

HARLOW COLLEGE FURTHER EDUCATION CORPORATION

AUDIT COMMITTEE

Minutes of the meeting held on 16 June 2015

Membership	*Paul Bartlett (Chair) Neil Allen *Tony Durcan Debbie Palmer
*denotes present	*Paul Whitehead
In attendance	Paul Marsh, Deputy Principal Mike Stokes, Deputy Principal Louise Turner, Vice-Principal Alan Phillips, Executive Director of Finance Mark Smith, Scrutton Bland Nick Cattini, Baker Tilly Deborah Sheridan, Clerk to the Corporation Ruth Lucas, Deputy Clerk to the Corporation

690 Apologies for Absence

Apologies were received and accepted from N Allen and D Palmer.

691 Declarations of Interest

P Whitehead declared an interest in agenda items 694.1 Learner Records Internal Audit Report and 701 – Changes to Funding Rules - Subcontracting.

692 Minutes of the Previous Meetings

The minutes of the meeting of the Audit Committee held on 13 March 2015 were agreed as an accurate record and were signed by the Chair.

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

693.1 Risk Management Internal Audit Report (minute 685.2 refers)

The Audit Committee noted that the College had received examples of risk appetite statements from Scrutton Bland.

693.2 Risk Register (minute 687 refers)

The Audit Committee noted that the Advanced Manufacturing Centre was added to the risk register (risk 12) and that the College did not accept the internal audit recommendation to record a net risk score on the risk register.

694 Internal Audit Reports

The Audit Committee considered the following Internal Audit Reports that were presented by Mark Smith of Scrutton Bland.

694.1 Learner Records – Learner Responsive and Employer Responsive

The Audit Committee received and approved the Risk and Assurance Report on Learner Records – Learner Responsive and Employer Responsive and the responses of managers, which gave significant assurance.

Governors noted and discussed the auditor's seven low level recommendations that would further improve controls. M Smith highlighted the findings in the audit which led to the recommendations and assured Governors that this audit always produces the most recommendations across the FE sector. M Smith reported that the number of recommendations is higher than other colleges that Scrutton Bland audits, probably because this is the first year that Harlow College has been audited by the firm. He anticipated that the number of recommendations in future years would decrease.

M Smith commended the College on the speed at which it had addressed the points and recommendations raised in the audit.

694.2 Curriculum Planning

The Audit Committee received and approved the Risk and Assurance Report on Curriculum Planning and the responses of managers, which gave significant assurance.

Governors considered the auditor's one low level recommendation and one value added point that would further improve controls. M Smith highlighted the audit findings that led to the recommendation.

A discussion was held around setting a planned contribution rate for all teams, with delivery staff costs being set at approximately 44%. M Smith also suggested that labour market information should be included in the course planning checklist.

694.3 Key Financial Controls

The Audit Committee received and approved the Risk and Assurance Report on Strategic Planning and the responses of managers, which gave significant assurance.

Governors considered the auditor's one medium level and three low level recommendations that would further improve controls. M Smith highlighted the audit findings which led to the recommendation. Governors noted that, in light of one of the recommendations, the College's financial regulations require updating. Governors also noted that the College has a low number of bad debts.

694.4 Human Resources Management

The Audit Committee received and approved the Risk and Assurance Report on

Human Resources Management and the responses of managers, which gave significant assurance.

Governors discussed the auditor's five low level recommendations that would further improve controls.

A detailed discussion was held around sickness absence levels and Governors noted that whilst the College's sickness absence level is higher than the AoC's national average, the College's short-term sickness level is lower than the national average.

Governors requested further information on the levels of short term and long term sickness and it was agreed that the Human Resources Annual Report, presented annually to the Resources Committee, would be circulated to the Audit Committee.

Governors noted that the College did not accept the audit's first recommendation and that the College's sickness absence management policy should be updated to reflect current practice.

A detailed discussion was held around how other non-sickness absences are reported and recorded and it was agreed that there is a need to document this procedure.

694.5 Follow-Up on Previous Recommendations

The Audit Committee received and approved the Risk and Assurance Report on Follow-Up of Previous Recommendations.

Governors noted that six recommendations have been fully implemented, two partly implemented and four not yet implemented.

A new recommendation has been drafted in relation to the College's Information Security Policy and the Bring Your Own Device Policy. A detailed discussion was held around the College's approach to staff and students bringing in and using their own devices. There is a need to look at the possibility of encrypting all College laptops and that staff training will be required on the guidelines around information security and bring your own device. The Audit Committee highlighted its need to seek assurance that the College is working towards being 100% compliant with information security. The Audit Committee agreed that these areas should be a focus for internal audit in 2016/17.

694.6 Internal Audit Progress Report

The Audit Committee received and noted the Internal Audit Progress Report.

Governors noted that all eight audits have been completed and all eight gave significant assurance. In total 31 low level recommendations were made and one medium level recommendation. There were no high level recommendations. M Smith highlighted that a larger proportion of the recommendations are relatively minor points and the College would not expect to see the same pattern in future years.

Governors noted that Scrutton Bland is also undertaking a grant claim audit on behalf

of the College.

M Smith reported that the first year of Scrutton Bland providing internal audit services for the College has been successful

695 Internal Audit Tracker

The Audit Committee received and considered the Audit Tracker, presented by P Marsh, Deputy Principal.

