

# HARLOW COLLEGE FURTHER EDUCATION CORPORATION

## AUDIT COMMITTEE

### Minutes of the meeting held virtually on MS Teams on Tuesday 5 March 2024

Membership	*Julia Fillary *Ray Levy (Chair) *Michael Travers
*denotes present	*Dawn Turner
In attendance	Pauline Odulinski, External Reviewer Ryan Pearce, Scrutton Bland Will Allanson, Deputy Principal 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

The Chair welcomed everyone to the meeting and introductions were made.

Apologies for absence were received from Paul Goddard – Scrutton Bland, Shachi Blakemore – Buzzacott and Sallyann Abdelmoula – Harlow College.

#### 2 Declarations of Interest

Michael Travers declared that he is a staff governor, contributed to agenda item 9 – Regularity Audit Self-Assessment Questionnaire Review and his wife is the responsible manager in agenda item 6 – ESFA Audit Report.

#### 3 Minutes of the Previous Meeting

The minutes of the Audit Committee, the confidential minutes of the Audit Committee and the minutes of the joint Audit and Resources Committee meetings all held on 6 December 2023 were agreed as an accurate record of the meetings and were signed remotely by the Chair.

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

There were no matters arising.

#### 5 Internal Audit

##### 5.1 Risk Management Internal Audit Report

The Audit Committee received and considered the internal audit report on risk management, presented by Ryan Pearce, Scrutton Bland.

Governors were informed that the internal audit report on risk management 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 the College has a strong approach to risk management and no control weaknesses were identified during the audit process.

No recommendations were made by Scrutton Bland however seven added value points were noted within the report.

A Governor highlighted that there are some discrepancies in the report between strong and significant assurance being given. Ryan Pearce confirmed that it should be strong assurance and the report will be updated accordingly.

A Governor asked if any of the added value points are being taken forward and Deanne Morgan confirmed that this will be covered in agenda item 8 – Risk Register.

The Audit Committee noted the internal audit report on risk management.

## **5.2 Apprenticeship Income and Funding Reconciliations Internal Audit Report**

The Audit Committee received and considered the internal audit report on apprenticeship income and funding reconciliations, presented by Ryan Pearce, Scrutton Bland.

Governors were informed that the internal audit on apprenticeship income and funding reconciliations was an advisory audit due to the nature of the area being tested during the audit. Governors were informed that there had previously been a discrepancy with apprenticeship income being received and reconciled and the focus of the audit was to test systems that have been put in place to address this. Given the importance of the issue, the College has given this a lot of time and attention. Ryan Pearce confirmed that new checks have been put in place by the College to address the issue.

A Governor asked what the value of the error was at year-end. Paul Whitehead confirmed that year-end differences are updated at year-end however throughout the year, it is a difficult system to navigate due to the complexities of apprenticeship funding. The College had also identified anomalies with the information being received from the ESFA. The College receives three separate ESFA apprenticeship reports on a monthly basis and all three contained different funding amounts, with contract numbers not matching payment numbers. The College has received communication from the ESFA since the audit confirming that they had had issues which had impacted our data. The College had however acknowledged that there were gaps in its systems and has undertaken a review internally. Part of the review was to ensure that the College is not recognising income that it will not receive. The focus on the audit was to test if the review had been effective.

A Governor asked if the error rate was greater than 1%, would it need to be added to the College's risk register. Paul Whitehead confirmed that controls have been implemented as the College only recognises income due to be received from the ESFA and the risk has reduced as the process has changed. The College however cannot control anomalies with the ESFA. The risk mitigation actions have been implemented and the outstanding issues are outside of the College's control. If

there was any uncertainty on income reporting, then it would be included on the College's risk register.

A Governor asked when the reconciliations are carried out. Deanne Morgan confirmed that they are undertaken monthly, with a fuller process at year-end.

Governors were informed that the funding error being discussed was in the 2021-2022 financial statements and that a lot of the discrepancies had been resolved in the 2022-2023 financial statements and there is no risk of being above the 1% threshold.

The Audit Committee noted the internal audit report on apprenticeship income and funding reconciliations.

### **5.3 Internal Audit Progress Report 2023-2024**

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

Governors were informed that four audits have been completed to date and the reports have been presented to the Audit Committee and the programme is on track.

The remaining three audit reports will be presented at the July Audit Committee meeting.

Ruth Lucas asked Ryan Pearce if the internal audit progress report could be updated with strong assurance for the risk management audit as discussed in agenda item 5.1 – Risk Management Internal Audit Report. Ryan Pearce confirmed that the report would be updated accordingly.

