

HARLOW COLLEGE FURTHER EDUCATION CORPORATION

AUDIT COMMITTEE

Minutes of the meeting held on Tuesday 20 June 2017

Membership	*P Bartlett (Chair) A Durcan *R Levy
*denotes present	*C Chatt
In attendance	H Catchpool, RSM UK N Cattini, RSM UK M Smith, Scrutton Bland M Stokes, Deputy Principal D Morgan, Executive Director – Financial Services P Whitehead, Executive Director – Information, Data and Support D Sheridan, Clerk to the Corporation R Lucas, Deputy Clerk to the Corporation

791 Apologies for Absence

Apologies for absence were received from A Durcan.

792 Declarations of Interest

There were no declarations of interest.

793 Minutes of the Previous Meeting

The minutes and the confidential minutes of the Audit Committee meeting held on 28 February 2017 were agreed as an accurate record of the meeting, subject to one typographical change, and were signed by the Chair.

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

794.1 Sir Charles Kao UTC Service Charges (minutes 772.1 and 782.1 refer)

P Bartlett asked if there was an update on the UTC. M Stokes confirmed that Cushman Wakefield had concluded their work and had reported back to the UTC and EFSA. The College has been informed that the decision as to whether the UTC pays the outstanding invoice lies with the ESFA and the ESFA will make contact with the College.

794.2 Internal Audit Risk and Assurance Progress Report (minute 783.2 refers)

The Audit Committee noted that Paul Goddard, Scrutton Bland, delivered risk appetite training to the Corporation at its meeting on 18 May 2017.

794.3 Risk Register (minute 786 refers)

P Bartlett asked what the current VAT position is with the group structure. D Morgan informed the Committee that the group structure and lease agreements between the companies will end on 31 July 2017.

795 Internal Audit Reports

795.1 High Needs Learners

The Audit Committee received and considered the internal audit report on High Needs Learners, presented by Mark Smith, Scrutton Bland.

M Smith highlighted the areas covered by the audit and informed Governors that the internal audit report on High Needs Learners 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 level recommendation and one low level recommendation had been made and that the recommendations were accepted by Harlow College.

M Smith highlighted the areas which the audit reviewed and Governors noted the findings. M Smith acknowledged that the College has received a substantial increase in funding for high needs learners and that systems are being put in place by the College to manage the funding. The process by which the College claims the funding was explained and Governors noted that there is more of an issue with how the funding and support is recorded and monitored rather than the College having a financial underspend at the end of the academic year.

R Levy asked if there is evidence of the impact this support is having and evidence of value for money. P Whitehead explained there is a specific focus on these groups and that learners are spread out across all teams within the College. Progress made by these learners is monitored regularly.

The Audit Committee noted the internal audit report on High Needs Learners.

795.2 Learner Records Funding Compliance

The Audit Committee received and considered the internal audit report on Learner Records Funding Compliance, presented by Mark Smith, Scrutton Bland.

M Smith highlighted the areas covered by the audit and informed Governors that the internal audit report on Learner Records Funding Compliance 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 and that the recommendation had been accepted and implemented by Harlow College.

M Smith highlighted the areas which the audit reviewed and Governors noted the findings. M Smith informed Governors that this is normally an audit area with scope for a number of errors and gave credit to the MIS team for the clean audit report.

The Audit Committee noted the internal audit report on Learner Records Funding Compliance.

795.3 Apprenticeships Framework Development

The Audit Committee received and considered the internal audit report on Apprenticeships Framework Development, presented by Mark Smith, Scrutton Bland.

M Smith highlighted the areas covered by the audit and informed Governors that the internal audit report on Apprenticeships Framework Development provided Governors with significant assurance that the governance, risk management and control arrangements for the material risks reviewed are managed effectively. Governors noted that five low level recommendations had been made and that the recommendations had been accepted by Harlow College. It was noted that, due to the national changing policy on apprenticeships, the timing of the audit was not ideal.

M Smith highlighted the areas which the audit reviewed and Governors noted the findings. Governors were informed that the biggest challenge is the amount of paperwork involved, however the College has good apprenticeship numbers and is looking to grow its provision. The College has been cautious in its planning.

The Audit Committee noted the internal audit report on Apprenticeships Framework Development.

795.4 Data Security

The Audit Committee received and considered the internal audit report on Data Security, presented by Mark Smith, Scrutton Bland.

