

HARLOW COLLEGE FURTHER EDUCATION CORPORATION

AUDIT COMMITTEE

Minutes of the meeting held on Tuesday 09 October 2012

Membership: *P Bartlett (Chair)
*N Allen
*M A-Messaoud
**denotes present* *M Prodger

In attendance: C Hindmarch, Principal
N Spenceley, Deputy Principal (Finance)
S Young, Deputy Principal
P Marsh, Vice Principal
D Harris, RSM Tenon
D Sheridan, Clerk to the Corporation
R Lucas, Deputy Clerk to the Corporation

567 Apologies for absence

There were no absences.

568 Declaration of interest

No interests were declared.

569 Minutes of the previous meeting

The minutes of the previous meeting held on 26 June 2012 were agreed as an accurate record of the meeting and were signed by the Chair.

570 Matters arising from the minutes (not mentioned elsewhere on the agenda)

570.1 Risk Register (Minute 556.3 refers)

The Committee noted that the IT Strategy remains under consideration.

570.2 Key Financial Controls (Minute 557.4 refers)

The Committee noted that the Procurement Strategy is still under development and is due to be completed by January 2013.

570.3 Financial Memorandum (Minute 562 refers)

The Committee noted that the further version of the Financial Memorandum, combining the requirements and expectations of the Skills Funding Agency and the Education Funding Agency, has not yet been produced.

571 Internal Audit Reports

The Audit Committee received and considered the following internal audit reports presented by Dan Harris of RSM Tenon: -

571.1 Follow Up of Previous Internal Audit Recommendations – Capital Projects

The Committee received and considered the internal audit report on the Follow Up of Previous Internal Audit Recommendations – Capital Projects, which was undertaken as a follow up audit resulting from the red audit opinion given on capital projects earlier in the year. The report informed governors that good progress has been made in implementing actions agreed to address internal audit recommendations in the Capital Projects audit.

4 out of 5 of the recommendations, including the high priority recommendation, have been implemented and the 5th recommendation has been classed as “implementation on-going”.

RSM Tenon confirmed that a better result could not have been delivered and they are pleased that all recommendations which could have been implemented have been.

The Audit Committee approved the internal audit report on Follow Up of Previous Internal Audit Recommendations - Capital Projects.

571.2 Risk Maturity

The Committee received and considered the internal audit report on Risk Maturity, which informed the governors that the risk management framework as currently operating is adequate, although there were areas which could be enhanced or strengthened.

There were 11 recommendations and 2 suggestions, however D Harris confirmed that this number of recommendations is not uncommon.

Governors noted and discussed the following recommendations:

3.2.2a – amendments to the risk register to include cause and effect and a differentiation between control measures which are in place and those which are planned.

3.3.2 – a review of the scoring matrix will be carried out as part of the review of the risk management policy. The risk register format will be changed to make it more transparent. D Harris offered to contribute towards the review of the register and the policy and the Committee accepted his offer. It is anticipated that the review will be completed for the December 2012 Audit Committee and Corporation meetings. .

3.4.2 – map sources of assurances, such as KPIs, Ofsted reports,

audit reports.

The Principal confirmed that the College agreed with the recommendations in the report, however not all were accepted for immediate implementation due to insufficient management time and resources.

The Audit Committee approved the internal audit report on Risk Maturity.

571.3 Internal Audit Annual Report

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

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 was unqualified. D Harris confirmed that, from the internal audit work undertaken in 2011/12, 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.

For the 12 months ended 31 July 2012, based on the work we have undertaken, our opinion regarding the adequacy and effectiveness of Harlow College's arrangements for governance, risk management and control is as follows:

- Harlow College has adequate and effective governance arrangements in place;
- Harlow College has adequate risk management arrangements in place. However we have made 11 recommendations to enhance the existing arrangements in place;
- We have undertaken six assurance reviews in 2011/12, all except one resulted in a positive opinion. The negative (red) opinion was in the area of Capital Projects... We also Issued four reasonable assurance (amber green) and one some assurance (amber red) opinion.”

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

The Committee thanked RSM Tenon for undertaking the internal audits of the College and agreed to present the report to the Corporation for approval.

572 Internal Tracker

The 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 prior to the current academic year, internal audit recommendations from the 2011/12 year and the recommendations of external audit.

Governors' attention was brought to recommendations 3.1 and 3.4 on IT Service Delivery and agreed that the implementation date should be changed. It was noted that on some recommendations the target date had been changed up to four times. A discussion was held around whether target dates are too ambitious and P Marsh explained the system by which implementation dates are agreed with managers.

There are currently 13 recommendations which have a red flag rating, however only one of these is a high priority recommendation and D Harris confirmed that this does not cause any undue concern for RSM Tenon. It was agreed that where outstanding low priority recommendations were possibly no longer relevant, a discussion should be held with RSM Tenon to look at the possibility of removing the recommendations.

The Committee approved the audit tracker.

573 Risk Register

The Audit Committee received and reviewed the Risk Register, presented by P Marsh, Vice Principal.

Governors' attention was brought to risks 1 and 2 on the register and a discussion was held around risk 1 - that the government will require colleges to deliver GCSE maths and English to students who do not have grade C or above in these subjects. A clearer understanding of the associated risks and strategies which will be needed are required, however at the moment precise details of this requirement are not known. Risk 33 has risen up the risk register, however action has been taken in relation to this.

D Harris commented on the gaps under sources of assurances, however this is likely to be addressed through the review of the risk management policy and risk register.

The Committee approved the Risk Register.

574 Financial Management Control Evaluation 2011-2012

The Audit Committee received and considered the report of D Sheridan, Clerk to the Corporation, on the Financial Management Control Evaluation (FMCE).

D Sheridan explained to the Committee that FMCE is a series of standards which allows the College to evaluate its performance and controls. There is now no longer a requirement to complete the document and submit it to the SFA, however it is still a useful document which links into the College's self-assessment report.

The Committee agreed to adopt the procedure outlined in the report and for the FMCE for 2011-2012 to be completed by the College.

575 Partnership Arrangements

The Audit Committee received a verbal update from S Young on partner performance.

Governors had the opportunity to ask questions and S Young was thanked for her update.

576 Finance Team Structure

The Audit Committee received and considered the report of N Spenceley on the finance team structure.

N Spenceley updated the Committee on the recruitment for the vacant finance director post. There was a good field and 2 candidates were appointable, however both candidates withdrew.

A new proposed finance team structure was presented to the Committee, with the removal of the vacant director of finance post and creating a financial accountant and AAT technician post.

The Committee agreed the structure and asked that once the team is in place, a list of names and positions would be useful.

577 Any other business

There were no items of any other business.

578 Dates of future meetings

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| Autumn Term | Wednesday 05 December 2012 | 08.30am |
| Spring Term | Tuesday 05 March 2013 | 08.30am |
| Summer Term | Tuesday 18 June 2013 | 08.30am |