

HARLOW COLLEGE FURTHER EDUCATION CORPORATION

AUDIT COMMITTEE

Minutes of the meeting held on Tuesday 22 June 2010

Membership: *M Ray (Chair)
 *M A-Messaoud
 *P Bartlett
 *V Goddard
 *P Taylor

**Denotes present*

In attendance: R Allanach, Deputy Principal
 D Bardell, Baker Tilly
 H Catchpool, Baker Tilly
 D Harris, RSM Tenon
 D Sheridan, Clerk to the Corporation

449 Apologies for absence

There were no absences.

450 Minutes of the previous meeting

The minutes of the meeting held on 9 December 2009 were approved as a correct record.

451 Matters arising from the minutes (not mentioned elsewhere on the agenda)

There were no matters arising.

452 Financial Statements and Regularity Audit

David Bardell and Hannah Catchpool presented the draft external audit strategy to the committee.

The committee noted the scope and approach of the external audit and the timetable, which would see the audit findings reported in December 2010. The auditors drew the attention of the committee to the key risks of the audit and it was noted that these were compiled following a meeting with the Deputy Principal. The committee noted the key area "Going Concern" and the approach the auditors would take to review the college's status.

The audit committee noted the fee for 2010 of £27,560 plus disbursements and VAT, and the assumptions on which the fee was based.

The external auditors informed the committee of details contained within the appendices concerning the engagement letter, audit team and other matters relating to the audit. Hannah Catchpool agreed to send the section on emerging issues to the Clerk for circulation to the committee.

The committee discussed the draft audit strategy and the need to keep the audit focused on the changing issues confronting the sector.

The Deputy Principal informed Governors of a range of issues confronting the college and the FE sector that were yet to be resolved nationally. Hannah Catchpool circulated a briefing note to the committee entitled "Succeeding Against a Changing Landscape". This summarised for the committee a large number of the issues and risks that colleges were facing.

In response to a suggestion from Paul Bartlett, the Deputy Principal agreed to check the actuarial assumptions for future salary growth to ensure the FRS17 review was appropriate for the college's circumstances.

The Audit Committee approved the draft external audit strategy for 2009/10.

453 Internal Audit Reports

453.1 ECM/Safeguarding 1.09/10

The Audit Committee received and considered the draft internal audit report on Every Child Matters and Safeguarding which gave limited assurance that the controls on which the college relies to manage the risk are effective.

Governors reviewed the action plan and noted that the revised Child and Vulnerable Adults Safeguarding Policy will be put to the Corporation on 15 July 2010. Governors were informed that the safeguarding team had undertaken training at level 2 and the Assistant Principal Student Services had been trained to level 3. The Student Services Liaison Manager will undertake training at level 3 when a programme becomes available.

The committee considered recommendation 1.3 and noted that the college accepted the finding but had put in place an alternative control programme. This will be reviewed in July when internal audit undertakes a follow-up review on safeguarding that will confirm if the control is operating as stated and that will examine the design of the control and assess its effectiveness. The committee discussed the finding and the management response. The Clerk confirmed that the college holds a single list of CRB checks undertaken on all staff, which are undertaken at an enhanced level. It was noted that most CRB disclosures are received within 2-3 weeks. However when a member of staff has the same name and date of birth as someone who has a criminal record then the return of the disclosure can take several weeks and can sometimes require fingerprints taken to confirm identities.

After consideration the committee agreed to raise a concern at the management response, which Governors felt was not strong enough. Governors agreed that a follow-up review of Safeguarding would take place in the week beginning 12 July 2010. This would allow the Corporation to consider if a new procedure was required when Governors met on 15 July.

Governors considered recommendation 1.4 concerning college contractors. Again Governors noted the audit finding was accepted but that a different

process was put in place in response. Governors agreed that this would also be reviewed by the follow-up audit to ensure the new controls were adequate and working well. Governors noted that the second part of the management response – i.e. the controls given in the last paragraph – had been withdrawn by college management, who wished to review the response.

The Audit Committee accepted the draft internal audit report on ECM / Safeguarding and visited that further work would be undertaken to implement the Safeguarding Policy.

453.2 Payroll 2.09/10

The Audit Committee received and approved the internal audit report on Payroll which Governors noted and gave substantial assurance.

In discussion, the Committee noted that the audit did not consider in detail whether individuals had supplied correct tax and NI codes and that it had not calculated whether correct levels of PAYE, NI, employee pension contributions were made. Governors identified that changes will be made in future to the level of these payments and asked if this could be covered in a future payroll audit.

