

HARLOW COLLEGE FURTHER EDUCATION CORPORATION

AUDIT COMMITTEE

Minutes of the meeting held virtually on Zoom on Tuesday 21 June 2022

Membership *Paul Bartlett (Chair)
 *Brian Keane
 *Ray Levy
 *Dawn Turner
 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
 Ruth Lucas, Head of Governance

1 Apologies for Absence

Apologies for absence were received from Michael Travers, due to annual leave, and Wendy Martin, Assistant Principal.

Dawn Turner were welcomed to her first Audit Committee meeting as a co-opted member of the Committee and introductions were made.

2 Declarations of Interest

Paul Bartlett declared an interest in agenda items 7 and 8 and informed the Committee that he has accepted a job with Buzzacott, starting in September. Paul Bartlett confirmed that he was not in discussion with Buzzacott around job opportunities at the time Buzzacott were appointed as the College's external auditors. Shachi Blakemore confirmed that she was not involved in the recruitment process. Paul Bartlett confirmed that he had been approached by a recruiter prior to the signing of the 2020-2021 financial statements and that he delayed a conversation with the recruiter until they had been signed off. Shachi Blakemore confirmed that Buzzacott had not instructed the recruiter to contact Paul Bartlett.

Ruth Lucas, on behalf of the Audit Committee, thanked Paul Bartlett for his commitment to the College and the Audit Committee over the years.

3 Minutes of the Previous Meeting

The minutes and the confidential minutes of the Audit Committee meeting held on 8 March 2022 were agreed as an accurate record of the meeting, subject to one typographical change, and were signed remotely by the Chair.

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

4.1 Carbon Management Internal Audit Report (minute 5.2 refers)

Paul Bartlett asked if the College offers sustainability training as part of the

curriculum. Will Allanson reported that this is not offered at present as what is taught is led by the Awarding Organisations however it is being looked at as part of the Carbon Reduction Roadmap. The College is looking at improving its carbon literacy and the Vice-Principals will be undertaking an audit to establish what teams are doing in their curriculum linked to low carbon. The College is looking to offer a carbon literacy and sustainability programme to the local community.

4.2 ESFA Audit Report (minute 6 refers)

Paul Bartlett asked if the ESFA audit is conducted annually. Paul Whitehead reported that colleges are chosen at random so the College could be part of the sample again this year. Paul Bartlett asked if the College would know already if it has been selected for this year and Paul Whitehead reported that colleges get notification of the audit over the summer so it is not yet known if the College is selected again.

4.3 VAT Review (minute 7 refers)

Paul Bartlett asked about the VAT claim and whether it is a one-off. Deanne Morgan confirmed that this is money being claimed to come back into the College and is on-going. The value of the claim fluctuates and there will also be fees payable to the company undertaking the claim on behalf of the College.

Ray Levy asked whether the College is still looking at a special method with HMRC for partial exemption. Deanne Morgan confirmed that this was part of the VAT review and there is no change in what the College is currently doing.

5 Internal Audit Reports

5.1 Cyber Security

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

Governors were informed that the internal audit report on Cyber Security provided Governors with significant assurance that the governance, risk management and control arrangements for the material risks reviewed are managed effectively.

Paul Goddard reported that of all the external threats and risk, cyber security is one of the biggest and that despite giving significant assurance, all risks are not removed.

Paul Goddard reported that the College has a clear accountability framework and clear processes in place.

One medium level and two low level recommendations have been made. The medium recommendation is around a third-party access policy and that the College should formalise its processes and approach into a policy. The low level recommendations were to develop a firewall policy and procedures document and to consider an ongoing cyber security training programme for staff.

