

HARLOW COLLEGE FURTHER EDUCATION CORPORATION

AUDIT COMMITTEE

Minutes of the meeting held on Tuesday 18 June 2013

Membership *Paul Bartlett (Chair)

*Neil Allen

*M Prodger

*denotes present

*P Whitehead

In attendance

P Marsh, Harlow College

D Morgan, Harlow College

Hannah Catchpool, Baker Tilly

Nick Cattini, Baker Tilly

R Delara, RSM Tenon

D Sheridan, Clerk to the Corporation

R Lucas, Deputy Clerk to the Corporation

601 Apologies for Absence

There were no apologies for absence.

The Chair agreed to bring forward agenda item 610, External Audit, to after agenda item 604, Matters Arising.

602 Declarations of Interest

P Whitehead declared an interest in agenda item 605.5, Learner Records Internal Audit Report, as his department was part of the audit.

603 Minutes of the Previous Meeting

The minutes of the previous meeting held on 05 March 2013 were agreed as an accurate record of the meeting and were signed by the Chair.

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

595.3 Follow Up of Previous Internal Audit Recommendations

P Marsh provided the Audit Committee with an update on the Code of Conduct, how many staff still need to sign it and what the College is doing to address this.

605 Internal Audit Reports

605.1 Apprenticeships – Marketing & Enrolment

The Audit Committee received and considered the internal audit

report presented by R Delara from RSM Tenon on Apprenticeships – Marketing & Enrolment which gave governors substantial assurance that the controls upon which the College relies are suitably designed, consistently applied and effective.

One low level recommendation and one suggestion have been made and the action plan contained within the report was discussed.

The Committee discussed tracking and follow up on learner destinations and agreed that this is an area on which the College should focus. This will be fed back to the College's marketing team.

The Audit Committee approved the internal audit report on Apprenticeships – Marketing & Enrolment.

605.2 Control of Subsidiary Companies

The Audit Committee received and considered the internal audit report presented by R Delara from RSM Tenon on the Control of Subsidiary Companies which gave governors substantial assurance that the controls upon which the College relies are suitably designed, consistently applied and effective.

One low recommendation has been made and R Delara confirmed that this is already being implemented by the College.

Whilst Internal Audit looked at all 5 of the College's subsidiary companies, Baker Tilly confirmed that the external audit will only consider East Harlow Contracts Limited and East Harlow Leasing Limited.

The Audit Committee approved the internal audit report on the Control of Subsidiary Companies.

605.3 Governance

The Audit Committee received and considered the internal audit report presented by R Delara from RSM Tenon on Governance which gave governors substantial assurance that the controls upon which the College relies are suitably designed, consistently applied and effective.

One suggestion was made and accepted that will enable the Corporation to become fully compliant with the Foundation Code of Governance, as currently the Chair does not undertake annual appraisals of governors' performance. The self-assessment of governance, completed annually by all governors, will be amended and this will make the Corporation compliant with the

Code.

The Audit Committee approved the internal audit report on Governance.

605.4 Risk Management

The Audit Committee received and considered the internal audit report presented by R Delara from RSM Tenon on Risk Management which gave governors reasonable assurance that the controls upon which the College relies are suitably designed, consistently applied and effective.

2 medium recommendations, 3 low recommendations and 1 suggestion have been made and the action plan contained within the report was discussed, led by R Delara. A discussion was also held around the loan covenants. It was highlighted that the terms of reference for the Audit Committee were a statutory set and that the calendar of business reflected that the risk register is considered at each Audit Committee meeting. R Delara agreed to amend and re-issue the report.

The Audit Committee approved the internal audit report on Risk Management.

605.5 Learner Records

The Audit Committee received and considered the internal audit report presented by R Delara from RSM Tenon on Learner Records which gave governors substantial assurance that the controls upon which the College relies are suitably designed, consistently applied and effective.

The audit was undertaken by a national team with RSM Tenon and 2 low recommendations have been made which were discussed by the Committee.

The Audit Committee approved the internal audit report on Learner Records.

605.6 Key Financial Controls

The Audit Committee received and considered the internal audit report presented by R Delara from RSM Tenon on Key Financial Controls, which had been separated into 2 areas – General Ledger and Loan Covenants.

The General Ledger audit gave governors substantial assurance that the controls upon which the College relies are suitably designed, consistently applied and effective.

The Loan Covenants audit gave governors no assurance that the controls upon which the College relies are suitably designed, consistently applied and effective.