453.3 Assets and Inventories 3.09/10

The Audit Committee received and approved the internal audit report on Assets and Inventories, which Governors noted gave adequate assurance.

The Audit Committee noted a new procedure for the asset register, with procedures for write off and disposed of assets, would be developed for the autumn term. This would be considered by the Resources Committee.

In discussion, the Committee noted that teams would be required to compile inventories of assets, which would enable the grouping of items that were of a low value. The Deputy Principal confirmed that the College holds a register of software Licenses.

453.4 Recruitment and Retention 6.08/09

The Audit Committee received and approved the internal audit on Recruitment and Retention which gives adequate assurance. The Committee noted that all audit recommendations were accepted.

453.5 Management Information 9.06/07

The Audit committee considered an audit report on Management Information that had been carried out in 2006/07 but not reported to the Committee. The report gave adequate assurance.

The Audit Committee noted that some recommendations had been accepted with responsibility allocated to staff. Other recommendations, however, had been superseded.

454 Internal Audit Plan 2010/11

The Audit Committee received and considered the Internal Audit Plan – Draft Update for 2008/09 – 2010/11.

Dan Harris for RSM Tenon reported that the strategy had been developed with Richard Allanach. Governors discussed the plan and noted that it followed significant risks facing the college. The Committee identified that there was no audit proposed to cover mainstream funding allocations/funding returns/student records. Governors were concerned that at a time when funding was pressured, the college ensured that it met the audit requirements and regulations of its funders. In discussion it was noted that to accommodate this request, the strategy would either have to drop one of the proposed audits or the college would have to find resources to pay for the additional audit.

The Audit Committee approved the Internal Audit Plan for 2010/11 and agreed to recommend it to the Corporation on 15 July 2010. It was agreed, however, to indicate to the Corporation that the additional audit might take place, RSM Tenon agreed to provide information to the Audit Committee at its next meeting.

455 Other Audits

455.1 Financial Management and Control Evaluation

The Audit Committee received the outcome of the audit of the Financial Management and Control Evaluation by the Learning & Skills Council Provider Financial Assurance Team (PFA).

The Committee noted that the PFA concurred with the Corporation's self-assessment of Satisfactory.

455.2 SRF Consultancy – Audit of Harlow College Partners

The Audit Committee received the audit report carried out by SRF Consultancy Ltd of the College's partners in work based learning contracts. The Committee noted that management's responses were yet to be made and agreed to defer consideration of the report to a later meeting in 2010/11.

The Deputy Principal explained the purpose and nature of the audits carried out by SRF Consultancy Ltd on individual partner performance.

455.3 Provider Financial Assurance Audit – Train to Gain, Apprenticeships and Learner Responsive 16-18 Entry to Employment 2008/09.

The Audit Committee received the audit carried out by the PFA and noted that, in the opinion of the auditors, there were sound systems of internal control. This resulted in an unqualified (satisfactory) audit.

456 Risk Management

The Audit Committee received and considered the Deputy Principal’s report on risk management and the revised format risk register. In presenting the paper, Richard Allanach expressed his hope that the changes made captured the recommendations made by RSM Tenon in their audit report on risk carried out in 2008/09. The risk register is now more numeric, has a clearly defined approach, identifies who is responsible for eliminating or mitigating the risk and flags the most critical risks.

The Audit Committee discussed the approach to risk management and the new risk register. Governors expressed the opinion that the new format would allow risk management to become embedded across the college and agreed that they were happy with the new method of presentation.

The Deputy Principal confirmed that as risk control measures were identified, they would be added into the risk register. This would then alter the residual risk and the item’s position of the risk in the register. Governors agreed that the new format and methodology would give Governors and managers a more straightforward way of evaluating risk.

Dan Harris stated that RSM Tenon would expect a risk register to identify strategic risks ie those risks that would prevent the College from achieving its objectives

The Audit Committee considered how it would monitor the risk register. It was agreed that the Committee should monitor as many risks as it felt necessary. However the net risk score would enable the Committee to determine its risk appetite. When the register was finalised, the Committee would eventually determine the risk score that would automatically trigger the scrutiny of the Audit Committee.

The Audit Committee approved the report and recommendations of the Deputy Principal and agreed to consider the revised risk register again at the next meeting before putting the risk policy forward to the Corporation.

457 Any other business

There was no other business.

458 Dates of future meetings:

Autumn Term 2010	Tuesday 5 October 2010	8.30am
	Wednesday 8 December 2010	8.30am
Spring Term 2011	Wednesday 30 March or 6 April	8.30am
Summer Term 2011	Tuesday 21 June 2011	8.30am

Chair:

Date.