M Smith highlighted the areas covered by the audit and informed Governors that the internal audit report on Data Security 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 medium level recommendation and five low level recommendations had been made and that the recommendations had been accepted by Harlow College, except from one. One value added point was also recorded. It was noted that the assurance level was borderline significant / reasonable, however areas of good practice had been identified which supported the significant assurance level. Governors discussed the recommendations.

M Smith highlighted the areas which the audit reviewed and Governors noted the findings. A discussion was held around the potential impact of the General Data Protection Regulation (GDPR) which comes into force in May 2018.

R Levy asked why the College is not using encrypted USB sticks and it was reported to be due to issues with the College's operating system, however M Stokes agreed to report back on the exact issue. It was agreed that the protocols for using USB sticks should be made clear.

The Audit Committee noted the internal audit report on Data Security.

795.5 HE Recruitment and Student Satisfaction

The Audit Committee received and considered the internal audit report on HE Recruitment and Student Satisfaction, presented by Mark Smith, Scrutton Bland.

M Smith highlighted the areas covered by the audit and informed Governors that the internal audit report on HE Recruitment and Student Satisfaction 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 and that the recommendations had been accepted by Harlow College. It was noted that this audit report had been revised following the initial on-site days in November 2016 and the follow up audit day in May 2017.

M Smith highlighted the areas which the audit reviewed and Governors noted the findings. Governors were informed that a significant number of changes have been implemented since the initial audit and draft report were issued and that significant progress had been made between visits. The audit covered a wide scope and it was noted that some of the initial findings were highlighting issues that were beyond the College's control. The outcome of the mystery shop exercise was highlighted.

The Audit Committee noted the internal audit report on HE Recruitment and Student Satisfaction.

795.6 Internal Audit Risk and Assurance Progress Report

The Audit Committee received and considered the Internal Audit Risk and Assurance Progress Report presented by Mark Smith from Scrutton Bland.

Governors noted that all internal audits have been completed and final internal audit reports had been issued and presented to the Audit Committee. M Smith reported that an unannounced partner spot-check took place on 19 June 2017 and no concerns were identified.

The Audit Committee noted the Internal Audit Risk and Assurance Progress Report.

796 Audit Tracker

The Audit Committee received and considered the Audit Tracker, presented by P Whitehead, Executive Director – Information, Data and Support.

The Audit Committee noted that there is only one outstanding action currently on the audit tracker and D Morgan provided Governors with an update on the fixed asset register and informed Governors that a different approach to this recommendation will be explored.

The Audit Committee noted that the recommendations from the five audit reports presented in agenda item 795 will now be added to the audit tracker.

The Audit Committee approved the audit tracker.

797 Internal Audit Plan 2017/18

The Audit Committee received and considered the Internal Audit Plan for 2017/18, presented by Mark Smith from Scrutton Bland.

The Committee noted that the revised Audit Code of Practice changes the areas on which opinions must be given to: risk management, governance, internal control, value for money, safeguarding of assets and solvency.

The list of audits was discussed by the Audit Committee. Governors noted that there are four contingency days in the plan which the College could use for issues that may arise throughout the course of the year. Governors noted that the plan could change throughout the year. The Audit Committee asked if a GDPR-readiness audit would be beneficial and it was agreed that a progress update on this would be presented to the next Audit Committee meeting to help assess the risk to the College and whether an internal audit is required.

Governors noted that Scrutton Bland was not proposing a risk management or governance audit in 2017/18.

The Audit Committee approved the Internal Audit Plan for 2016/18 and agreed to recommend it to the Corporation at its meeting on 13 July 2017. .

798 External Audit Strategy

The Audit Committee received and considered the report on the External Audit Strategy presented by Hannah Catchpool and Nick Cattini from RSM UK. The report detailed the proposed external audit strategy for the College for the year ending 31 July 2017. Governors noted that an initial planning meeting had been held with the College and RSM UK from which the Audit Plan has been developed and a detailed programme plan will now be put in place.

Nick Cattini highlighted that the scope of the audit has changed from previous years as the College's subsidiary companies are outside the audit scope as the structure is being wound up before the deadline for filing accounts with Companies House.

Nick Cattini highlighted that the Joint Audit Code of Practice has now been replaced with the Audit Code of Practice and this will be reflected in the Regularity Audit. He reported on section 3 – Key Risks Affecting Our Audit Plan – in detail. Governors noted that the audit will focus on and test the following areas: management override of controls, income recognition, pension scheme liabilities, accommodation strategy – with a particular focus on HAMEC and Stansted Airport College, regularity review and going concern.

Governors noted the fee proposal and that if there any changes to the scope of the audit, the fees may be revisited. Governors also noted that the audit will report on any matters brought forward from the previous year's audit.

