

HARLOW COLLEGE FURTHER EDUCATION CORPORATION

AUDIT COMMITTEE

Minutes of the meeting held on Tuesday 8 October 2013

Membership *Paul Bartlett (Chair)

*Neil Allen

*M Prodger

*denotes present

*P Whitehead

In attendance

P Marsh, Harlow College

D Harris, RSM Tenon

D Sheridan, Clerk to the Corporation

R Lucas, Deputy Clerk to the Corporation

613 Apologies for Absence

There were no apologies for absence.

614 Declarations of Interest

There were no declarations of interest.

615 Minutes of the Previous Meeting

The minutes of the previous meeting held on 18 June 2013 were agreed as an accurate record of the meeting and were signed by the Chair.

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

605.4 Risk Management Internal Audit Report

D Harris confirmed that the audit report had been amended following on from the Audit Committee's discussions at the meeting on 18 June 2013 and the report has been re-issued.

606 Internal Audit Strategy Update 2013/14 – 2014/15

The Audit Committee received an update on the College's preparation for Ofsted and the mandatory training programme that has been rolled out to all staff.

The Committee asked whether the College would still like to consider commissioning a mock inspection. The Committee agreed to receive an update of the College's preparation for Ofsted at the next meeting before a final decision on a mock inspection is taken.

617 Internal Audit Annual Report

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

Before presenting the Internal Audit Annual Report, D Harris confirmed that RSM Tenon Ltd had been acquired by Baker Tilly and as of the 1 October 2013, RSM Tenon is rebranded as Baker Tilly.

D Harris 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 (green), risk management (amber) and control arrangements (amber) and the report resulted in an overall positive, unqualified opinion. D Harris confirmed that, from the internal audit work undertaken in 2012/13, 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 on the adequacy and effectiveness of the Harlow College's arrangements. In my opinion Harlow College has adequate and effective governance, risk management and control processes to manage the achievement of its objectives.

For the 12 months ended 31 July 2013, based on the work we have undertaken, our opinions regarding the adequacy and effectiveness of Harlow College's arrangements for governance, risk management and control is as follows:

- The College had adequate and effective governance arrangements in place;
- The College had adequate risk management arrangements in place. We have made 5 recommendations to further enhance the risk management arrangements in place;
- We have undertaken seven assurance reviews seven of which resulted in a positive opinion consisting of six substantial (green) and one reasonable (amber green) assurance opinions. The remaining opinion was a negative (red) opinion and related to the area of loan covenants.”

The Committee noted the basis for the audit opinion. D Harris confirmed that all audit recommendations were accepted by management. He confirmed that good progress has been made with implementing previous audit recommendations and brought to the Committee's attention the new Public Sector Internal Audit Standards which came into effect on 1 April 2013.

The Committee noted that the Learner Records and Funding audit referred to in Appendix A was for learner responsive not employer responsive. This will be amended and the report will be re-issued by D Harris.

The Committee noted the report and agreed to present it to the Corporation for approval at its meeting in December 2013.

618 Internal Audit Progress Report

The Audit Committee received and considered the Internal Audit Progress Report presented by D Harris from Baker Tilly.

Specific attention was brought to the fraud alert briefing on page 3 and after a detailed discussion, the Audit Committee agreed to circulate the briefing to College staff.

D Harris provided an update on Baker Tilly's acquisition of RSM Tenon Ltd and how the internal and external audit would continue to function to meet the College's needs and obligations. There is no legal restriction on the same company carrying out both internal and external audit, however the external auditors would be unable to rely on the Key Financial Controls audit undertaken by internal audit, therefore this will now be undertaken by the external audit team.

The existing staff team will complete the internal audit work with a discrete segregation of duties between the internal and external audit functions with separate letters of engagement and reporting mechanisms. The methodology for developing the internal audit plan linked to the College's risk register will remain.

The Internal Audit Annual Report will no longer provide a year-end audit opinion. The Audit Committee would be responsible for deciding an opinion at year-end, based on a range of assurances. Individual audit reports will still contain an opinion and an annual report will still be issued, without the overall opinion.

A detailed discussion was held around value for money and how the Committee ensures the College achieves this. It was recommended that a report on value for money arrangements and processes be presented to the Audit Committee at a future meeting.

The Audit Committee noted the paper.

619 Internal Audit Tracker

The Audit Committee considered the Audit Tracker, presented by P Marsh, Vice-Principal. Governors noted that the tracker contains outstanding recommendations arising from internal audits carried out in the current academic year, internal audit recommendations from the 2011/12 year and the recommendations of external audit. P Marsh also confirmed that all audit recommendations received by the College from all sources will be added to the tracker.

P Marsh updated the Committee on the process of monitoring and tracking the implementation of the recommendations and how once implemented, the recommendations are removed from the tracker.

The Audit Committee noted that the appointment of a Director of Finance has been put on hold as a Vice-Principal currently has the responsibility of finance.

A discussion was held around the UTC and how much staff time is being taken up by UTC work. The Committee did note, however, that the UTC will bring some mutual benefit to the College and a fully costed shared services agreement will be drawn up between the College and the UTC.

The Audit Committee noted that both bank covenants were met at year-end and the College was in a better cash position thanks to the work undertaken by the adult team. An update on the work undertaken by this team was received and the Committee congratulated the team on their work.

P Bartlett agreed to join a sub-group which is being established to look at the College's treasury strategy.

The Audit Committee approved the audit tracker.

620 Joint Audit Code of Practice (JACOP) – Amendments to the Terms of Reference

The Audit Committee received and considered the report of D Sheridan, Clerk to the Corporation, on the JACOP.

The Clerk explained that part 2 of the JACOP was the most important section for the Audit Committee and Corporation. The key elements of the new JACOP and the requested actions as listed in the report were explained in detail.

D Harris agreed to confirm in internal audit progress reports on the controls that are in place to ensure the independence of internal audit function resulting from the same company undertaking internal and external audit.

The Audit Committee agreed the following:

- That, with the checks and safeguards in place to ensure the independence of internal audit, Governors will recommend to the Corporation that Baker Tilly take on the internal audit function.
- To ask the Corporation to amend the Articles of Government to remove the prohibition on one firm providing both internal and external audit services
- To adopt the proposed amended terms of reference for the Audit Committee.
- To consider co-opting members onto the Audit Committee.

The Audit Committee noted the revised.

621 Risk Register

The Audit Committee received and reviewed the Risk Register, presented by P

Marsh, Vice-Principal.

P Marsh informed the Audit Committee that the risk register is now circulated to all managers on a monthly basis and training to all managers is currently being delivered.

P Marsh informed the Committee which risks have had their risk rating revised (risks 8 and 20), highlighted 2 new risks (risks 29 and 30) and those which are high risks (risks 1, 4, 10 and 27). These risks were discussed by the Committee.

Risks 13, 14 and 24 were also discussed and the Audit Committee agreed that these should be rescored.

P Marsh confirmed that there had been no new red risks since the Audit Committee last met, therefore paragraph 10 of the report should be deleted.

P Marsh also confirmed that the risk rating takes into consideration the mitigation measures, that dates have been added to the register, that a support person has been named alongside the risk owner and that changes have been made to the Risk Management Policy following the recommendations made by the Audit Committee at the meeting on 18 June 2013.

The Audit Committee approved the Risk Register, subject to the rescoring outlined above.

622 Any Other Business

There were no items of any other business.

623 Dates of Future Meetings

Autumn Term	Wednesday 04 December 2013	08.30am
Spring Term	Tuesday 04 March 2014	08.30am
Summer Term	Tuesday 17 June 2014	08.30am