

HARLOW COLLEGE FURTHER EDUCATION CORPORATION

AUDIT COMMITTEE

Minutes of the meeting held on Thursday 01 December 2016

Membership	*P Bartlett (Chair) *A Durcan *R Levy
*denotes present	*P Whitehead
In attendance	M Smith, Scrutton Bland N Cattini, RSM UK M Stokes, Deputy Principal D Morgan, Executive Director of Financial Services D Sheridan, Clerk to the Corporation R Lucas, Deputy Clerk to the Corporation

768 Apologies for Absence

There were no apologies for absence.

The Audit Committee were informed that N Allen has resigned from the Corporation and therefore was no longer a member of the Audit Committee. R Levy was welcomed to his first meeting of the Audit Committee.

769 Declarations of Interest

P Whitehead declared an interest in agenda item 772.2 – FE Student Recruitment Internal Audit report – due to being the audit sponsor, and agenda item 775 – Risk Management – due to being involved in the Executive’s review of the risk matrix.

770 Minutes of the Previous Meeting

The minutes of the Audit Committee meeting held on 04 October 2016 were agreed as an accurate record of the meeting and were signed by the Chair.

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

771.1 Internal Audit Tracker (minute 763 refers)

R Levy asked if the Information Security Policy is being presented at the Audit Committee meeting. M Stokes confirmed that this is being carried forward and will be presented at the next Audit Committee meeting on 28 February 2016.

772 Internal Audit Reports

772.1 Sir Charles Kao UTC Service Charges 2015/16

The Audit Committee received and considered the internal audit report on Sir Charles Kao UTC service charges 2015/16, presented by M Smith, Scrutton Bland.

M Smith highlighted the areas covered by the audit and informed Governors

that the College's solicitors, Eversheds, had reviewed and agreed the calculation method of the service charges. The Audit Committee was informed that two low level recommendations were made, both of which were accepted by management and have been implemented.

M Stokes informed Governors that the College and UTC have been working with the Baker Dearing Trust to resolve the service charge issues. They have agreed the costs and confirmed that a fair calculation was being used. The lease payment year is being moved to September – July and the UTC now acknowledges that it owes the College money.

The Audit Committee noted the internal audit report on Sir Charles Kao UTC service charges 2015/16.

772.2 FE Student Recruitment

The Audit Committee received and considered the internal audit report on FE student recruitment, presented by M Smith from Scrutton Bland.

The internal audit report on FE student recruitment provided Governors with significant assurance that the governance, risk management and control arrangements for the material risks reviewed are managed effectively. Governors noted that one medium level recommendation and four low level recommendations had been made and that the recommendations had been accepted by Harlow College.

M Smith explained the findings and recommendations resulting from the audit and reported on a mystery shopper exercise which was undertaken as part of the audit. He highlighted that there was lots of good practice evidenced by the College and one best practice point had been noted.

The Audit Committee noted the internal audit report on FE student recruitment.

772.3 Internal Audit Risk and Assurance Progress Report

The Audit Committee received and considered the Internal Audit Risk and Assurance Progress Report presented by M Smith from Scrutton Bland. Governors noted that two internal audits have been completed and two internal audit reports are being drafted by Scrutton Bland.

M Smith provided some feedback on the higher education recruitment and student satisfaction audit and highlighted issues with student satisfaction. The Audit Committee noted that this was largely in relation to ARU changing the top-up year for Engineering. Higher education is a key priority for the College's Executive and a focus area for the Standards and Curriculum Committee. M Smith reminded the Audit Committee that Scrutton Bland are ARU's financial statements auditors.

M Smith reported that no significant issues were identified in the recent payroll audit however he suggested that an employee census is conducted.

The Audit Committee noted the Internal Audit Risk and Assurance Progress Report.

773 Internal Audit Tracker

The Audit Committee received and considered the Audit Tracker, presented by M Stokes, Deputy Principal.

Governors' attention was brought to recommendation number 1 and M Stokes confirmed that the Information Security Policy will be presented at the Audit Committee meeting on 28 February 2017. The Audit Committee noted that the College is making good progress with all other recommendations.

The Audit Committee approved the audit tracker.

774 Annual Report of the Audit Committee 2015/16

The Audit Committee received and considered the Annual Report of the Audit Committee 2015/16.

The Clerk reminded the Committee that the Annual Report, which is written every year, is required by the Joint Audit Code of Practice (JACOP) and must be made annually to the Corporation. The report has increased in significance and is now submitted as part of the annual accounts to the funding body. The Audit Committee needs to produce an opinion on:

- Its own effectiveness;
- How it has fulfilled its terms of reference;
- The adequacy and effectiveness of the College's audit arrangements, its framework of governance, risk management and control, and its process for securing economy, efficiency and effectiveness.

The annual report contained the following sections: introduction, membership of the Committee; meetings in the period and attendance; terms of reference of the Committee; the internal audit service; review of reports of the internal audit service; review of external audit; reports from the Skills Funding Agency; actions in response to key recommendations arising from audit; other independent assurance; proposed Audit Committee opinion and resolution.

These sections were discussed and P Bartlett asked for the surplus figure on page 6 to be confirmed.

The Committee agreed the following opinion of the Audit Committee:

"It is the opinion of the Audit Committee, based on the reports it has received and considered, and drawing upon the knowledge and expertise of its members and its audit services, supported by the work and views of College management, that during 2015-16 Harlow College:

- *had adequate and effective systems of governance;*
- *had adequate and effective risk management systems;*
- *had adequate arrangements for securing economy, efficiency and effectiveness;*
- *had adequate and effective key internal controls;*
- *had, overall, systems and controls that are adequate and effective for carrying forward the objectives of the college.*

The Audit Committee met in private with the internal and external auditors on 1 December 2016 and no issues impacting upon matters of internal control were raised. RSM UK did not identify any matters of impropriety throughout their audit work to bring to the attention of the Audit Committee.

The Audit Committee considers that it operated effectively in 2015-2016 and that it met its terms of reference and the Joint Audit Code of Practice.”

The Audit Committee approved the draft report, subject to confirmation of the final surplus figure, and agreed to recommend it to the Corporation at its meeting on 08 December 2016.

775 Risk Management

The Audit Committee received and reviewed the Risk Register, presented by M Stokes, Deputy Principal. Governors noted that all risks are reviewed by the College's Executive on a monthly basis and currently there are nine high risks, seven medium risks and four low risks.

Governors discussed changes since the last Audit Committee meeting and noted the changes with one risk score increased and seven risk scores decreased. No new risks had been added to the register and no risks had been removed, however it is likely that a risk on the Local Government Pension Scheme will be added in next time the register is reviewed by the Executive.

The Audit Committee approved the risk register.

776 Report on Fraud Against the College

The Audit Committee received and considered the report on fraud against the College, presented by D Morgan, Executive Director of Financial Services. Governors noted from the report that there had been one failed fraud attempt and were informed of another failed email attempt which had occurred since the Audit Committee papers were despatched. Both attempts failed and the internal processes in place were highlighted.

The Audit Committee noted the report on fraud against the College.

777 Any Other Business

There were no items of any other business.

778 Dates of Future Meetings

The next meeting of the Audit Committee will take place on Tuesday 28 February 2017 at 8.30am.

Future meeting dates:

Summer Term	20 June 2017	08.30am
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Following this joint meeting the Audit Committee met privately with RSM UK, external auditors, and Scrutton Bland, internal auditors. No staff were present at this meeting.