HARLOW COLLEGE FURTHER EDUCATION CORPORATION

AUDIT COMMITTEE

Minutes of the meeting held virtually on Zoom on Tuesday 22 June 2021

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

In attendance	Shachi Blakemore, Buzzacott
	Paul Goddard, Scrutton Bland
	Paul Whitehead, Vice-Principal
	Ruth Lucas, Head of Governance

1   Apologies for Absence

Apologies for absence were received from Deanne Morgan.

Brian Keane, Michael Travers and Shachi Blakemore were welcomed to their first Audit Committee meeting and introductions were made.

2   Declarations of Interest

Michael Travers declared that he is a staff governor and the Committee agreed that it is still comfortable with a staff governor being a member of the Committee.

3   Minutes of the Previous Meeting

The minutes and the confidential minutes of the Audit Committee meeting held on 02 March 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.

5   Internal Audit Reports

5.1   Policy Framework and Financial Regulations

The Audit Committee received and considered the internal audit report on Policy Framework and Financial Regulations, presented by Paul Goddard, Scrutton Bland.

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

Two low level recommendations had been made – one linked to the policy framework where one policy was found to be out of date and one linked to a review

of the College's Financial Regulations. Paul Goddard reported that the College has a relatively short set of Financial Regulations, underpinned by a number of separate procedures. Best practice examples have been shared with Deanne Morgan and a full-scale review of the College's Financial Regulations will take place next academic year.

Paul Bartlett asked if there had been any changes to policies due to the impact of COVID. Paul Whitehead provided an overview of approval systems that the College has in place and confirmed no changes to policies had been required. Paul Bartlett asked how secure the process was and Paul Whitehead confirmed that the Principalship is comfortable with the validation process and checks that are in place. Brian Keane confirmed that Harlow Council has the same approach to approvals as the College and has not adapted any of its policies in light of COVID.

The Audit Committee noted the internal report on Policy Framework and Financial Regulations.

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 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   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 audit plan has changed and evolved throughout the academic year, with some movement in the timings of audits and with some audits not taking place as originally planned due to the challenges presented by COVID.

The Audit Committee noted the remaining audits due to take place this academic year as follows:
- Funding Assurance – the remit has been expanded to cover apprenticeships and classroom-based learning.
- IT Infrastructure – additional days have been allocated to this audit.
- VAT Work – this is a separate piece of work to internal audit which Scrutton Bland is undertaking.
- Carbon Reduction – Scrutton Bland are offering some consultancy work on this over the Summer.

The Audit Committee was asked if they felt the remaining audits were the right ones to be undertaking and Governors confirmed that they were happy with the proposed audits.

The Audit Committee noted the internal audit progress report and approved the

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amendment to the internal audit plan for the current academic year.

6   Internal Audit Tracker

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

Paul Whitehead informed the Committee that the tracker currently only contained three recommendations. Recommendation one – apprenticeship 20% off the job hours recording has been a significant undertaking however good reporting systems have been set up and good progress has been made. Recommendation two – fixed asset register work is underway. Recommendation three – Business Continuity Plan scenario testing is being planned.

Ray Levy asked if a series of scenario testing is planned or whether it would be a one-off. Michael Travers confirmed that a series of testing is planned for next academic year.

Paul Bartlett highlighted the tracker containing only three outstanding recommendations and thanked Paul Whitehead and his team for their work on this.

The Audit Committee approved the audit tracker.

7   Internal Audit Plan 2021/22

The Audit Committee received and considered the Internal Audit Plan 2021/22, 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 highlighted Section 4 which details the College's highest risks and Section 5 which maps previous years' audit coverage and areas which have not yet been audited by Scrutton Bland.

Brian Keane asked why the audit in 2015/16 on the impact of employer engagement on college income has not been revisited considering the audit only gave a reasonable assurance opinion. Governors were informed that this audit has evolved over the years into different titles and that learner recruitment has been covered in a number of ways in different audits.

Paul Goddard presented Appendix A which details the draft proposed Internal Audit Plan for 2021/22, broken down into key risks audits and regulatory, compliance audits.

Governors were informed that a Key Financial Controls audit has not been included in the Internal Audit Plan as clear assurance has been given in previous years. Paul Bartlett asked the Committee if they were comfortable not having a Key Financial Controls audit next year and the Committee agreed that it was.

