

HARLOW COLLEGE FURTHER EDUCATION CORPORATION

AUDIT COMMITTEE

Minutes of the meeting held virtually on MS Teams on Wednesday 3 July 2024

Membership *Julia Fillary
 *Ray Levy (Chair)
 *Dawn Turner
 *Michael Travers

*denotes present

In attendance Shachi Blakemore, Buzzacott
 Paul Goddard, Scrutton Bland
 Paul Whitehead, Vice-Principal
 Deanne Morgan, Executive Director – Finance
 Ben Nicholl, Executive Director – IT and Systems
 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, he contributed to agenda item 11 – Regularity Audit Self-Assessment Questionnaire Review, he is the responsible manager for the Health and Safety audit planned for 2024-2025, the responsible manager for the Estates audit taking place in July 2024 and his wife is the MIS manager.

3 Minutes of the Previous Meeting

The minutes and the confidential minutes of the Audit Committee meeting held on 5 March 2024 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 ESFA Audit Report (minute 6 refers)

A Governor asked if the ESFA audit actions are added to the audit tracker. Deanne Morgan confirmed that they have been added and have all been completed.

4.2 Risk Register (minute 8 refers)

A Governor asked if targeted recruitment and marketing for the College's HE provision has been put in place, should the risk score be decreased? Governors were informed that recruitment numbers are still low and that the College is still waiting for validation from ARU on courses the College was planning to deliver from September 2025. There has been a delay to this validation which was outside of the College's control and the courses will now not be able to commence this September.

4.3 Risk Register (minute 8 refers)

A Governor asked if a target risk score will be added to the risk register. Deanne Morgan reported that it is hard to set a target risk score for each risk as they are too unique. Actions that could reduce the risk score have however been added into the risk register.

4.4 Risk Register (minute 8 refers)

A Governor asked if risk management training had been rolled out across the College. Deanne Morgan reported that this is being considered by management.

4.5 Any Other Business (minute 14 refers)

A Governor asked if there was an update on AI. Paul Whitehead reported that there is nothing specific to report on related to the Audit Committee at present. Governors were informed that policies have been updated where relevant and presented to the appropriate Committee for approval. AI is covered with awarding organisations as part of their quality assurance processes. Governors noted that AI is not on the risk register at present.

5 Internal Audit Reports

5.1 Local Skills Improvement Fund Annex G

The Audit Committee received and considered the Local Skills Improvement Fund Annex G Certificate, presented by Paul Goddard, Scrutton Bland.

Paul Goddard reported that this is the annual certificate required by the DfE and covers £2.7m of capital and revenue funding. The Year 1 Annex G audit raised no concerns and the certificate was signed and submitted to the DfE in advance of the DfE's deadline.

A Governor asked if the wording was standard in the certificate as it states "limited assurance" is provided. Paul Goddard confirmed that it is a DfE standard template and wording and the "limited assurance" is a positive outcome.

Ruth Lucas thanked Scrutton Bland for their patience and understanding during the audit as the audit took place during the College's Ofsted inspection.

The Audit Committee noted the Local Skills Improvement Fund Annex G Certificate.

5.2 Internal Audit Progress Report

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

Paul Goddard reported that the funding assurance audit has taken place and the audit report is being drafted. A few low level recommendations are being raised however there is nothing significant that Governors need to be aware of before the next Audit Committee meeting at which the final report will be presented.

Governors were informed that the Estates Management audit has been rescheduled to July due to the College's Ofsted inspection in May. This report will be presented at the October Audit Committee and then Scrutton Bland will prepare their annual report for 2023-2024.

The Audit Committee noted the internal audit progress report.

6 Office for Students Audit Report

The Audit Committee received and considered the Office for Students (OfS) Audit Report, presented by Paul Whitehead, Vice-Principal.

Paul Whitehead reported that the audit was a data validation audit and overlaps with the ESFA and GLA audit programmes. Governors noted that the College only has a small HE provision which was covered by the audit.

Paul Whitehead highlighted the main areas identified in the audit. Middle names were not recorded on the ILR however they are not mandatory on the ILR. The College had verified that students had lived in the UK for three years however the audit highlighted that some could have lived in Scotland rather than England however this is irrelevant. An issue was raised with QUALENT3. The codes the College used in this field were not incorrect however it was not precise enough for OfS. A Governor asked for further information on the QUALENT3 issue. Paul Whitehead reported that there are multiple different codes for recording Level 3 diplomas gained from previous studies. The College did not select the right code for the specific Level 3 course the student studied.