Paul Goddard highlighted that updates on the firewall are tested before the update is uploaded. Dawn Turner asked if the updates are patched and if the College waits

to see if more gets updated or if it needs to be fixed. Paul Goddard reported that the College tests the impact of the patch update before rolling it out as the College wants to avoid any glitches with the patch and that the wait to implement the patch fully is not of a significant level. Paul Whitehead reported that the experience in the College's systems department is that if the patch is not fully understood, it creates an inherent risk. The College therefore waits until it fully understands the changes and new approaches before rolling it out. Dawn Turner asked if this approach to patching is across all systems in the College and not just the firewall. Paul Whitehead confirmed that this was correct.

Ray Levy asked if the College's recovery plan was reviewed as part of the audit. Paul Goddard confirmed that back-ups and what is being backed-up was looked at and Ruth Lucas reminded the Committee that a Business Continuity Audit had taken place last academic year.

Paul Bartlett asked if organisations are at greater risk from attacks from Russia given the current climate. Paul Goddard reported that it is anecdotally being reported that there are less however there is no evidence of this.

The Audit Committee noted the internal report on Cyber Security.

5.2 EdTech Annex G Certificate

The Audit Committee received and considered the EdTech Annex G Certificate, presented by Paul Goddard, 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.

The Audit Committee noted the EdTech Annex G Certificate.

5.3 FE Professional Development Grant

The Audit Committee received and considered the internal audit report on the FE Professional Development Grant, presented by Paul Goddard, Scrutton Bland.

Governors were informed that the internal audit report on the FE Professional Development Grant provided Governors with strong assurance that the governance, risk management and control arrangements for the material risks reviewed are managed effectively.

Governors were informed that this audit was requested by the College however there is no formal audit requirements on the project specified by the DfE.

Paul Goddard reported that the audit concluded that the delivery and evidence supplied confirmed compliance with the grant conditions.

One value added point was raised around using a system for automated timesheet recording.

The Audit Committee noted the FE Professional Development Grant internal audit

report.

5.3 Internal Audit Progress Report

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

Governors were informed that the learner recruitment has been rescheduled to September 2022 at the College's request however it will still be incorporated in the Internal Audit Annual Report for 2021 – 2022.

The learner records and key financial controls audits will take place in July 2022 as planned.

The Audit Committee noted the internal audit progress report.

6 Audit Tracker

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

Paul Whitehead informed the Committee that the ESFA audit recommendations have been combined and added into the audit tracker and confirmed that all actions from the ESFA audit have been completed.

Governors noted that good progress is being made with the outstanding internal and external audit recommendations.

The Audit Committee approved the audit tracker.

7 Internal Audit Plan 2022/23

The Audit Committee received and considered the Internal Audit Plan 2022/23, presented by Paul Goddard, Scrutton Bland.

Paul Goddard reminded Governors that opinions need to be made on assurance, risk management, governance, internal control, value for money, safeguarding of assets and solvency, as stated in the Audit Code of Practice (ACoP).

Paul Goddard reported that the plan has had input from senior management at the College.

Governors' attention was brought to Section 4 which maps out the College's key risks to potential or previous internal audit coverage.

Appendix A sets out the proposed audits for 2022/23 and Governors noted that there are fewer but larger audits and that there are contingency days in the plan so additional audits can be undertaken.

An EdTech Annex G audit is contained with the plan however the value of the contract is only £22k. Paul Bartlett asked if colleges should be pushing back on small value grants requiring audit as it is not a good use of public funds. This was agreed by Shachi Blakemore and Paul Goddard. Ruth Lucas reported that it is a condition of being

awarded the funding and audit costs are always costed into a project. Shachi Blakemore confirmed that this being raised at an auditors' FE forum.

Paul Goddard reported that other colleges are requesting in-year funding audits and that reporting requirements are changing with some funding, such as the change from 20% of the job training for apprentices to 6 hours per week off the job training. Paul Whitehead reported that changes to apprenticeship rules are difficult to manage and that there are a number of different systems and reporting that are impacted by such changes. Analytical skills and oversight of all the systems are needed to manage this.