Paul Whitehead reported that management had requested an Examinations and Joint Council for Qualifications Compliance audit due to the significantly high number of examinations held by the College, the need to ensure that the College's controls and systems are strong and to ensure access arrangements for individual learners are in

place and appropriate.

Governors noted that the Plan is smaller than in previous years and if it were to get any smaller, a question would be raised about the viability of the Plan.

Paul Bartlett asked for further details on audit areas that have not been previously reviewed as detailed within the Plan. Paul Whitehead confirmed that these are areas that had been considered for audit but have not been included in the 2021/22 plan. Paul Goddard reported that these are audits which are being undertaken by other college clients but are not in Harlow College's 2021/22 plan.

Paul Goddard provided details on what the remit could be for some of the audits not included in next year's plan and Paul Whitehead reported as follows:

- Office for Students – the College's higher education provision is very small and regulatory compliance is overseen by two Vice-Principals. It is not seen as a significant risk to the College as higher education provision is not large-scale across the College.

- English and Maths – this is overseen rigorously by the Standards and Curriculum Committee with regular reports on quality and curriculum feeding into this Committee. There are no significant areas of concern for the College meeting the condition of funding, therefore from a systematic audit perspective, it is felt such an audit is not required at present.

- Health and Wellbeing – a lot of work has been undertaken on staff and student health and wellbeing and this area has had a lot of scrutiny recently.

- Management Information – not needed at present.

Ray Levy asked whether internal audit has covered information provided to the Corporation and Committees and it was confirmed that this is often picked up in other audits as part of the testing.

The Audit Committee approved the Internal Audit Plan for 2021/22 and agreed to recommend it to the Corporation at its meeting on 8 July 2021.

8   External Audit Strategy

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

Governors were informed that the main aspects of the Strategy are the issues of audit significance as set out on pages 8 – 12 of the Strategy. Governors were reminded that the Strategy is a forward looking, with a big emphasis on going concern, proving the organisation is viable for twelve months from the date of signing the accounts, cash flow and budgets. Shachi Blakemore reported that the audit profession is under increased scrutiny around going concern assessments therefore more pertinent questions will asked during the audit than previously.

Governors were informed that testing will be undertaken across all financial aspects, not just focusing on the areas of higher risk.

Shachi Blakemore reported that this year the ESFA has changed some of their expectations. Historically external auditors placed reliance of the ESFA funding reconciliation which provided assurance on income recognition. This ESFA assurance has been removed and discussions are taking place with the ESFA around what assurances are required. External auditors will need to be satisfied that income has been correctly recognised and not overstatement in the financial statements. Shachi Blakemore highlighted how they would approach this which includes placing reliance on the work of internal audit.

Shachi Blakemore highlighted that the Audit Code of Practice (ACoP) now states that external audits should present their audit findings report to the Corporation. Generally auditors would attend the December Audit Committee meeting and only attend the December Corporation meeting if any significant issues arose as part of the audit. The ESFA were asked for the rationale for this new requirement and it was reported that across the sector audit findings reports were not always being shared with Corporation members. A discussion was held around this requirement and how the College could ensure it was compliant with the ACoP. It was agreed that Buzzacott would be invited to attend the Corporation meeting virtually solely to present the Audit Findings Report.

Paul Bartlett requested that any concerns are raised and pieces of information required requested as soon as possible throughout the audit to ensure there are no last-minute surprises, changes or issues with timescales. Shachi Blakemore reported that the biggest area is cashflow and ensuring the College will be solvent for twelve months from the date of signing the accounts. Key to this will be understanding the sensitivities used and what the worst-case scenario is. Additional information may be required to sign off the accounts and this will be requested as soon as possible.

The Audit Committee approved the External Audit Strategy for Harlow College for the year ending 31 July 2021.

9   **Audit Code of Practice 2020-2021**

The Audit Committee received and considered the report on the Audit Code of Practice (ACoP) 2020-2021, 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 March 2021 and is applicable from 1 August 2020. The ACoP focuses on protecting the College's funding and assets, meeting legal obligations and fraud.

