

HARLOW COLLEGE FURTHER EDUCATION CORPORATION

AUDIT COMMITTEE

Minutes of the virtual meeting held on Tuesday 23 June 2020

Membership	*P Bartlett (Chair) – present until agenda item 960 *C Chatt A Durcan *R Levy – Chair from agenda item 960 onwards *L Lin
*denotes present	
In attendance	N Cattini, RSM UK P Goddard, Scrutton Bland W Allanson, Deputy Principal P Whitehead, Vice-Principal D Morgan, Executive Director – Finance and Facilities R Lucas, Head of Governance

950 Apologies for Absence

No apologies for absence were received from A Durcan.

951 Declarations of Interest

C Chatt declared that he is a staff governor.

952 Minutes of the Previous Meeting

The minutes and the confidential minutes of the Audit Committee meeting held on 03 March 2020 were agreed as an accurate record of the meeting and were signed by the Chair.

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

There were no matters arising.

954 Internal Audit

954.1 Payroll

The Audit Committee received and considered the internal audit report on Payroll, presented by P Goddard, Scrutton Bland.

Governors were informed that the internal audit report on Payroll provided Governors with strong assurance that the governance, risk management and control arrangements for the material risks reviewed are managed effectively and that no recommendations had been made. One added value point had been raised with regards to producing a procedures manual for staff which informs them of the College's policy for payroll.

Governors were informed that there are opportunities with regard to automation of the system, with software being available to automate the processing of timesheets, processing expenses etc,

P Bartlett asked management what challenges lockdown had presented in terms of financial procedures and controls. D Morgan informed the Committee that the College had moved over to a number of electronic processing systems before lockdown commenced, including remote access to the network. D Morgan highlighted the procedure for payroll sample checking which now includes a photo or email of the evidence form the sample which is approved and then signed-off by a member of the Principalship. Payroll numbers are shared when sample checking rather than staff names. D Morgan reported that all staff have access to the HR system which is individually password protected and staff are responsible for updating their own details on the system.

P Bartlett asked if any other financial controls had been encountered during lockdown. D Morgan reported that RSM had produced a series of fraud bulletins which are being presented to the Committee as part of agenda item 961 – Report on Fraud Against The College. D Morgan reported that risks have been assessed for working remotely and systems have been put in place to ensure the College is not exposed to increased risks where ever possible.

The Audit Committee noted the internal audit report on Payroll.

954.2 High Needs Learners

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

Governors were informed that the internal audit report on Payroll provided Governors with significant assurance that the governance, risk management and control arrangements for the material risks reviewed are managed effectively and that three low level recommendations and one added value point had been made.

P Goddard provided the Audit Committee with some background to high needs funding with the move away from the ESFA issuing the funding to the Local Authorities doing so.

P Goddard reported that the College has 123 high needs funded learners with £1.7m of associated funding per annum. This is a significant amount of funding and support provided and it is key that the College has good reporting procedures to track activity and costs as the Local Authority does not routinely undertake audits however it is always a possibility that they could do. The focus of this audit was therefore to ensure that the College's data was robust for internal use and if required for an external audit.

P Goddard highlighted that the first two recommendations could potentially have a low level funding implication of approximately £10k however the funding has not necessarily been received for this yet. The first recommendation highlighted a variance in costing rates being applied. An individual at a higher staff level has been costed at a much higher rate and could be seen as an outlier. Close review of this has been suggested with potential moderation of the rate used. The second recommendation is linked to some potential double counting during the first few weeks of the reporting period and it is possible that the College has over-claimed. The third recommendation was around the

forecast at the being of the year and what the level of need is. The College has forecast between £11k - £20k of funding to support some learners, however this has not yet been communicated with the Local Authority. A process of notifying changes would be beneficial.

P Goddard reported that lots of evidence had been supplied by the College and that team had been excellent throughout the audit.

P Bartlett asked is there a risk of the College not being able to deliver and meet the needs of its high need funded learners at the current time due to COVID-19 and is the College at risk of funding clawback. P Whitehead reported that Essex County Council had confirmed that the College will receive the full amount of funding agreed and D Morgan highlighted the public procurement notice 20 which obligates organisations to pay their suppliers. P Whitehead also confirmed that the College is continuing to support all of these students online whilst the campus is closed. Positive relationships had already been built with students and staff and this has helped to facilitate the move to online support for these learners. P Whitehead reported that planning is in place of next academic year and that the College is working with the local authorities to finalise numbers and funding and the local authorities have confirmed that they will accept virtual support for the learners as well as face-to-face support next academic year.

