

HARLOW COLLEGE FURTHER EDUCATION CORPORATION

AUDIT COMMITTEE

Minutes of the meeting held on 7 December 2011

Membership: M Ray
*M A-Messaoud
*P Bartlett (Chair)
V Goddard
*M Prodger

**denotes present*

In attendance: C Hindmarch, Principal
R Allanach, Deputy Principal (Finance)
D Bardell, Baker Tilly
H Catchpool, Baker Tilly
D Harris, RSM Tenon
D Sheridan, Clerk to the Corporation
R Lucas, Deputy Clerk to the Corporation

532 Apologies for absence

Apologies for absence were received from Mick Ray and Vic Goddard. Paul Bartlett took the Chair.

533 Declaration of Interests

No of interest were declared.

534 Minutes of the Previous Meeting

The minutes of the previous meeting held on 20 October 2011 amended to show that Paul Bartlett was not present and that Mick Ray chaired the meeting.

The Audit Committee approved the minutes of the meetings held on 4 October 2011 and 20 October 2011 and they were signed by the Chair.

535 Matters Arising from the Minutes

There were no matters arising.

536 Internal Audit Annual Report 2010/11

The Audit Committee received and considered the Internal Audit Annual Report.

Dan Harris, RSM Tenon, presented the Internal Audit Annual Report to the

Committee. Governors noted that the report provided an opinion on the adequacy and effectiveness of the College's governance, risk management and control arrangements and the report was unqualified. Dan Harris confirmed that, from the internal audit work undertaken in 2010/11, RSM Tenon drew the following conclusions.

"We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the College's risk management, control and governance processes.

In our opinion the College has adequate and effective management, control and governance processes in place to manage the achievement of its objectives.

For the 12 months ended 31 July 2011, based on the work we have undertaken, our opinion regarding the adequacy and effectiveness of Harlow College's governance, risk management and control arrangements is as follows:

- The College has adequate and effective governance processes;
- The College has adequate and effective risk management processes;
- The College has adequate and effective internal controls; however we did identify some weaknesses in the Key Financial Controls and IT Service Delivery audits."

The Committee noted the basis for the audit opinion. Dan Harris confirmed that four audit recommendations were not accepted by management but this did not impact upon RSM Tenon's opinion.

The Committee noted the benchmark data that showed a reduction in the high level recommendations and that no report was given a negative opinion which indicated that College controls were adequate. The Committee thanked RSM Tenon for undertaking the internal audits of the College and agreed to present the report to the Corporation for approval.

537 Financial Statements and Regulatory Audit

537.1 To receive, consider and approve the Audit Findings Report 2010/11 for recommendation to the Corporation

The Audit Committee received and considered the Audit Findings Report 2009/10 for recommendation to the Corporation. The report was presented by David Bardell of Baker Tilly. Governors noted that Baker Tilly were likely to provide an unqualified report for the financial accounts and regularity audit for 2010/11.

Richard Allanach drew Governors' attention to the fact that for the first time the Skills Funding Agency requires external auditors not to sign

college financial statements until the financial reconciliations had been received from the funding bodies. Richard Allanach confirmed that the College had received the reconciliation from the YPLA but not the SFA, which was unlikely to arrive before 19 December 2011. Governors noted that this could have an impact on the date when the audit report is filed but that the SFA is aware of the delay.

The Committee noted the key areas of the audit focus and the response of the auditors. Baker Tilley confirmed that the College had continued to improve its financial health in 2010/11, returning a surplus and strengthening the balance sheet. Governors noted that there were no significant deficiencies in internal control noted in the audit and asked that the control issues that were raised be brought into the tracker report. Baker Tilly reported on some delays in the fieldwork that resulted in additional costs of £6,000 for the audit and the Committee noted the recommendations regarding the preparation of the fieldwork for the external audit in 2012. Paul Bartlett informed the Committee that he would discuss with the Deputy Principal and key finance staff the audit preparation prior to the audit taking place in 2012.

The Committee noted the performance indicators were put forward by Baker Tilley in their report to the Committee in June 2011.

The Audit Committee approved the Financial Statements and Regulatory Audit and agreed to recommend them to the Corporation on 16 December 2010

537.2 To receive and approve the Letters of Representation for recommendation to the Corporation

The Audit Committee received and approved the draft Letters of Representation for recommendation to the Corporation.

Governors noted that Baker Tilly's emerging national issues document will be released shortly and circulated to Governors.

538 Annual Report of the Audit Committee 2010/11

The Audit Committee received and considered the Annual Report of the Audit Committee 2010/11. The meeting made a number of amendments and with these adjustments agreed to recommend the report to the Corporation.

The Committee agreed to recommend to the Corporation that Baker Tilley be reappointed external auditors for the financial year 2011/12, their work to be carried out in August – December 2012.

The Committee agreed to recommend to the Corporation that RSM Tenon be appointed internal auditors for the year 2012/13.

Internal Audit Reports

539.1 Governance and Risk Management

The Audit Committee received and approved the internal audit report on Governance and Risk Management which gave substantial assurance that the controls on which the organisation relies to manage the area are suitably designed , consistently applied and effective.

539.2 Benchmarking Report

The Audit Committee received and approved the internal audit benchmarking report that compared Harlow College data to RSM Tenon's 170 further education clients. Dan Harris confirmed that the report for Harlow College was positive and that the College reflected well against the sector average.

539.3 Internal Audit Progress Report

The Audit Committee received and approved the Internal Audit Progress Report. Governors noted the Further Education Update contained within the report and received confirmation that RSM Tenon's internal audit work will conform to the new requirements of the Financial Management Control Evaluation.

540 Risk Register

The Committee received the report of Richard Allanach on the risk register. This report covered the period up to the despatch of the papers for this meeting.

Two new risks have been included – AV and AW. Three risks have been removed as they have crystallised. The Committee noted that although risk AU had occurred, there will be no financial penalty from the Skills Funding Agency. Risk P has also been removed from the register.

After a discussion, it was agreed that risk C should be reinstated on the risk register.

541 Any Other Business

541.1 Risk Register

An updated report on the risk register was circulated following the Executive Meeting held on 1 December 2011, a meeting attended by Mick Ray, Chair of the Audit Committee.

Risk B has been split into 3 risks and two of these have an intolerable risk rating. The YPLA has made proposals which would mean that

colleges would no longer be rewarded for being successful with funding being diverted to less successful colleges.

The Corporation has a clear strategic view of what it wants to achieve, which appears to run counter to emerging government policy. The Corporation's first priority is for students to achieve the best possible qualifications. The Corporation wants all students to think highly of their college experience but this is not its first priority.

There are increasing signs nationally of young people from poorer backgrounds experiencing barriers in accessing further education. There is a growth in the number of NEETs. Harlow College now faces the challenge of identifying them given the closure of the Connexions service.

It is likely that all students will be expected to gain English and Maths GCSE or equivalent whilst studying at the College, with no indication of any additional resources being made available to deliver this.

The QCDA appears to be devaluing vocational qualifications which is counter to what the College is striving to achieve.

The Committee agreed that these risks will need to be monitored closely.

Risk AN1 has crystallised and has therefore been deleted, as have risks K and U.

542 Dates of Future Meetings

Spring Term 2012	Tuesday, 6 March 2012	08.30am
Summer Term 2012	Tuesday, 19 June 2012	08.30am