

# HARLOW COLLEGE FURTHER EDUCATION CORPORATION

## AUDIT COMMITTEE

### Minutes of the meeting held on 13 October 2015

Membership                      \*Paul Bartlett (Chair)  
   \*Neil Allen  
   Tony Durcan  
   \*Paul Whitehead

\*denotes present

In attendance                      Mike Stokes, Deputy Principal  
   Alan Phillips, Executive Director of Finance  
   Paul Goddard, Scrutton Bland  
   Deborah Sheridan, Clerk to the Corporation  
   Ruth Lucas, Deputy Clerk to the Corporation

#### **704 Apologies for Absence**

There were no apologies for absence.

#### **705 Declarations of Interest**

P Whitehead declared an interest in agenda items 713 – Sub-Contracts in Excess of £100,000.

#### **706 Minutes of the Previous Meetings**

The minutes of the meeting of the Audit Committee held on 16 June 2015 were agreed as an accurate record and were signed by the Chair.

#### **707 Matters Arising from the Minutes (not mentioned elsewhere on the agenda)**

##### **707.1 Human Resources Management Internal Audit Report (minute 694.5 refers)**

The Audit Committee noted that the Human Resources Annual Report will be presented to the Corporation and there is a documented procedure for reporting absences.

#### **708 Internal Audit**

##### **708.1 To receive the Internal Audit Annual Report 2014-2015 presented by Scrutton Bland.**

The Audit Committee received and considered the internal audit annual report for 2014-2015 presented by P Goddard from Scrutton Bland.

P Goddard provided Governors with a summary of the work that had been undertaken by Scrutton Bland.

Nine assignments over 46 audit days were delivered throughout the year, one of which was advisory. In addition to this, Scrutton Bland undertook a grant claim audit for the College.

Governors noted that all opinions for the eight audits gave significant assurance.

33 recommendations were made in total throughout the year, two of which were medium priority and 31 were low priority. Three added value points were made. There were no high priority recommendations.

Governors noted the following opinion as stated in Scrutton Bland's Annual Report:

*"In our opinion, for the year ended 31 July 2015 the College:-*

- *has adequate and effective risk management processes;*
- *has adequate and effective governance processes;*
- *has adequate and effective control processes and*
- *has adequate and effective efficiency, effectiveness and economy processes.*

*to manage its achievement of the College's objectives."*

The Annual Report further states that:

*"It is considered that the College's Risk, Governance and Internal Control framework is operating well and this is soundly underpinned by the processes in place to secure economy, efficiency and effectiveness. This assessment is supported in part by an unusually high number of "Significant Assurance" opinions we have been able to provide across a wide breadth of strategic and operational audit reviews that were completed during the 2014/15 academic year."*

P Goddard thanked Harlow College management for their support throughout the year and reported that Scrutton Bland's first year had been a positive experience with Harlow College. P Goddard also praised the recommendation tracking system which the College has in place.

The Audit Committee approved the Internal Audit Annual Report for 2014-2015.

### **708.2 To receive the Internal Audit Progress Report for 2015-2016 presented by Scrutton Bland**

The Audit Committee received and considered the Internal Audit Progress Report for 2015-2016, presented by P Goddard, Scrutton Bland.

Governors noted that no audits have been undertaken this academic year to date however Governors had the opportunity to review the annual audit plan which was approved at the Audit Committee on 16 June 2015.

Governors agreed that the audits contained within the audit plan were still relevant and will be delivered this academic year.

## **709 Regularity Audit**

The Audit Committee received and considered the report on the Regularity Audit presented by D Sheridan, Clerk to the Corporation.

D Sheridan informed Governors that the Regularity Audit gives assurance to the College's funding bodies on the regularity of College expenditure and it supports the Statement of Corporate Governance and Internal Control. The Regularity Audit is signed by the Accounting Officer and Chair of Governors.

Governors noted the proposed responses included in the Regularity Audit and were given the opportunity to ask questions.

A discussion was held around the College's subsidiary companies. The background to the companies was given and Governors noted that advice is currently being sought from Baker Tilly's tax team. A process of winding up the subsidiaries is being investigated and Governors agreed that a wider explanation of this in the Regularity Audit would be useful.

Governors noted that details of a trip to China have been included in the Regularity Audit. D Sheridan provided an explanation of the work being undertaken with the Epping Forest Education Consultancy and that the College is looking at securing funding for further collaboration projects with China. The cost to the College of the China trip was £300.

Governors noted that as part of the value for money statement, the College is in the top 1% nationally for progress and attainment and this demonstrates good use of public funding.

The Audit Committee approved the Regularity Audit for signature by the Accounting Officer and Chair of Governors.

## **710 Internal Audit Tracker**

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

Governors noted that the tracker contains outstanding recommendations arising from all internal audits and external audits. Governors were informed that twelve items have been removed from the tracker as they had been completed, seven are on time and five on being implemented later than planned.