R Levy asked if an automated payroll system would help address the recommendations raised in this report however P Goddard reported that this would probably not be the case.

The Audit Committee noted the internal audit report on High Needs

954.3 Anti-Fraud and Whistleblowing

The Audit Committee received and considered the internal audit report on Anti-Fraud and Whistleblowing, presented by P Goddard, Scrutton Bland.

Governors were informed that the internal audit report on the Anti-Fraud and Whistleblowing provided Governors with significant assurance that the governance, risk management and control arrangements for the material risks reviewed are managed effectively and that one low level recommendation had been made.

P Goddard reported that Scrutton Bland undertake a large number of these type of audits with varying quality amongst its clients however he reported that the College has a clear, well-embedded framework in place. P Goddard reported that awareness and accessibility of the documentation is good within the College however how does the College keep its profile up and empower people to use the systems? This forms the basis the recommendation for annual refresher training.

The Audit Committee noted the internal audit report on the Anti-Fraud and Whistleblowing. .

954.4 Single Central Record

The Audit Committee received and considered the internal audit report on the Single Central Record, presented by P Goddard, Scrutton Bland.

Governors were informed that this audit was a follow-up audit and was the first internal audit undertaken in lockdown. P Goddard thanked the team for ensuring the smooth running of the audit.

P Goddard reported that the three recommendations raised at the previous audit have been implemented and two low level recommendations have been raised as a result of the follow-up audit.

P Goddard reported that the first recommendation is around the time taken between the DBS certificate being issued to the staff member and HR seeing a copy and removing the staff member from the risk assessment procedure. The case identified in this audit was a member of staff at Stansted Airport College therefore the system for getting records from and to both sites needs to be looked at. The second recommendation is the implementation of the 5-year renewal DBS checks for staff. In the sample tested, there was one individual who have gone over the 5-year period and it is recommended that in order to get a timely response to the request for a DBS recheck, the request should be sent out earlier by HR. W Allanson reported that HR would historically have chased the individuals in both these cases however there has been a change in strategy and requests will be escalated to line managers.

The Audit Committee noted the internal audit report on the Single Central Record.

954.5 Internal Audit Progress Report

The Audit Committee received the internal audit progress report, presented by P Goddard from Scrutton Bland.

The Audit Committee was informed that Scrutton Bland had completed the vast majority of the internal audit plan prior to lockdown and that one audit had been completed during lockdown. Governors were informed that the learner records and T-Levels audits had not taken place due to the ESFA audit that took place in Autumn 2019 and due to lockdown. P Goddard confirmed that these days will not be charge for by Scrutton Bland. Despite this, a comprehensive audit plan has been completed by Scrutton Bland with all audit reports having been finalised and presented to the Audit Committee.

The Audit Committee noted the internal audit progress report.

955 Internal Audit Tracker

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

Governors were informed that the audit cracker contains the recommendations from internal audit, external audit and the ESFA audit. Governors were informed that summary progress tables had been produced for each one of these audit areas.

P Whitehead reported that actions were still being completed and P Bartlett asked if

COVID-19 had posed any challenges in getting actions completed. P Whitehead reported that overall COVID-19 has not had an impact on implementing the recommendations however W Allanson confirmed that the College has had to change its health and safety focus to ensure that the College is COVID-19 compliant therefore some of the timescales have slipped for other health and safety recommendations.

The Audit Committee approved the audit tracker.

956 Internal Audit Plan 2020/21

The Audit Committee received and considered the Internal Audit Plan 2020/21, presented by P Goddard, Scrutton Bland.

P Goddard informed the Audit Committee that following on from the last Audit Committee meeting, a discussion had been held with College management and Scrutton Bland around the College's internal audit requirements going forward, with more of a focus on consultative and advisory audits, along with the sharing of best practice.

