

# HARLOW COLLEGE FURTHER EDUCATION CORPORATION

## JOINT AUDIT & RESOURCES COMMITTEE MEETING

### Minutes of the meeting held on Thursday 30 November 2017

Membership	*P Bartlett (Chair)	*E Johnson
	*J Bedford	*R Levy
	J Breen	*B Spencer
*denotes present	*C Chatt	*K Spencer
	A Durcan	*P Taylor

In attendance	N Cattini, RSM UK
	P Goddard, Scrutton Bland
	M Stokes, Deputy Principal
	D Morgan, Executive Director – Financial Services
	P Whitehead, Executive Director – Information, Data and Support
	D Sheridan, Clerk to the Corporation
	R Lucas, Deputy Clerk to the Corporation

#### **22 Chair for the Joint Meeting**

P Bartlett was elected as the Chair for the joint meeting.

#### **23 Apologies for Absence**

Apologies for absence were received from J Breen and A Durcan.

#### **24 Declarations of Interest**

E Johnson declared that he is an Essex County Councillor.

#### **25 Minutes of the Previous Meeting**

The minutes of the joint Audit and Resources Committee meeting held on 3 December 2015, previously agreed by both Committees, were noted by the Audit and Resources Committees and signed by P Bartlett.

#### **26 Audit Findings Report**

##### **26.1 To receive, consider and approve the Audit Findings Report 2016/17 for recommendation to the Corporation**

The Audit and Resources Committees received and considered the draft Audit Findings Report 2016/17 for recommendation to the Corporation, presented by N Cattini from RSM UK.

N Cattini informed the Committees that the audit scope and timetable

was unchanged and that some outstanding matters have been updated now that the funding reconciliation has been received and that there is a resolution with LGPS.

The Committees noted the key areas of the audit focus as detailed in Section 2 of the audit findings report and the response of the auditors, presented by N Cattini, as follows:

1. Management override of controls – no significant issues were raised however some recommendations have been made to which management has responded.
2. Income recognition – there has been a £57k under accrual of NCS income and a £172k clawback of high needs funding which has been reflected in the financial statements. No further issues were identified apart from a few minor processing matters.
3. Pension scheme liabilities – the College followed the Association of College's guidance in respect of the pension scheme valuation. There have been some updated assurances for LGPS and some questions on the basis on which the actuarial calculation was based. Issues arose from auto-enrolment. Work has been undertaken on this and it was confirmed that there are no backdated liabilities and there is no impact on the valuation. Governors were informed that the valuation is triennial and was last undertaken in March 2016.
4. Accommodation strategy – the focus of testing in this area was HAMEC, Stansted Airport College and other planned capital programmes. A retrospective VAT claim for the construction phase of HAMEC has resulted in a repayment to the College. This will be communicated to the funders. £600k of expenditure relating to Stansted Airport College was incurred in 2016/17. This has been fully funded and is classed as a deferred capital grant therefore the net impact on the College is zero.
5. Regularity review – there are no modifications anticipated and nothing further to note.
6. Going concern – the College is classed as a going concern.

A number of audit, accounting and regularity issues identified during the audit as stated in Section 3 of the report were reported and discussed. Governors noted the unadjusted / adjusted misstatements, as detailed in Section 4 of the report.

Section 5 confirmed that no issues of potential impropriety were identified during the audit.

Section 6 – significant deficiencies and other matters in relation to internal control. Governors were informed and noted that management had provided responses to each identified area. The main area highlighted by N Cattini was change of supplier details. N Cattini suggested that a monthly audit trail be put in place.

Governors were informed that the actions arising from the report will feed into the College's audit tracker and audit recommendation monitoring processes.

N Cattini highlighted that Section 6 will be condensed in the final report and some of the issues raised are internal references only.

P Bartlett asked if the issues around the insurance at Stansted Airport College had been resolved. D Morgan confirmed that insurance arrangements had been reviewed and that the responsibility will transfer to the College from the contractors once the College opens.

Section 7 – significant findings from the audit was noted.

Governors noted under Section 8 – uncertainties, risks, exposures, judgmental issues and going concern – that there is an open insurance claim. Representations are being sought and it is anticipated that there will be no exposure to the College. The latest position with the group structure was also highlighted in this Section.

The Committees noted there had been no change to the audit fees as set out in Section 9 and noted RSM UK's independence in conducting the audit as detailed in Section 10.

The Audit and Resources Committee approved the draft Audit Findings Report for 2016/17 and recommended it for full approval at the Corporation meeting on 07 December 2017.

## **26.2 To receive and approve the Letters of Representation for recommendation to the Corporation**

The Audit and Resources Committees received and considered the draft Letters of Representation for recommendation to the Corporation on 07 December 2017. Governors noted the points raised in the letters.

The Audit and Resources Committee approved the draft Letters of Representation and recommended them to the Corporation for approval and signature by the Chief Accounting Officer and the Chair of Governors at the meeting on 07 December 2017.

## **27 Annual Report and Financial Statements for 2016/17**

The Audit and Resources Committees received and considered the report of D Morgan, Executive Director – Financial Services on the annual report and the financial statements for 2016/17. Governors were informed that the financial statements reflect the findings from the external audit however the unadjusted misstatements have not been included.

D Morgan highlighted the differences between the provisional results as seen

by the Resources Committee and the draft financial statements. A general discussion was held around the annual report and financial statements and the following points were noted:

- The surplus has increased due to lower non-pay costs.
- There has been an increase in the enhanced pensions' interest.
- The 2015/16 accrual has been released.
- Loan fees are not being classed as capital expenditure.
- The clawback in high needs funding.
- There has been an overall movement of £109k between the provisional outturn and draft financial statements.
- Both bank covenants are being met. The bank has verbally agreed with this however this will be confirmed in writing in January 2018 once the signed financial statements are received.
- The College's ESFA financial health rating is good and the College has strengthened its financial health indicators.
- There are some minor adjustments to be made to the statement of cash flows.
- The final surplus figure is £741k. K Spencer highlighted that as part of the Area Review process, colleges were encouraged to generate a better surplus.

A further discussion was held around the monitoring and clawback of high needs funding, the Principal of the funding mechanism and which costs the funds will cover. Issues have been resolved for the current academic year. Governors noted that high needs funding is a national issue for colleges. The income cannot be used to cover overheads and it is likely there will be less funding available in future. The issues colleges face if a learner withdraws or if a learner enrolls part way through the academic year were highlighted. The College is ensuring it claims everything that it is eligible to claim for and Governors were informed that Essex County Council has been very supportive.

The Audit and Resources Committee thanked D Morgan and the finance team and RSM UK for their work throughout the audit.

The Audit and Resources Committees approved draft annual report and the Financial Statements for 2016/17, subject to any final amendments and recommended them to the Corporation on 07 December 2017.