

HARLOW COLLEGE FURTHER EDUCATION CORPORATION

AUDIT COMMITTEE

Minutes of the meeting held on Wednesday 4 December 2013

Membership *Paul Bartlett (Chair)

Neil Allen

*D Palmer

*denotes present

*M Prodger

*P Whitehead

In attendance

H Catchpool, Baker Tilly

N Cattini, Baker Tilly

P Marsh, Harlow College

D Morgan, Harlow College

D Sheridan, Clerk to the Corporation

R Lucas, Deputy Clerk to the Corporation

624 Apologies for Absence

Apologies for absence were received from N Allen.

625 Declarations of Interest

There were no declarations of interest.

626 Minutes of the Previous Meeting

The minutes of the previous meeting held on 8 October 2013 were agreed as an accurate record of the meeting, with an amendment from RSM Tenon to Baker Tilly in the attendance list. The minutes were signed by the Chair.

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

606 & 616 Mock Ofsted Inspection

P Marsh updated the Committee on the College's preparation for Ofsted work which is currently being undertaken. The Executive has decided not to commission a full mock inspection, however the College is undertaking a series of selected simulations to help staff prepare for an inspection. This includes timetable checks, MIS data checks and walkabouts through classrooms.

617 Internal Audit Annual Report

The revised version of the Internal Audit Annual Report has been received and will be presented to the Corporation on 12 December 2013.

618 Internal Audit Progress Report

The fraud alert contained within the progress report was circulated to staff.

The College's mechanisms for ensuring value for money and the updated procurement policy will be presented at a future meeting of the Audit Committee.

620 Joint Audit Code of Practice

The Corporation agreed to amend the Articles of Government to remove the prohibition of one firm providing both internal and external audit services at its meeting on 17 October 2013.

628 Financial Statements and Regularity Audit

628.1 To receive, consider and approve the Audit Findings Report 2012/13 for recommendation to the Corporation

The Audit Committee received and considered the Audit Findings Report 2011/12 for recommendation to the Corporation, presented by H Catchpool and N Cattini from Baker Tilly.

H Catchpool informed the Committee that there are still a few outstanding issues, however it is expected that the final regularity and financial statements audit will be "clean" and thanked D Morgan and the finance team for their hard work.

The Committee noted the key areas of the audit focus and the response of the auditors, presented by N Cattini, as follows:

1. Funding – no material errors identified with a few unadjusted items.
2. FRS 17 – no issues arising.
3. Going Concern – the College is classed as a going concern. The breach of loan covenants was an additional aspect that had to be taken into consideration, however the bank has confirmed, via email, that there has been no breach in the covenants. No further issues were identified in going forward.
4. Accommodation Strategy – there has been little activity on this. A strategic decision had been taken to bring Building K back into use and this has been included in the brought forward value in the accounts.
5. Staff Costs – no issues identified.
6. Regularity Review – no issues noted.
7. Joint Tenants – there is a historical arrangement around joint tenants and there is inter-company debt of circa.

£5,719k. There is a risk around exit arrangements. The Committee agreed that the College should seek professional advice on this and D Morgan agreed to take this forward and look into the issues in further detail.

The Committee noted that no audit and accounting issues were identified during the audit.

There were four identified adjustments which do not affect the surplus for the year. The first two were presentational adjustments and the third and fourth were unadjusted on the grounds of materiality.

The four identified significant deficiencies and other matters in relation to internal control were discussed in detail. These were: the BACS authority limit, the loan covenants, catering income and fixed assets. The Committee and Baker Tilly agreed with the management responses provided.

The Audit Committee approved the Financial Statements and Regularity Audit and agreed to recommend them to the Corporation on 12 December 2013.

628.2 To receive and approve the Letters of Representation for recommendation to the Corporation

The Audit Committee received and considered the draft Letters of Representation for recommendation to the Corporation on 12 December 2013.

Baker Tilly confirmed that there is nothing contained within the letters that are non-standard.

The Audit Committee approved the draft Letters of Representation and recommended them to the Corporation for approval and signature at the meeting on 12 December 2013.