Governors' attention was brought to Section 4 of the proposed plan which maps proposed audit coverage against the College's pre COVID-19 risk register. Section 5 details audit coverage in previous years and Appendix A details the proposed audit areas for 2020/21. The proposed audits were highlighted and P Goddard indicated those with more of an advisory, consultative or added value remit, as detailed in the plan. P Goddard confirmed that two of the initially proposed audits had been removed at management's request so as to provide more contingency days, seven in total. This is due to funded project audits which will need to be completed during the year and to allow flexibility in the plan to undertake additional audits as required.

P Goddard thanked P Whitehead and R Lucas for their support in developing the proposed plan.

P Bartlett asked the Audit Committee for their views on the proposed plan. P Bartlett highlighted he was pleased to see cash flow management included in the plan and asked if the remit would include an assessment of the accuracy of information received by Governors. P Goddard confirmed it would look at forecasts against actuals and what reporting mechanisms are in place.

P Bartlett asked about the timing of the audits throughout the year and highlighted that it would be useful to have the cash flow management and business continuity audits early in the year. P Goddard and P Whitehead reported that the next stages, after the plan has been approved by the Corporation, is to identify dates for the audits to take place. D Morgan confirmed that an Autumn Term cash flow management audit would be possible as long as the dates did not clash with external audit.

C Chatt asked if the student attendance, participation and progress monitoring audit would cover learners who are learning online in addition to face-to-face learning. P Whitehead confirmed that there has been a management briefing on timetabling and delivery models for next year and that a key focus of the staff development day taking place on 24 June 2020 will be on online teaching and learning. P Whitehead also confirmed that the attendance recording systems are for online and on campus attendance and systems are currently being worked up and tested.

The Audit Committee approved the Internal Audit Plan for 2020/21 and agreed to recommend it to the Corporation at its meeting on 09 July 2020.

957 External Audit Strategy

The Audit Committee received and considered the report on the External Audit Strategy for the year ending 31 July 2020 presented by N Cattini from RSM UK. Governors noted that the Audit Plan was developed after an initial planning meeting with the College and a detailed programme will now be put in place.

N Cattini highlighted that pages 1 – 5 are similar in format to previous years and governors' attention was brought to page 6 which detailed the audit risk summary as follows: income recognition; management override; pension scheme liabilities; going concern and COVID-19; going concern and bank loans and donated assets.

Particular attention was brought to page 9 which provided more details on the going concern and COVID-19 risk. N Cattini acknowledged that this will have an impact on how the audit is conducted and the judgment on College management and the Corporation particularly in relation to going concern. Operational budgets and cash flows could contain a significant amount of uncertainties and volatilities due to the ever-changing situation. This area will be kept under review and at present the full impact for the College and the levels of disclosures required are not yet known. This will be a big area of focus for the audit and will look in detail at the material risks and uncertainties linked to COVID-19.

Particular attention was also brought to page 9 which provided more details on the going concern and bank loans risk. N Cattini highlighted the loan balloon payment which is due in May 2021 which will be presented as a short-term liability in the accounts. N Cattini acknowledged that the College has been in early discussions with the bank and it is the College's and bank's intention to negotiate and extend the facility beyond May 2021. This will be kept under review and at present is a source of material uncertainty.

N Cattini highlighted the donated asset of the UCH building, the value of which has been calculated on a depreciated, specialist cost basis. N Cattini confirmed that management are putting together documentation for validating the valuation given to the asset. R Levy asked what the particular risk associated with this is. N Cattini confirmed it is the materiality of the valuation of the asset as it is of significant value and increased sensitivity and therefore it is considered to be high risk in terms of financial risk reporting.

N Cattini highlighted the fee proposal on page 10 which includes a 3% inflationary uplift. The going concern costs have been split out as the full impact of this is difficult to predict at present.

N Cattini also highlighted the section confirming RSM UK's independence.

The Audit Committee was invited to ask questions.

P Bartlett asked if it was envisaged that the audit will take place on site. N Cattini reported that RSM UK are taking a risk averse approach and that audits are currently being planned to take place remotely.

The Audit Committee approved the External Audit Strategy for Harlow College for the year ending 31 July 2020.

958 Audit Code of Practice 2019-20

The Audit Committee received and considered the report on the Audit Code of Practice, presented by R Lucas, Head of Governance.

R Lucas highlighted that the Audit Code of Practice focuses on protecting the College's funding and assets, meeting legal obligations and fraud.