Governors' attention was brought to Appendix E that gave emerging issues in the sector. Hannah Catchpool highlighted the following: impact of IR35 on public authorities and it was noted that the College is currently addressing this; the new gender pay gap reporting requirements and the need to ensure that the data is

collected and published in line with the specified deadline; the latest news on the VAT ruling; and the General Data Protection Regulation (GDPR) which comes into force in May 2018 and the need for the College to ensure it is well-prepared for this. She also alerted Governors to the fraud risk arising from banks splitting accounts and issuing new sort codes and account numbers.

The RSM UK landscape map was circulated to Governors.

Governors were given the opportunity to ask questions and the following points were agreed:

- The College must fully prepare for GDPR coming into force in May 2018;
- The College's designated Data Protection Officer needs to be independent and access relevant training.
- Consent for using data needs to be explicit and the "right to be forgotten" is key. The College needs to be clear about how it uses and shares personal data and for what purpose.
- The College is proposing a separate, explicit data protection declaration that students will sign at enrolment, in addition to their enrolment forms.
- Governors suggested a data audit be undertaken as soon as possible to identify what data the College currently keeps and how it is protected. M Stokes and P Whitehead, with member of the College's Executive, will be leading on this.

The Audit Committee approved the Harlow College Audit Plan for the Year Ending 31 July 2017.

799 Teachers' Pension Scheme Audits

The Audit Committee received a verbal update on the Teachers' Pension Scheme audits, presented by RSM UK.

Governors were informed that there had been issues with finalising the exact scope of the audits, however the detailed testing has been completed, although there may be some minor amendments. The work needs to be finalising by September however this is a sector issue and there is no penalty for late filing of the audit. RSM UK also reported that the wording and engagement letter is standard.

The Audit Committee noted the update on the Teachers' Pension Scheme Audits.

800 Risk Register

The Audit Committee received and reviewed the Risk Register, presented by M Stokes, Deputy Principal. Governors noted that all risks are reviewed by the College's Executive on a monthly basis and currently there are seven high risks, nine medium risks and one low risk.

Governors discussed changes since the last Audit Committee meeting and noted that no new risks have been added and no risks have been deleted from the register. The Committee noted that four risks have been rescored, three with a higher risk score and one with a lower risk score. The Committee also noted that four risks have updated risk control measures and / or sources of assurance.

The Audit Committee requested the Executive to consider adding the General Data Protection Regulation (GDPR) to the risk register and approved the risk register.

801 Annual Fraud Report

The Audit Committee received and considered the annual fraud report, presented by D Morgan, Executive Director – Financial Services. The Committee noted that the College had been subject to a failed fraud attempt where a hoax email had been sent to College suppliers requesting payment to the College.

The Audit Committee noted the report on attempted fraud.

802 Supply Chain Fees and Charges Policy 2017/18

The Audit Committee received and considered the Supply Chain Fees and Charges Policy 2017/18, presented by P Whitehead, Executive Director – Information, Data and Support. The Audit Committee was informed that the policy has been updated from last academic year and that there is no new sub-contracted provision. The last learners undertaking training with Essex County council are due to complete in December 2017.

The Audit Committee approved the Supply Chain Fees and Charges Policy 2017/18.

803 Any Other Business

There were no items of any other business.

804 Dates of Future Meetings and Terms of Reference for the Committee

The Audit Committee received and considered the Audit Committee terms of reference, presented by D Sheridan, Clerk to the Corporation.

The Clerk informed Governors that a new Audit Code of Practice had been issued containing model terms of reference for Audit Committees. The Committee's Terms of Reference will be revised to incorporate the model terms of reference for presentation to the Corporation for approval at its meeting on 13 July 2017. A copy of the Audit Code of Practice will be emailed out to all Audit Committee members.

Governors noted that the Search and Governance Committee will just be a Search Committee from the next academic year, with responsibility for governance elements put to the most appropriate committee. It was proposed that the Corporation's performance against the Code of Good Governance would now be considered by the Audit Committee. The Audit Committee agreed to this and to its incorporation into the Committee's terms of reference.

D Sheridan also informed Governors that a set of performance indicators for managing auditors' performance is to be issued.

The proposed meeting dates for the next academic year are as follows:

Autumn Term	Tuesday 03 October 2017	08.30am
	Thursday 30 November 2017	08.30am
	<i>(joint meeting with the Resources Committee)</i>	
Spring Term	Tuesday 28 February 2018	08.30am
Summer Term	Tuesday 19 June 2018	08.30am