Ruth Lucas presented the nineteen changes to this edition of the ACoP and highlighted the main ones that are most relevant currently to the Audit Committee, including extra requirements in the Annual Report of the Audit Committee and training and development being offered to Audit Committee members. Ruth Lucas also highlighted the requirement of the external auditors to present their Audit Findings Report to the Corporation as discussed in the previous agenda item.

The Audit Committee reviewed the Audit Committee's Terms of Reference and noted the proposed additions in red.

The Audit Committee approved the Audit Committee's Terms of Reference for 2020/21 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 Paul Whitehead, Vice-Principal.

Ruth Lucas informed Governors that the Regularity Self-Assessment Questionnaire is presented to the Audit Committee annually in October and it covers the previous academic year. The Committee had previously agreed it would be useful to review the Questionnaire in-year so that any potential issues arising can be dealt with in-year. This review is therefore an interim in-year review.

Governors noted that the sections highlighted in green were new additions to the Questionnaire and Paul Whitehead highlighted the following additions:
- The new loan has been secured and is in place. This has been reported to the ESFA and the matter has been closed with the ESFA.
- Disclosure and Barring Re-Checks for Governors will take place slightly later than planned due to COVID.
- Academic fraud is reported to the Standards and Curriculum Committee where appropriate.
- Cyber security has been a main area of concern and Paul Whitehead provided Governors with an overview of recent actions taken by the College.

Shachi Blakemore confirmed that part of their audit work will be testing the responses to the questions in the Questionnaire.

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, deleted from or rescored on the risk register since the Audit Committee's last review of the register. The risks are appropriately scored at present and Governors noted that the biggest risk remains the impact of college closures due to COVID.

Michael Travers asked if a residual risk score should be included on the register, once risk control measures have been taken into consideration. Paul Whitehead confirmed that this had previously been explored however it was decided that the key focus should be on the underlying risk that is presented to the College. The College should maintain a focus on reducing risk for the organisation however it should not be reliant on measures that reduce risk. There is also a need to keep the register as simple and clear as possible. Brian Keane confirmed that similar discussions have taken place at Harlow Council and that he agreed with the approach the College is taking. Brian Keane also confirmed that Harlow Council risks and scores have also remained unchanged.

Paul Bartlett asked Paul Goddard and Shachi Blakemore if there is anything they have seen on clients'' risk registers that the College has missed. Paul Goddard reported that staff capacity and resilience to manage risks is implicit in a number of risks and this is an area some colleges are struggling with. Paul Goddard reported that he felt there was nothing missing from the College's risk register and thought the COVID rescoring on the register was helpful. Shachi Blakemore reported that the College's response to risks is

key and that cyber security conversations should be taking place to plan for when an attack happens, not if an attack happens. Paul Whitehead confirmed that scenario testing as part of the Business Continuity Plan processes has been discussed in detail by senior management and the College is working on a "when" basis not a "not if" basis. Paul Bartlett asked if colleges who have had cyber security attacks have shared their lessons learnt. Paul Whitehead confirmed that some had and the College recognises the need to look at how it quickly gets back on track when such an attack occurs.

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

Paul Goddard asked whether the College's risk appetite remains as detailed in the Policy and whether reviews of the risk register have taken place throughout the year. Paul Whitehead confirmed that the current maximum risk tolerance of 20 still applies and that the risk register is reviewed regularly, with higher risks being reviewed more regularly, some even daily, therefore the reviews have taken place as described.

Paul Whitehead reported that there could be a change of focus from risk appetite to an opportunities register, as appetite is linked to choice, such as whether to proceed with capital projects. Paul Bartlett confirmed that he supported the idea of an opportunities register and Paul Goddard offered to share some models with the College.

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 8 July 2021.

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.

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 Paul Whitehead, Vice-Principal.

The Committee noted that there have been three data breaches this academic year to date, two of which have occurred since the last Audit Committee meeting. Internal risk assessments were undertaken and the breaches were assessed as non-reportable to the Information Commissioner's Office. Governors were informed that swift action is taken by the College when a data breach or a potential data breach occurs.

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 and Committee Business Plan

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

Paul Bartlett requested that Audit Committee meetings 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. This will be considered in the planning for next year.

Key Points From The Meeting For Corporation:

1. **Internal Audit Strategy**
   To receive and approve the Internal Audit Strategy for 2021 – 2022.

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.