Paul Whitehead confirmed the action plan, along with deadlines for implementation, has been agreed and accepted by OfS and the College is making changes to the ILR as a result. There is a need to manually update the ILR which is a huge undertaking and will be resubmitted in the next few weeks. Management will ensure that there is better oversight of data fields being used going forward.

A Governor highlighted that similar issues were found in the 2019-2020 audit and asked how the College will ensure the issues are addressed and not occur again. Paul Whitehead reported that there is a new manager in the MIS team and some actions had not transitioned through. Governors were informed that the College's HE provision equates to 1% of the College's total provision therefore more focus has been on the other 99% of the College's provision. Data collection for HE is more significant and onerous compared to the College's other provision.

The Audit Committee noted the Office for Students Audit Report.

7 Audit Tracker

The Audit Committee received and considered the audit tracker, presented by Deanne Morgan, Executive Director – Finance.

Governors noted that good progress is being made with the outstanding audit recommendations. Slower progress is being made with the closure of the bank account and the HR on-boarding site.

Governors noted that all the ESFA audit actions have been completed and will be

removed from the tracker. Governors noted that the OfS audit actions will be added onto the tracker.

The Audit Committee approved the audit tracker.

8 Internal Audit Strategy and Plan 2024-2025

The Audit Committee received and considered the Internal Audit Strategy and Plan 2024-2025, presented by Paul Goddard, Scrutton Bland.

Paul Goddard reported that the plan is a forward look for 2024-2025 and maps the College's top risks against previous audit coverage.

The plan has been shared with the College's management team and changes have been made to what was originally proposed, particularly in light of the College's recent positive Ofsted inspection. Deanne Morgan thanked Scrutton Bland for their work in producing the plan and being responsive to the changes requested by the College. Governors noted that the plan can however evolve and adapt over the course of the year.

Paul Goddard highlighted Section 2 of the report which details the eight areas that the Audit Code of Practice states that Audit Committees need to make opinions on. Governors were informed that only seven are relevant to Harlow College as the College does not use subcontractors.

Paul Goddard highlighted the proposed audits for 2024-2025 and reported that a well-balanced plan is being proposed.

A Governor reported that the plan is a really useful document and reported that a section on the definitions of audit outcome judgments would be beneficial in the document. It was also noted that Section 6 is a repeat of Section 2 on the contents page.

A Governor highlighted that three of the risks on the College's risk register are around quality, a quality audit is included in Section 5 as a proposed audit area for 2024-2025 and asked where this features in the actual audit plan. Deanne Morgan reported that the College's recent positive Ofsted inspection provided assurance on the College's quality and quality processes therefore the quality audit has been removed from the 2024-2025 plan. Paul Whitehead reported that quality is covered by the College's internal quality assurance processes rather than it being an area for internal audit coverage.

A Governor asked about strategic planning and employer engagement which have not been audited for a long period of time and asked when audits in these areas would be expected. Paul Whitehead reported that the College's new Strategic Plan has been scrutinised by Ofsted and as part of the External Governance Review. Employer engagement was scrutinised by Ofsted who assessed the College as "strong" for meeting local skills' needs. This was a very rigorous process and not an area considered as required for internal audit. Paul Goddard reported that the apprenticeship recruitment audit in 2022-2023 covered aspects of employer engagement.

Ruth Lucas reported that Annex G audits for the Local Skills Improvement Fund and the Skills' Injection Fund will be undertaken by Scrutton Bland during 2024-2025 however they sit outside of this audit plan.

The Audit Committee approved the Internal Audit Strategy and Plan for 2024-2025 and agreed to recommend it to the Corporation at its meeting on 16 July 2024.

9 External Audit Strategy

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

Shachi Blakemore reported that a planning meeting has been held with Deanne Morgan and Paul Whitehead, which covered external audit planning, developments at the College and future areas of work. The External Audit Strategy has been set out based on these discussions.

Governors were informed that there are no changes this year in terms of audit requirements however they were reminded that a number of changes were required last year due to the ONS reclassification, mainly around IT controls and financial data. These extra requirements are still required this year however there are no new, additional requirements.

Shachi Blakemore reported that the external audit approach will be similar to last year and highlighted that the main risk in any external audit is that the financial statements do not represent a true view of an institution's financial position. Shachi Blakemore reported that the audit will cover sample-based transaction testing on a risk rated approach along with a focus on specific high-risk areas. The audit will also focus on ensuring that estates is treated correctly in the accounts and recognition of income will also be tested. There will be reliance on internal audit for funding compliance however external audit will undertake some testing in this area. The audit will look at the College's loans and bank covenants, test the considerations for 2024-2025 and ensure the correct disclosures and treatment of the loans. There will be a wider sample of credit card transactions and controls due to the credit card fraud that has occurred during the year.