The Audit Committee noted the internal audit progress report.

## **6 ESFA Audit Report**

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

Paul Whitehead reported that this audit was a significant piece of work across four funding lines. Governors were informed that the outcome of the audit was satisfactory across all areas and that the audit was smooth and successful given the scale and complexity of coverage. It was a huge amount of work for the MIS Team, who have good systems in place and the required evidence was easily accessible for the audit.

Governors were informed that funding errors or issues were identified across all funding lines, except Advanced Learner Loans. The error ratings are summarised in the report and all actions will be added to the audit tracker. It is common to find a number of errors in such an audit and the majority of issues identified in this audit are low level and have been already been implemented.

A Governor asked if errors were identified when under claims had been made. Paul Whitehead confirmed that this was the case but were not of the same value as the over

claims. The majority of funding errors were for apprenticeship funding which is due to the challenging nature of this funding line.

Governors were informed that Buzzacott took assurance on the draft presentation of funding errors to sign off the financial statements in December 2023 and the error rates were not of concern to Buzzacott.

Paul Whitehead reported that the College has also been selected for an Office for Students audit which is due to commence on 11 March 2024.

The Audit Committee noted the ESFA Audit Report and thanked the MIS Team for their work in ensuring a successful outcome for the audit.

## **7 Audit Tracker**

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

Deanne Morgan reminded the Committee that all recommendations from all audits are added to the audit tracker after the audit reports have been presented to the Audit Committee.

The Audit Committee noted that progress is being made with implementing the outstanding recommendations and that completed recommendations will be removed from the tracker.

The Audit Committee noted the audit tracker.

## **8 Risk Register**

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

The Committee was informed that no risks have been added to or deleted from the risk register since the Audit Committee's last review of the register.

The Committee noted that two risks have been rescored, as follows:

- Risk 3 - Student Recruitment: learners for HE programmes and compliance with OfS regulation.

The risk score has been increased from 16 to 20 as there is a high likelihood that the College will under recruit based on current UCAS applications. The College has put in place targeted recruitment and marketing to improve recruitment.

- Risk 10 - Finances: Maintenance of Good Financial Health: Good cash generation and meet banking/covenant requirements. Generate income/cash to support ongoing capital investment, including the impact of the recession & rising cost of utilities and materials. Lower Ofsted grade would impact ability to bid for additional project income.

The risk score has decreased from 12 to 8 as utility costs and supply costs have reduced and this is reflected in the management accounts.

Governors were informed of the following emerging issues:

- ONS Reclassification: this is being kept under review by the College.
- Fraudulent Transactions: this is covered in more detail in agenda item 10 – Fraud Report however as there has been no loss to the College as funding has been recovered, this has not been added to the risk register yet.

A Governor asked if other Committees review risks. Deanne Morgan reported that managers review the risks which are relevant to their Corporation and Committee reports however there can be an issue with timings of when the reports are written in relation to the latest updated Risk Register.

A discussion was held around the added value points in the risk management audit as follows:

- Target Risk Scores:

Deanne Morgan reported that this is under consideration and that it would work for some risks but not for all, as some risks are outside of the College's control.

An in-depth discussion was held around this and a Governor asked if a target risk score should be set for those risks the College can control. Deanne Morgan reported that the process will need to be thought through about how this would be presented on the Risk Register and how to ensure consistency.

A Governor suggested that actions be recorded so that if an action was undertaken, the risk score would be reduced to a certain score however there could be additional mitigations which the College considers not worth pursuing.

Paul Whitehead reported that there need to be balance on the Risk Register and there is a possibility that sight of the risk could be lost. The College's Risk Register looks at what is being done at that moment in time whilst at the same time looking at ways to reduce the risk. This is completed on a regular basis and is a focus of the College's Executive Team. The Risk Register presents the risks as they actually are to Governors however there is a need to ensure it serves its purpose and is working effectively for the College and for Governors.

A Governor suggested that the target risk score is where the risk could get to and it could be more looking at trends rather than actions to achieve the target risk score.

Will Allanson suggested that some of this could be covered in the narrative with further detail on the College's approach to risk management. The College proactively works on risks which have increased risk scores to try to get the score to decrease.

A Governor highlighted some of the wording in the Risk Management Internal Audit Report. Some of the risk control measures could be classed as business as usual and whether separating this out from future actions looking to be implemented could add some clarity.

A Governor suggested looking at the data for specific risks on changes to risk scores and whether some graphs identifying trends would be beneficial. Ben Nicholl reported that with some risks, risk control measures are put in place and then the risk changes therefore graphs might not be that useful.