3 low recommendations for the General Ledger and 1 high recommendation for the Loan Covenants have been made and the action plan contained within the report was discussed, led by R Delara. A discussion was held around the loan covenants and the actions being taken by the College.

The Audit Committee approved the internal audit report on Key Financial Controls.

605.7 Internal Audit Progress Report

The Audit Committee received and considered the Internal Audit Progress Report presented by R Delara from RSM Tenon. All internal audits planned for this academic year have been completed and reports finalised.

All the audit opinions will feed into the Internal Audit Annual Report which will be presented by RSM Tenon at the next Audit Committee. R Delara highlighted that although there has been a red opinion on the loan covenant audit, this will not automatically result in a qualified audit report.

Governors' attention was brought to the 2 briefings – VAT Reclaim for Colleges and the Late Payment Directive - at the end of the report.

The Audit Committee noted the paper.

606 Internal Audit Strategy Update 2013/14 – 2014/15

The Audit Committee received and considered the Internal Audit Strategy Update presented by R Delara from RSM Tenon, which has been produced taking into consideration the new funding methodology, 24+ loans and the Joint Audit Code of Practice.

The Plan was discussed in detail and governors' asked a number of questions. It was agreed that a learner record audit should take place each year and that the plan should be updated to reflect this.

P Marsh provided the Committee with an update on the College's preparations for an Ofsted inspection and R Delara confirmed that RSM Tenon could offer a mock Ofsted Inspection / audit. The Committee agreed that this is something that should be explored further. R Delara will look into scope and costs of the work and report back to the College. It was agreed that this should be presented to the Corporation with an option of such an

audit should the Corporation wish.

The Audit Committee agreed and approved the Strategy subject to the amendments above and agreed to recommend it to the Corporation at the meeting on 4 July 2013, together with the “Ofsted” option.

607 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 updated the Committee on the progress in achieving a number of recommendations. He reported that timely updates are being made to the tracker by staff, that the process is well supported by administrative staff and the College is focused on implementing the recommendations.

The Audit Committee approved the audit tracker.

608 Risk Management

The Audit Committee received and reviewed the Risk Register, presented by P Marsh, Vice-Principal and an updated version of the Risk Register was tabled.

P Marsh informed the Committee which risks have had their risk rating increased (risks 15, 21 and 25) and highlighted a new risk (5). The high risks (risks 1, 4 and 27) were also discussed in detail. P Marsh also confirmed that the risk rating takes into consideration the mitigation measures.

The risk register is to be further reviewed and updated so that it links to the College’s strategic drivers

The following suggestions were made by governors and agreed by the Committee:

- there should be a nominated support person alongside the risk owner.
- Risk 5 – the word “board” should change to “governors”.
- the Audit Committee should receive and review the risk register every time a risk moves into the red category.
- the Risk Policy be updated to reflect the point above.

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

609 Joint Audit Code of Practice (JACOP)

The Audit Committee received and considered the report of D Sheridan, Clerk to the Corporation, on the JACOP.

The Clerk explained that this version is the final draft of the JACOP and key elements within the JACOP were discussed by the Committee. The Committee agreed that once the final version of the JACOP has been produced, the terms of reference of the Committee will need to be revisited.

610 External Audit

610.1 Harlow College Audit Strategy for Year Ending 31 July 2013

The Audit Committee received and considered the Harlow College and its Subsidiaries Audit Plan which was tabled by H Catchpool and N Cattini from Baker Tilly.

An initial planning meeting has been held with Harlow College and Baker Tilly from which the Audit Plan has been developed.

N Cattini talked through section 3 – Key Risks Affecting Our Audit Plan – in detail and highlighted the areas the audit will focus on and test. The following areas were discussed in detail by the Audit Committee: the adult budget and removal of the 3% tolerance; accounting adjustments around pensions; loan breaches which is a key focus for the College; accommodation strategy and an explanation of impairment; subsidiary companies of the College and changes to the Teachers' Pension Scheme.

The fees for the audit were discussed and approved by the Committee. The appendices were also discussed, with Appendix E – Financial Reporting Developments - being looked at and discussed in detail.

The Audit Committee approved the Harlow College Audit Plan for the Year Ending 31 July 2013.

610.2 Changing Environment

The Emerging Issues document produced by Baker Tilly will be circulated via e-mail due to its size.

611 Any Other Business

There were no items of any other business.

612 Dates of Future Meetings

Autumn Term	Tuesday 08 October 2013	08.30am
	Wednesday 04 December 2013	08.30am
Spring Term	Tuesday 04 March 2014	08.30am
Summer Term	Tuesday 17 June 2014	08.30am