Paul Bartlett asked whether an audit on the impact on the budget and forecasts due to the uncertainties in the economy and inflation and the associated reporting around this and testing on the robustness of systems should be undertaken. Deanne Morgan reported that this is a big risk and an uncertain area for the College and it could be part of a budgetary control audit. Paul Bartlett also asked whether this should be on the risk register. Paul Whitehead reported that the College's non-staff budget is a small proportion of its overall costs.

Paul Bartlett asked if funding clawback, especially Adult Education Budget funding, is always likely. Deanne Morgan reported that the College is always paid to contract for the AEB therefore only keeps what it has earned. Paul Whitehead highlighted there are two different types of clawback – AEB clawback where the income has not been earned and clawback when errors are identified as part of an audit process.

Shachi Blakemore reported that all external auditors are telling colleges that they will take assurance from internal auditors on learner records and they are asking for colleges to do some learner record checks each year through the internal audit plan. Paul Bartlett asked if an annual review is required. Shachi Blakemore reported that a risk-based approach should be taken and that good practice is learner record audits on a rotational basis, focusing on different areas each year. Paul Whitehead confirmed that the College has chosen to have a learner records audit annually which focuses on different areas each year and there will always be provision in the internal audit plan for such an audit.

The Audit Committee approved the Internal Audit Plan for 2022/23 and agreed to recommend it to the Corporation at its meeting on 7 July 2022.

8 External Audit Strategy

The Audit Committee received and considered the External Audit Strategy, presented by Shachi Blakemore, Buzzacott.

Governors were informed that the audit approach and timing is similar to last year's audit and confirmed that there have been no significant changes to accounting processes.

The audit will test the clawback provision, ensuring it is at the right level and there will be some testing of the ILR however reliance will be placed on internal audit work.

The College is expecting a deficit this year and Shachi Blakemore reported that colleges are in a similar position and reporting the same issues with rising costs adding to the bottom line.

Buzzacott has looked at the expected outturn for 2021/22, the position with the bank covenants and the forecast position for next year. There is a need to understand the

sensitivities in the budget and ensure there is enough of a cushion to pay the liabilities. This risk is currently bigger than it was during Covid.

Shachi Blakemore highlighted that the Office for National Statistics (ONS) review of the classification of colleges is a sector issue. The review will look at bringing colleges back into the public sector. This could lead to greater accessibility to funds and VAT relief however there could be limitations on what can be borrowed.

Paul Bartlett asked if colleges were brought back into the public sector, would the Government guarantee the LGPS. Shachi Blakemore reported that the LGPS liability is on the balance sheet and that some organisations report on the income and expenditure statement the position before the pension adjustment, the pension adjustment and then the total. Shachi Blakemore agreed to share examples of this with Deanne Morgan.

The Audit Committee endorsed the External Audit Strategy for Harlow College for the year ending 31 July 2022.

9 Audit Code of Practice 2021-2022

The Audit Committee received and considered the report on the Audit Code of Practice (ACoP) 2021-2022, presented by Ruth Lucas, Head of Governance.

Ruth Lucas reported that the ACoP is published annually by the ESFA and this version was released in April 2022 and is applicable from 1 August 2021. The ACoP focuses on protecting the College's funding and assets, meeting legal obligations and fraud.

Ruth Lucas presented the changes to this edition of the ACoP and highlighted the main ones that are most relevant currently to the Audit Committee, including the reference to the ESFA's guidance on the scope of work of audit committees and internal auditors in college corporations which has already been circulated. Ruth Lucas reminded Governors of the requirement for Audit Committee members to undergo training and development and encouraged Governors to access training through the new ETF portal once it is live.

The Audit Committee reviewed the Audit Committee's Terms of Reference and noted the proposed additions in red. Governors requested an extra bullet point on providing oversight of the College's risk management processes, risk policy and risk register.

The Audit Committee approved the Audit Committee's Terms of Reference for 2021/22 and noted the report on the new Audit Code of Practice.

10 Regularity Audit Self-Assessment Questionnaire Review

The Audit Committee received and considered the Regularity Audit Self-Assessment Questionnaire Review, presented by Deanne Morgan, Executive Director – Finance.

