;*
- *had adequate and effective arrangements for data quality;*
- *had, overall, systems and controls that are adequate and effective for carrying forward the objectives of the College.*

*The Audit Committee met in private with the internal and external auditors on 14 December 2021 and no issues impacting upon matters of internal control were raised. Buzzacott did not identify any matters of material irregularity throughout their audit work to bring to the attention of the Audit Committee.*

*The Audit Committee considers that it operated effectively in 2020-2021 and that it met its terms of reference and the requirements of the Audit Code of Practice.”*

The Audit Committee approved the draft Annual Report of the Audit Committee 2020-2021 and agreed to recommend it to the Corporation at its meeting on 21 December 2021.

## **9 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 to or deleted from the risk register since the Audit Committee’s last review of the register.

The Committee noted that one risk has been rescored with a higher risk score, as follows:

- Risk 4 - COVID-19 local outbreaks impact on onsite delivery causing large scale move to online learning.

The risk score has increased from 15 to 20 due to the current uncertainties around the Omicron variant and the reintroduction of certain measures by the Government on 30 November 2021.

Paul Bartlett asked Paul Goddard and Shachi Blakemore if they felt anything was missing from the risk register.

Paul Goddard reported that he has seen staff capacity and stress higher on risk registers, along with cyber security threats which are always there and Shachi Blakemore highlighted rising utility costs.

Paul Whitehead reported that staff capacity is an issue of concern however following on from staff surveys and the introduction of hybrid working, it is not seen as a rising risk however it will be on the radar.

Deanne Morgan reported that information on utility costs is contained within the management accounts. The College is currently tied into a fixed term contract with one of the big providers therefore the risk of them going into liquidation is low.

The Audit Committee approved the risk register.

## **10 Whistleblowing Policy**

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

Ruth Lucas informed Governors that the Whistleblowing Policy was approved by the Audit Committee at its last meeting however an additional paragraph is requested to be inserted, detailing how to contact the Local Authority Designated Officer (LADO).

The Audit Committee approved the insertion detailed above to the Whistleblowing Policy.

## **11 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.

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

## **12 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 have been two data breaches since the last Audit Committee meeting, one which was a single student record and one which was multiple

student records. A risk assessment was undertaken for both breaches and neither of them were deemed reportable to the Information Commissioner's Office.

Michael Travers asked if Governors could receive more information on the data breaches. Paul Whitehead reported that further details are not provided as it could lead to individuals being identified. Paul Whitehead informed the Committee that breaches are handled in a responsive way to minimise any impact as quickly as possible.

The Audit Committee noted the Data Breach Report.

### **13 Any Other Business**

There were no items of any other business.

### **14 Dates of Future Meetings**

Spring Term	Tuesday 08 March 2022	08.30am / 09.30am
Summer Term	Tuesday 21 June 2022	TBC <i>(including joint meeting with the Resources Committee)</i>

*Following this meeting the Audit Committee met privately with Buzzacott, external auditors, and Scrutton Bland, internal auditors. The Head of Governance was informed that no issues of concern were raised.*

### **Key Points From The Meeting For Corporation:**

#### **1. Internal Audit Annual Report 2020-2021**

To receive the Internal Audit Annual Report 2020-2021.

#### **2. Annual Report of the Audit Committee 2020-2021**

To receive and approve the Annual Report of the Audit Committee 2020-2021.