Governors noted that the tracker contains outstanding recommendations arising from all internal audits and external audits and the process of assigning managers and timescales to recommendations was explained by P Marsh.

The Audit Committee approved the audit tracker.

696 Internal Audit Plan 2015/16

The Audit Committee received and considered the Internal Audit Plan for 2015/16, presented by M Smith from Scrutton Bland.

The Audit Committee noted that the opinions they have to give remain unchanged and the Committee needs to provide an opinion on the adequacy and effectiveness of the College's audit arrangements, framework of governance, risk management and control, and processes for securing economy, efficiency and effectiveness.

The proposed list of audits was discussed in detail and Governors noted that this could change throughout the year. The audits have been lined-up with the College's strategic objectives and risk register and the risk risks have been mapped against the proposed audit coverage. Governors noted that a procurement audit will form part of the Key Financial Controls audit, English and Maths have not been included in the audit schedule and a "mystery shopper" exercise could be included around enrolment and recruitment.

The Audit Committee approved the Internal Audit Plan for 2015/16.

697 External Audit Strategy

The Audit Committee received and considered the report on the External Audit Strategy presented by N Cattini from Baker Tilly.

The report detailed the proposed external audit strategy for the College for the year ending 31 July 2015. Governors noted that an initial planning meeting was held with Harlow College and Baker Tilly from which the Audit Plan has been developed.

N Cattini highlighted the engagement objectives and timetable for the audit and then talked through section 3 – Key Risks Affecting Our Audit Plan – in detail. Governors noted that the audit will focus on and test the following areas: management override of controls, income recognition, going concern, accommodation strategy, pension scheme liabilities, joint tenants, new IT systems and regularity review.

Governors were given the opportunity to ask questions and the fees for the audit were noted.

The appendices attached to the Strategy were highlighted but not discussed in detail.

The Audit Committee approved the Harlow College Audit Plan for the Year Ending 31 July 2015.

698 Risk Management

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

Governors noted that no risks have been added to or deleted from the register.

The following risks have been rescored upwards: Risk 5 – not recruiting to the College's 19+ ALR target; Risk 6 - competition in the local area from other colleges, training providers or school sixth forms impacts on student numbers and provision and Risk 10 - staff morale is impacted by the increase in expectations from funding bodies against a climate of efficiency savings.

The following risks have been rescored downwards: Risk 15 - bank makes additional charges as a result of breach of covenant and / or increases charges on our loans and Risk 18 - College fails to meet its internally set target of £355k for full cost / project work and the 24+ loans target of £261k.

The highest risks facing the College are: Risk 1 - financial impact of failing to hit our HE target; Risk 2 - Government policy running counter to the strategic objectives of the College; Risk 3 - failure to recruit to our apprenticeship targets; Risk 4 - failure to meet the condition of funding to deliver English and maths; Risk 5 – not recruiting to the College's 19+ ALR target and Risk 6 - competition in the local area from other colleges, training providers or school sixth forms impacts on student numbers and provision. These risks are all scored at 20.

The Audit Committee requested that the wording of Risk 14 - safeguarding and anti-radicalisation procedures are inadequate leading to a failure to meet our legal duties be reconsidered by the Executive with a view to rewording.

The Audit Committee noted that the College's risk appetite as defined in the Risk Management Policy is currently 20. A detailed discussion was held around risk appetite and the current score of 20. It was noted that the highest risks are largely out of the College's control.

Following a detailed discussion on risk appetite, the Audit Committee agreed that more work is required on the Corporation's risk appetite and agreed to present the Risk Management Policy and risk appetite to the Corporation at its meeting on 2 July 2015 for a full discussion including all Governors.

699 Attempted Fraud Against the College

The Audit Committee received and considered the report on attempted fraud against the College from August 2014 to date, presented by D Sheridan, Clerk to the Corporation, and A Phillips, Executive Director – Finance.

The Audit Committee noted that there had been one attempt of fraud against the College in April 2015. There have been no other incidents to report.

700 Terms of Reference for the Audit Committee

The Audit Committee received and considered the terms of reference for the Audit Committee, presented by D Sheridan, Clerk to the Corporation.

Governors noted that the terms of reference have been drawn from the Joint Audit Code of Practice and the only proposed amendment was in point H which now refers to the College funding bodies.

The Audit Committee agreed the terms of reference for the Audit Committee for use in 2015/16.

701 Changes to Funding Rules – Subcontracting

The Audit Committee received and considered the report on changes to funding rules – subcontracting, presented by D Sheridan, Clerk to the Corporation.

The Audit Committee was informed that new subcontracting rules have come into effect with funding body expectation of greater scrutiny of sub-contractors.

The new rules and the College's response to them were highlighted and Governors noted that the College is proposing to move from four subcontractors to two for the next academic year. D Sheridan and P Whitehead confirmed that due diligence and project management processes are in place for the subcontractors.

Governors noted the fees and levies associated with each subcontractor and that there is now a requirement to publish this information on the College's website.

The Audit Committee approved the subcontracting proposals presented in the report on changes to funding rules.

702 Any Other Business

The Audit Committee thanked P Marsh for his hard work, particularly in relation to internal audit and risk management and wished him well for his retirement.

703 Dates of Future Meetings

Dates of future meetings will be circulated to Governors.