R Lucas informed the Committee that the Code is released annually in February and is applicable from start of the academic year in which it is released. R Lucas reported that to date the Code has not been released for the current academic year therefore this report presents the Code released in February 2019.

R Lucas reported that due to the Code not yet having been released for this academic year, the College is using the February 2019 edition and the proposed Committee's Terms of Reference for next academic year remain as agreed last year. The Audit Committee noted that when a new version is released, the College's approach and the Committee's Terms of Reference may need to be updated.

P Goddard reported that the Code is currently under ministerial review and was due to be published in June. It is envisaged that no proposed significant changes would be proposed. N Cattini reported that a supplementary bulletin in relation to COVID-19 is expected.

The Audit Committee was given the opportunity to ask questions.

The Audit Committee reviewed and approved the Audit Committee's Terms of Reference for 2020/21 and noted the report on the new Audit Code of Practice.

959 Regularity Audit Self-Assessment Questionnaire Review

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

D Morgan informed the Audit Committee that the regularity audit self-assessment questionnaire is reviewed throughout the year and that updates and amendments were highlighted throughout the document.

D Morgan highlighted the sections that reported the College's donated items in relation to COVID-19 and informed Governors that the income and expenditure linked to this is recorded in a separate cost centre. D Morgan also highlighted that the IT commentary has been updated, with additional software having been purchased. There has been no security breaches, no further insurance claims since August 2019 and no ex-gratia payments made to date.

The Audit Committee noted the review of the regularity audit self-assessment questionnaire.

960 Risk Management

The Audit Committee received and reviewed the COVID-19 Risk Register, the COVID-19 Risk Assessment, the Risk Assessment Outcome Summary and the Risk Management Policy. presented by P Whitehead, Vice-Principal.

P Whitehead informed Governors that the College's Risk Register has been paused and a new COVID-19 Risk Register has been developed, split into five key themes – staff; students; campus; finance and curriculum.

P Whitehead highlighted the COVID-19 Risk Assessment which is the College's action plan for reopening the campus and the Risk Assessment Outcome Summary.

R Levy asked whether there was any external guidance on pausing the College's risk register. P Whitehead reported that it was the College's decision to focus on the most pressing risks relating to the College's current situation and that the paused risk register will be reviewed next academic year with a view to combining the two. R Lucas confirmed that the approach taken by the College is consistent with other colleges across the region.

P Goddard asked about scoring on the COVID-19 Risk Register, P Whitehead reported that there is scoring in the COVID-19 Risk Assessment and summarised in the Risk Assessment Outcome Summary.

R Levy asked where the Risk Assessment Outcome Summary would be published and it was confirmed that this would be on the College's website.

The Audit Committee reviewed the Risk Management Policy and approved the proposed amendment to the Policy, which allows for an additional risk register to be produced in exceptional circumstances.

The Audit Committee discussed and approved the COVID-19 Risk Register, the COVID-19 Risk Assessment, the Risk Assessment Outcome Summary and the Risk Management Policy and agreed to recommend them to the Corporation for approval at its meeting on 09 July 2020.

961 Report on Fraud Against the College

The Audit Committee received and considered the fraud report, presented by D Morgan, Executive Director – Finance and Facilities. .

The Committee noted that there has been one attempted fraud since the last Audit Committee meeting however this attempt was unsuccessful. The College's protocols and procedures were followed and no information was released.

The Audit Committee's attention was brought to the fraud appendices which had been produced by RSM UK. D Morgan confirmed that they had been reviewed in detailed by the Finance Team.

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

962 Data Breach Report

The Audit Committee received and considered the Data Breach Report, presented by P Whitehead, Vice-Principal and R Lucas, Head of Governance.

The Committee noted that there has been two data breaches since the last Audit Committee meeting. Advice was sought from the Information Commissioner's Office for one of the breaches and following the College's risk assessment process, it was deemed that neither of the breaches were classed as being reportable to the Information Commissioner's Office. .

The Audit Committee noted the Data Breach Report.

963 Any Other Business

D Morgan reported that the TPS certificate has been submitted and will be audited in July / August this year. A 21p underpayment has been identified in the reconciliation which has now been paid.

964 Dates of Future Meetings and Calendar of Business

The Audit Committee received the dates of future meetings and approved the Audit Committee's calendar of business for 2020 – 2021.