Deanne Morgan reminded Governors that the Self-Assessment Questionnaire is reviewed each time the Committee meets and reported that the latest updates are highlighted in blue.

Governors' attention was brought to the outstanding insurance claims. The College did not claim for the damage caused by Storm Eunice as the value was in line with the policy excess. There are two personal injury claims, one of which has been confirmed

will be covered by the insurance.

The College is currently tendering for its insurance through an FE consortium with the view to achieving savings rather than going through an insurance broker.

The Audit Committee noted the Regularity Audit Self-Assessment Questionnaire Review.

11 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 no risks have been added to the risk register since the Audit Committee's last review of the register.

One risk has been deleted from the register since the Audit Committee's last review of the Risk Register, as follows:

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

This risk has been deleted as it has come to pass.

Two risks have been revised with a higher risk score since the Audit Committee's last review of the Risk Register, as follows:

- Risk 13 - Sustainable and affordable model for continued use of IT
The risk score has increased from 6 to 9 due to increased costs and availability of IT equipment
- Risk 15 – Recruitment of learners on HE programmes and compliance with OFS regulation.

The risk score has increased from 6 to 8 due to a decline in HE student applications for 2022-23

One risk has been revised with a lower risk score since the Audit Committee's last review of the Risk Register, as follows:

- Risk 14 - COVID-19 local outbreaks impact on onsite delivery causing large scale move to online learning.

The risk score has decreased from 15 to 8 due to COVID the changes in approach by the government and reduced ability to monitor and take action and previous lessons learnt in regard to online learning.

One risk has had the risk wording updated but the risk score remains the same

- Risk 7 - Risk from BMAT sponsoring the UTC (BMAT STEM) in terms of change in nature. This is due to the proposed plan for BMAT STEM to have a 120 place 6th form and the New Sir Frederick Gibberd College and competition from private training providers for apprenticeships.

Paul Bartlett highlighted that some of the sources of assurances need to be updated and Paul Goddard suggested adding in other third party sources of assurance. It was agreed that this will be done by the next Audit Committee meeting.

Paul Goddard reported that other colleges are adding a risk to their risk registers around the work level for senior management and mental health.

The Audit Committee considered the Risk Management Policy. Governors noted that there were no proposed changes to the Policy.

Paul Goddard asked about the College's risk appetite statement and if this was risk tolerance stated in the policy. Paul Whitehead confirmed that it was. Paul Goddard highlighted that some colleges have broken down their risk appetite into different categories of risk.

The Audit Committee approved the Risk Register and the Risk Management Policy and agreed to recommend them both to the Corporation for approval at its meeting on 7 July 2022.

12 Fraud Report

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

The Committee noted that there has been no fraud or fraud attempts against the College since the last Audit Committee meeting which shows that the College's firewall and IT systems are working well and fraudulent financial requests are not being received.

Paul Goddard reported that some organisations are experiencing external perpetrators phoning in saying they cannot come into college and getting personal data disclosed to them. Ruth Lucas confirmed that any attempts like this would be covered in the data breach report.

Deanne Morgan confirmed that fraud training for staff is carried out regularly.

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 have been no new data breaches since the last Audit Committee meeting.

The Audit Committee noted the Data Breach Report.

14 Any Other Business

Deanne Morgan reported that the TPS certificate has been submitted and is being audited.

15 Dates of Future Meetings and Committee Business Plan

The Audit Committee received and approved the dates of future meeting and the Committee's business plan.

Ruth Lucas reported that Audit Committee meetings will remain virtual next academic year, as attendance has increased and it reduces the amount of time required by the external and internal auditors as they do not need to travel to Harlow for the meetings.

Key Points From The Meeting For Corporation:

1. Internal Audit Strategy

To receive and approve the Internal Audit Strategy for 2022 – 2023.

2. Review of the Risk Register and Risk Management Policy

To review and note the current Risk Register and to review and approve the Risk Management Policy.