A discussion was held around whether the indicative timescales were realistic and the process for setting the timescales was highlighted.

A discussion was also held around the College's "Bring Your Own Device" policy and it was agreed that the College should look into adopting an acceptable use policy. It

was acknowledged that the critical issue is access to personal data and being able to remotely wipe the contents of College devices.

Some of the Responsible Manager names need to be revised due to changes in staff.

The Audit Committee approved the audit tracker.

## **711 Risk Management**

The Audit Committee received and reviewed the Risk Register, presented by M Stokes, Deputy Principal.

Governors noted that there were twenty risks on the register and no risks have been added to or deleted from the register.

Governors noted that the highest risk – Government Funding Policy – has been rescored to 25 and is now classed as intolerable. M Stokes provided Governors with an update on strategic area reviews and how the College can best respond to these.

Risk 4 – competition from other providers – has been revised downwards from 20 to 16. The College is in its best position for 16-18 recruitment. The end of year target is for 2,517 learners and the current number recruited is 2,454 learners.

Risk 10 – academic fraud – has been revised downwards from 16 to 12 as there were no cases of academic year during 2014-2015.

Risk 14 – College fails to meet project work and 24+ loan target – has been revised upwards from 9 to 12 due to the College do achieving its 24+ loan target in 2014-2015. After a discussion, it was decided that the way in which this gets reported could need to be changed. There is also uncertainty as to when the ESF funding will be launched which will impact on the potential to achieve the project work income target.

Risk 19 – special needs education – has been revised downwards from 8 to 4 as the College has implemented new processes for claiming this funding.

A general discussion was held with Governors on the risk register and Governors noted the following:

- Risk 2 – higher education recruitment – currently 209 learners are enrolled on the College's ARU validated courses and the College has a HE income target of £1,550k.
- Risk 3 – 16-18 apprenticeship target – this is a monetary target and recruitment for this academic year is good. It is hoped that the newly announced apprenticeship levy will encourage more employers to take on apprentices.
- Risk 6 – failure to achieve required academic performance – the review date needs to be amended.
- Risk 11 – impact of the UTC on the College's reputation – it is likely that the College will be perceived to be associated with the UTC due to the UTC being situated on campus.
- Risk 13 – Manchester Airport Group – work is continuing with the Manchester Airport Group.

- Risk 18 – business continuity and disaster management procedure – this is being actioned by the College.

P Goddard reported that Ofsted has a clear focus links between governance and teaching and learning and asked whether the Audit Committee has a role in this and whether there should be dialogue between the Audit and the Standards Committees.

A discussion was held around whether a risk score of 10 should be classified as a high risk and Governors agreed that it should be.

The Audit Committee approved the Risk Register.

## **712 Joint Audit Code of Practice**

The Audit Committee received and considered the report on the Joint Audit Code of Practice (JACOP), presented by D Sheridan, Clerk to the Corporation.

D Sheridan informed Governors that the JACOP sets out the specific requirements and common standards for assurance and audit arrangements for providers. The Audit Committee's terms of reference are drawn from the JACOP.

The Audit Committee questioned whether the College was receiving a lower level of assurance from Baker Tilly as implied in their briefing paper on the JACOP and asked the College to confirm with Baker Tilly if this is the case and if so would their fees be revised?

The Audit Committee accepted the Joint Audit Code of Practice and the new terms of reference for the Audit Committee.

## **713 Sub-Contracts in Excess of £100,000**

The Audit Committee received and considered the report on sub-contracts in excess of £100,000 presented by A Phillips, Executive Director – Finance.

Governors were informed that there is now a subcontracting assurance requirement from the Skills Funding Agency to provide a report from an external auditor that provides assurance on the arrangements the College has in place to manage and control their subcontractors.

Baker Tilly have provided a cost estimate to undertake the work and Scrutton Bland also offered to provide a cost to undertake the work on behalf of the College.

The Audit Committee approved the proposed audit of sub-contracts in excess of £100,000 to be undertaken by an external auditor.

## **714 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 A Phillips, Executive Director – Finance.

The Audit Committee noted that there had been two attempts of fraud against the College. One attempt was made in April 2015 which was averted and one in June 2015 which resulted in money being paid by the College into a fraudulent bank account. This has been paid back to the College and internal procedures have been reviewed and changed as a result of this incident.

Governors asked for future reports to be colour coded to show attempted fraud and actual fraud.

The Audit Committee noted the report of attempted fraud against the College.

#### **715 Any Other Business**

There were no items of any other business.

#### **716 Dates of Future Meetings**

The next meeting of the Audit Committee will take place on Thursday 3 December 2015 at 8.30am. This will be a joint meeting with the Resources Committee.

Future meeting dates:

Spring Term 2016	Tuesday 1 March 2016	8.30am
Summer Term 2016	Tuesday 21 June 2016	8.30am