

# HARLOW COLLEGE FURTHER EDUCATION CORPORATION

## JOINT AUDIT & RESOURCES COMMITTEE MEETING

### Minutes of the meeting held on Thursday 1 December 2016

Membership	*P Bartlett (Chair)	*R Levy
	*J Bedford	*B Spencer
	J Breen	*K Spencer
*denotes present	*A Durcan	*P Taylor
	*E Johnson	*P Whitehead

In attendance	H Catchpool, RSM UK
	N Cattini, RSM UK
	M Smith, Scrutton Bland
	M Stokes, Deputy Principal
	D Morgan, Executive Director – Financial Services
	D Sheridan, Clerk to the Corporation
	R Lucas, Deputy Clerk to the Corporation

#### **16 Chair for the Joint Meeting**

P Bartlett was elected as the Chair for the joint meeting.

#### **17 Apologies for Absence**

Apologies for absence were received from J Breen.

#### **18 Declarations of Interest**

E Johnson declared that he is an Essex County Councillor with his own portfolio.

#### **19 Minutes of the Previous Meeting**

The minutes of the joint Audit and Resources Committee meeting held on 3 December 2015, previously agreed by both Committees, were noted by the Audit and Resources Committees.

#### **20 Audit Findings Report**

##### **20.1 To receive, consider and approve the Audit Findings Report 2015/16 for recommendation to the Corporation**

The Audit and Resources Committees received and considered the draft Audit Findings Report 2015/16 for recommendation to the Corporation, presented by H Catchpool and N Cattini from RSM UK. H Catchpool informed Governors that the audit report is positive and that RSM UK are proposing a clean opinion on the financial statements and regularity audit.

The Committees noted the key areas of the audit focus as detailed in Section 2 of the audit findings report and the response of the auditors, presented by N Cattini, as follows:

1. Management override of controls – sampling of non-routine transactions took place. There has been a change in the useful economic life of the College's fixed assets as a result of the recent revaluation report. Additional disclosures have been incorporated in the financial statements in relation to this.
2. Income recognition – this focused mainly on non-routine income streams and no issues were identified. The accounting for the UTC service charges has released an additional £40k of income. The College is not expecting any further adjustments. All testing was completed satisfactorily.
3. Pension liability – the College's approach is consistent with other providers. Some minor amendments have been made to the disclosures. A discussion was held around the recent communication from Essex Pension Fund concerning the increasing pension liability. The Principal informed the meeting that Essex colleges are responding jointly to this and putting forward some proposals. She agreed to write a statement for E Johnson and A Durcan. All testing was completed satisfactorily.
4. Accommodation strategy – the completeness of costs for the AMC and the levels of capital spend and accruals were looked at. The costs of the Stansted Technical and Professional Centre were in accordance with funding regulations. Some additional disclosures are being made, however they are not a cause for concern.
5. Going concern – the College is being classed as a going concern and there was nothing further to report on this.
6. FRS 102 – this was a key area of consideration for the audit. There has been a £6.8m adjustment resulting from the property revaluation. Two presentational adjustments have been made. All testing was completed satisfactorily.
7. The regularity review was a separate engagement. One instance was identified where the College used a preferred supplier rather than adhering to the College's procurement process. No modifications are expected and all testing was completed satisfactorily.
8. Joint tenants – this area including looking at reducing the inter-company debtor and a charge has been reversed and reintroduced. All testing was completed satisfactorily.

The Committees noted that no audit, accounting and regularity issues were identified during the audit as stated in Section 3 of the report. Section 4 confirmed that no impropriety issues were identified during the audit.

Governors noted the unadjusted / adjusted misstatements, as detailed in Section 5 of the report. Governors' attention was brought to the £43k income adjustment and the FRS 102 adjustments as detailed on page 13 of the report.

Section 6 – significant deficiencies in internal control. Governors were reminded that this section details any control weaknesses arising from the audit. N Cattini reported that management have provided responses suggesting remedial actions and highlighted the following as most significant:

1. IT Administrative Access and Review – whilst administrative access is monitored however this should be reviewed on a regular basis.
2. Restructuring Policy – no issues were identified with the processes followed by the College, however the policies reviewed did not elude to value for money. RSM UK would have expected to see more documented on value for money.

Sections 7 and 8 on significant accounting policies, disclosures and estimates and qualitative aspects of accounting practices and financial reporting were noted.

The Committees noted the audit fees set out in Section 9 and noted RSM UK's independence in conducting the audit as detailed in Section 10.

Governors were given the opportunity to ask questions and the following points were raised / discussed:

- The appropriateness of the land and building revaluation was discussed and RSM confirmed that they were satisfied with the basis of the revaluation and is requesting the Corporation's approval of the revaluation. The revaluation will be applied retrospectively to 01 August 2014 and the recent revaluation is line with the valuation undertaken by the College's bank in October 2013.
- The breach of banking covenant was a breach of a non-financial covenant due to the July 2015 accounts not being sent to the bank until the end of August 2015.
- The restructuring findings in the audit report were discussed and the Principal confirmed that this was an area that management were not comfortable with the findings. She provided Governors with some background to the cases and demonstrated that the College had achieved significant value for money, however the decision-making process was not documented and on file. H Catchpool confirmed that RSM UK had no issue with the decisions reached, however highlighted the need to fully document value for money.

The Audit and Resources Committee approved the draft Audit Findings Report for 2015/16 and recommended it for full approval at the Corporation meeting on 08 December 2016.

## **20.2 To receive and approve the Letters of Representation for recommendation to the Corporation**

The Audit and Resources Committees received and considered the draft

Letters of Representation for recommendation to the Corporation on 08 December 2016. RSM UK confirmed that they are standard letters and no specific representations have been sought by RSM UK.

The Audit and Resources Committee approved the draft Letters of Representation and recommended them to the Corporation for approval and signature by the Chief Accounting Officer and the Chair of Governors at the meeting on 08 December 2016.

## **21 Annual Report and Financial Statements for 2015/16**

The Audit and Resources Committees received and considered the report of M Stokes on the annual report and the financial statements for 2015/16.

M Stokes highlighted the differences between the provisional results and the draft financial statements.

A general discussion was held around the annual report and financial statements and the following points were noted:

- The surplus has increased due to additional accounting entries being processed and extending the useful economic life of College buildings.
- Bank covenants continue to be met.
- The sections in the Members Report were highlighted.
- There has been £5.237m investment in the College last financial year.
- The success data and future developments were highlighted.
- P Bartlett highlighted that on page 12 there is no mention of the LGPS and he suggested some wording to be added in. He commented on its presentation on the balance sheet and asked if the pages could be cross-referenced. A further discussion was held around the LGPS and the request of the Essex Pension Fund to all Essex colleges. A joint response is being prepared by the Essex colleges and the Principal confirmed that alternative solutions are being explored and followed up.
- D Morgan highlighted that the financial statements are still in draft form however the majority of the information will remain the same.
- The revaluation of the College has added £7.9m to the worth of the College's assets.
- The financial statements follow a standard format.

The Audit and Resources Committee thanked D Morgan and the finance team and RSM UK for their work throughout the audit.

The Audit and Resources Committees approved draft annual report and the Financial Statements for 2015/16, subject to any final amendments and recommended them to the Corporation on 08 December 2016.

The Joint Audit & Resources Committees meeting ended at 10.30 am.