Governors were informed that following the recent publication of the Financial Handbook, colleges should have a Reserves Policy which includes how much working capital and cash colleges should have. Deanne Morgan reported that a Reserves Policy has been included in the College's Financial Regulations which will be considered by the Resources Committee at its meeting later today. The Resources Committee has delegated authority to approve the Financial Regulations on behalf of the Corporation. A Governor asked if the Policy is reliant on the balance sheet. Deanne Morgan reported that the Reserves Policy sets out the College's approach to reserves and specific items such as number of cash days are part of the Financial Plan where financial targets are set.

The Audit Committee endorsed the External Audit Strategy for Harlow College for the year ending 31 July 2024.

10 Audit Code of Practice 2023-2024

The Audit Committee received and considered the report on the Audit Code of Practice (ACoP) 2023-2024, 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 2024 and is applicable from 1 August 2023.

Ruth Lucas reported that there are only minor changes in this edition of the ACoP, most of which are not relevant to the College. The changes were highlighted and noted by Governors.

The Audit Committee reviewed the Audit Committee's Terms of Reference and noted that they are based on the terms of reference included in the ACoP. Ruth Lucas reported that the ACoP is not proposing any changes to the terms of reference from last year.

The Audit Committee approved the Audit Committee's Terms of Reference for 2024-2025 and noted the report on the Audit Code of Practice 2023-2024.

11 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 were informed that reference to the DfE has been added in as well as reference to the ESFA.

Governors noted that this version will be updated for the last few months of the year and will form the final version which will be considered and agreed by the Audit Committee and the Corporation for signing by the Chair and the Accounting Officer in October and submitted to the external auditors.

A Governor asked about the car leasing scheme and if the College had received a response from the ESFA. Paul Whitehead reported that the College received a holding email from the ESFA last week, saying it was being looked into however this has been paused due to the General Election.

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

12 Risk Management

The Audit Committee received and reviewed the Risk Register and the Risk Management Policy, presented by Deanne Morgan, Executive Director – Finance.

Governors were informed that the Risk Register is reviewed regularly and updated by the College's Executive Team. Governors noted that actions that can be taken to significantly reduce the risk score has been added in to the Risk Register.

Deanne Morgan reported that no new risks have been added to the Risk Register and no risks have been deleted.

Governors noted that one risk has been rescored as follows:

- **Risk 3** – Curriculum Reform: replacing vocational and technical programmes with successor qualifications.

The score has been reduced from 20 to 16 due to the College keeping well informed of changes and being able to make sensible decisions regarding delaying /

introducing qualifications.

Governors noted that the College's top risk is staff recruitment and retention. Governors were informed that staff retention is good and staff turnover is lower than the benchmark and sector average. The College does however have challenges in recruiting staff to some specialist areas which is a national issue for FE colleges.

The Audit Committee considered the Risk Management Policy and Governors noted that minor proposed changes are proposed which are highlighted in yellow on pages 2 and 3 of the Policy to reflect practice.

Paul Goddard highlighted the section on risk appetite and reported that some colleges are setting different risk appetite to different risks as some risks might be intolerable at a lower score than others.

The Audit Committee approved the Risk Register and the Risk Management Policy, subject to one typographical change, and agreed to recommend them both to the Corporation for approval at its meeting on 16 July 2024.

13 Fraud Report

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, therefore the actions that the College has put in place since the credit card fraud have been successful.

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

14 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 new data breaches since the last Audit Committee meeting and noted the action taken by the College.

The Audit Committee noted the Data Breach Report.

15 Harlow College Data Protection Policy

The Audit Committee received and considered the Harlow College Data Protection Policy, presented by Paul Whitehead, Vice-Principal.

The Committee was informed that the Policy has been rewritten and is based on the Association of Colleges' model policy.

A Governor asked if the Policy will be sent to all staff. Ruth Lucas confirmed that this would happen via Smartlog.

The Audit Committee approved the Harlow College Data Protection Policy, subject to the EU references being removed.

16 Any Other Business

There were no items of any other business.

17 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.

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 or concerns were raised.

Key Points From The Meeting For Corporation:

1. Internal Audit Strategy and Plan

To receive and approve the Internal Audit Strategy and Plan for 2024 – 2025.

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.