629 Draft Financial Statements 2012/13

The Audit Committee received and considered the draft financial statements. Some typographic amendments were requested.

The bank has confirmed via email that the bank covenants have been met throughout the year and at year-end and this will be formally acknowledged once they have received the signed financial statements in January 2014.

A discussion was held around the level of disclosure required in note 30 – related party transactions. It was agreed that an alternative version be presented to the Corporation, along with the version currently included in the financial statements, for the Corporation to agree which to include in the final

version of the financial statements.

The Audit Committee approved the Financial Statements, subject to typographic amendments, and agreed to recommend them to the Corporation on 12 December 2013.

630 Annual Report of the Audit Committee 2012/13

The Audit Committee received and considered the Annual Report of the Audit Committee 2012/13.

The Clerk informed the Committee that the Annual Report is required every year and it now needs to be submitted as part of the annual accounts. It is a more formal report than in previous years and that a new section on actions in response to key recommendations arising from audit has been added in.

The Committee asked for dates to be added to the list of audits undertaken in 2012/13 and highlighted a potential error in the number of audits detailed in section 5 of the report.

The Committee agreed the following opinion of the Audit Committee:

“During 2012/13 Harlow College:

- *Had adequate and effective systems of governance;*
- *Had adequate and effective risk management systems.*
- *Had satisfactory arrangements for securing economy, efficiency and effectiveness.*
- *Had, overall, systems and controls that are adequate for carrying forward the objectives of the College.*

The Audit Committee considers that it operated effectively in 2012 – 2013 and that it met its terms of reference.”

The Audit Committee approved the report and agreed to recommend it to the Corporation on 12 December 2013, subject to confirmation of the number of audits undertaken and the dates being added in.

631 Internal Audit Progress Report

The Audit Committee received and considered the Internal Audit Progress Report, produced by Baker Tilly.

The Committee noted that two audits have been carried out this academic year – IT data security and risk management. The draft reports have been received by the College and management responses are currently being prepared.

The Audit Committee noted the Internal Audit Progress Report.

632 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.

Governors' attention was brought to the following recommendations:

- Page 1 – HR Performance Development – a new HR appraisal system is being introduced which will replace the personal development agreements.
- Page 3 – Risk Assurance – the College's key performance indicators are being aligned with risk.
- Page 4 – IT Disaster Recovery and Business Continuity Planning – a revised policy will be presented to the Resources Committee in February 2014.
- Page 11 – Risk Management – enhancements to the risk register are taking place and risks will be linked to strategic objectives.

P Marsh informed the Committee that the number of outstanding high and medium recommendations on the tracker has significantly reduced.

The Audit Committee approved the audit tracker.

633 Risk Register

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

P Marsh informed the Committee that there are eight low, six medium and eleven high risks, however there are currently no intolerable risks.

Following on from the Audit Committee meeting on 8 October 2013, a number of risks have been merged and reworded – risks 1, 7 and 15.

Risk 31 – the reputation of the College is damaged by serious complaints which cannot be effectively remedied or countered – is a new risk, with a risk rating of 4, making it a low risk to the College.

The highest risks are risk 27 – Clydesdale Bank calling in the loans, risk 1 – the Government selects a funding policy for FE which runs counter to the College's strategic direction and risk 4 – failure to recruit sufficient 16 – 18 apprentices.

The Committee agreed that risk 2 should include partners as well as internal

College teams and a discussion was held around recruitment to the College's higher education and adult programmes.

It was suggested that risk 24 – major theft of cash – be expanded to include fraud and references to the Bribery Act and that Health and Safety should be on the audit schedule given its prominence on the risk register.

The Committee requested that the full description of the key performance indicators is added onto the register.

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

634 Any Other Business

There were no items of any other business.

635 Dates of Future Meetings

Spring Term	Tuesday 04 March 2014	08.30am
Summer Term	Tuesday 17 June 2014	08.30am

Baker Tilly confirmed that they will not be attending the next meeting.