Paul Whitehead confirmed that following this discussion, he and Deanne Morgan would review the Risk Register. It was agreed that future actions could be useful and a proactive approach to risk management is needed.

- Name of the Audit Committee:

Should the Audit Committee be renamed the Audit and Risk Committee, as the name could be a factor in attracting Governors to sit on the Committee. The Committee noted however that progress has been made with membership of the Committee.

Ruth Lucas reported that the Committee could propose a change in name if it wishes to do so. The Committee reported that they were happy with the name as it currently is.

- Risk Management Training:

Consideration should be given to rolling out risk management training across the College.

- Review Dates on Risk Register:

These have been removed from the latest version of the Risk Register as the dates were linked to Audit Committee dates whereas the Register is reviewed more frequently by management, therefore the review dates were not serving a purpose.

The Audit Committee approved the risk register and Paul Whitehead confirmed that he and Deanne Morgan would review the Risk Register.

## **9 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.

Governors were reminded that the self-assessment questionnaire is reviewed by the Audit Committee each time it meets and is an ESFA template. The Corporation approves the College's responses to the questionnaire annually in October and agree for it to be signed by the Chair and the Accounting Officer.

Deanne Morgan reported that the regular review of the questionnaire builds up a picture throughout the year, self-assessing throughout and ensuring evidence is in place.

The questionnaire is reviewed in full in advance of every Audit Committee meeting however the latest updates are highlighted in grey. Governors reported that it is very helpful to have the updates highlighted.

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

## **10 Fraud Report**

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

Under the Post-16 Audit Code of Practice, fraud needs to be reported to the Audit Committee and where it is significant it is reported at the time to the Chair of the Audit Committee, the College's internal and external auditors and Action Fraud.

Deanne Morgan reminded Governors of the attempted fraud that had been reported to previous Audit Committee meetings this academic year.

Deanne Morgan reported that in December 2023, there were multiple instances of fraud which have been reported as required under the Post-16 Audit Code of Practice.

Governors were informed that the bank had put the College's credit card on hold once the fraudulent activity was noticed and all the money has been paid back to the College. The online portal was checked before the College closed for Christmas and weekly checks on the portal are being undertaken by the Finance Team. The bank however is unable to freeze the College's credit cards.

Governors were informed on action the College has taken in response to the fraud. Credit card limits and numbers have been reduced and payment cards are being introduced. Money needs to be added to the payment cards in order for purchases to be made therefore providing more security than credit cards. The longer-term aim is for all budget holders to have payment cards however to date there has been a small-scale rollout. This is working well and Michael Travers confirmed that this has not impacted on any of the services or products his teams require.

A Governor asked if the College knows how the fraudsters obtained the card details. Deanne Morgan reported that cards are locked away and payments are made predominantly online, therefore it is suspected that this is where the details are obtained from.

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

## **11 Data Breach Report**

The Audit Committee received and considered the Data Breach Report, presented by Ruth Lucas, Head of Governance.

Ruth Lucas reported that there have been three data breaches since the Audit Committee last met and provided the Committee with an overview of the breaches.

Ruth Lucas confirmed that none of the breaches were reportable to the Information Commissioner's Office.

The Audit Committee noted the Data Breach Report.

## **12 IT Presentation**

Ben Nicholl gave a presentation to the Audit Committee on IT, cyber security and IT filtering.

Governors were informed that the requirements under Keeping Children Safe in Education in relation to IT filtering will sit with the College's Safeguarding Committee, with oversight by the Corporation's Safeguarding Governor who is a member of the Committee.

Following the presentation, Governors asked questions and thanked Ben Nicholl for his insightful presentation.

## **13 ONS Reclassification**

The Audit Committee received a verbal update on the ONS reclassification, presented by Deanne Morgan, Executive Director – Finance.

Governors were informed that there is no further update on ONS reclassification however the College is constantly reviewing what it does to ensure it complies with the requirements.

The Audit Committee noted the update on ONS reclassification.

## **14 Any Other Business**

Ray Levy reported that he attended an AoC training session for Governors on AI in FE Governance. Paul Whitehead reported that a significant amount of work is being undertaken by the Quality Team on the use of AI for both staff and students. Staff are being encouraged to use AI in a beneficial way to create efficiencies. Further information is expected from awarding organisations on the use of AI as nothing has been published to date.

Pauline Odulinski thanked the Committee and reported that the meeting had been very useful.

## **15 Dates of Future Meetings**

Summer Term	Wednesday 03 July 2024	TBC
	<i>(including joint meeting with the Resources Committee)</i>	