

**HARROW COLLEGE FURTHER EDUCATION CORPORATION  
MINUTES OF THE MEETING OF THE  
AUDIT COMMITTEE  
WEDNESDAY 28 NOVEMBER 2012**

**1 MEETINGS & MINUTES**

**1.1 Private Meeting with the Principal**

Following on from discussions with the Committee at the previous meeting regarding the Significant Partnerships review, members were advised that the subsequent meeting with Tenon had been constructive with useful discussions concluding with positive solutions put forward and agreed.

The Committee Chair advised that after agreeing at the last meeting for an effectiveness review to be undertaken, contact had been made with an appropriate provider to undertake the review, which had been completed at no cost to the College. It was reported that the report would be circulated in due course.

In respect of the Financial Statement audit, the Principal thanked and commended the auditors on the work undertaken and it was noted that the feedback to the Committee Chair had been very positive.

The Principal left the meeting at this point.

**1.2 Private meeting with the Auditors**

The internal audit service confirmed that a meeting had taken place with the College following the Significant Partnerships review and that the final report appeared on the agenda for consideration.

The External Audit (Financial Statements) Service reported that the financial statements audit process had been completed and there was nothing to report.

**1.3 Attendance, Apologies for Absence, Welcome & Introductions**

**Membership:**

David Dipple  
Mark Eastwood (Chair)  
Gill O'Brien  
Ketan Sheth

**In Attendance:**

Judith Abbott (From Item 1.3)  
Jayne Chaplin (Clerk)  
Paul Barron (KPMG)  
Ben Stapleton (KPMG)  
Tony Medhurst (Principal) (Item 1.1 only)  
Mike Cheetham (RSM Tenon)

#### **1.4 Declarations Of Interest**

There were none.

#### **1.5 Minutes of Previous Meeting**

The Minutes of the Meeting held on 16 May 2012 were confirmed as a correct record, and were signed by the Chair.

#### **1.6 Timing of the Agenda & Items of Other Business**

There was nothing to report.

#### **1.7 Matters Arising**

There were no matters arising.

### **2 INTERNAL AUDIT**

#### **2.1 Internal Audit - Internal Audit Annual Report**

The 2011/12 Annual Report of the Internal Audit Service was received.

It was noted that the internal audit work covered the period from 1 August 2011 to 31 July 2012 and was carried out in accordance with the internal audit plan previously approved by the Corporation. Members were advised that the plan was constructed in such a way as to allow the audit service to make a statement of the adequacy and effectiveness of the college's risk management, control and governance processes.

It was reported that green ratings were provided overall for the opinion for governance and risk management with an amber rating in respect of control following the review of Significant partnerships, which had given rise to a Red opinion such that the overall opinion for control was amber. However, it was reported that on the basis of the audit work undertaken, it was the opinion of the audit service that the College had adequate and effective management, control and governance processes to manage its achievement of the College's objectives.

There was a discussion of the audit recommendations and the audit service performance indicators, which had highlighted that no issues had been highlighted with regard to performance of the audit service.

The Committee welcomed confirmation of the satisfactory audit opinion and congratulated all concerned for the positive outcome.

After discussion the Committee **RESOLVED** to:

2.1.1 **NOTE** the report.

2.1.2 **RECOMMEND** to the Corporation the **APPROVAL** of the Internal Audit Annual Report 2011/12.

## 2.2 Review of Recent Internal Audits

Members were updated on progress with the 2012/13 Audit Plan along with the one outstanding report from 2011/12.

### 2.2.1 2011/12 Audit Plan: Significant Partnerships

The last of the Internal Audit Reports for 2011/12 was presented covering significant partnerships.

It was reported that the purpose of the review was to give independent assurance regarding the effective and efficient design and operation of system controls, to ensure that partnerships were only entered into, and continued with, where they represented the most effective or economical way of delivering a desired outcome.

Members were advised that:

- Taking account of the issues identified at the time, assurance could not be taken that the controls upon which the organisation relied to manage the area were suitably designed, consistently applied and effective; and a red rating had been applied accordingly
- Action was required, which was being taken to ensure risks in the area were managed appropriately.

There was general discussion of the issues identified and the 3 high and 6 medium rated recommendations in particular, in the context of the risk associated with such partnership working and the prominence afforded by the SFA, identified as a sector-wide concern that would receive high levels of scrutiny. Members were advised that this had now been identified as a new risk at the mid-year review last year with its relative ranking reflecting the process deficiencies highlighted by the review, noting that the due diligence process had been tightened, a best practice contract had been adopted and staffing increased in the Business Base team to further mitigate the risk.

After consideration, it was **RESOLVED** to **NOTE** the report.

### 2.2.2 2012/13 Audit Plan: Payments (1.12/13)

The first of the Internal Audit Reports for 2012/13 was presented covering Payments, undertaken using IDEA software to analyse financial transactions and data relating to Supplier Payments.

It was reported that the purpose of the review was to give independent assurance regarding the effective and efficient design and operation of system controls to ensure that expenditure was appropriately authorised, accounted for completely and accurately and creditors were paid in a timely manner.

Members were advised that substantial assurance could be taken that controls were consistently applied and effective; and that a green rating had been applied accordingly. It was noted that no high or medium priority recommendations had been made as part of the review.

After consideration, it was **RESOLVED** to **NOTE** the report.

## **FINANCIAL STATEMENTS & AUDIT MANAGEMENT LETTER 2011/12**

### **3.1 Financial Statements & Audit Management Letter Year-ended 31 July 2012**

The Financial Statements, Audit Committee Pack Management Letter & Statutory Accounts 2011/12 were received.

Confirming a surplus of £405k, £355k better than budget, the financial statements for which it was noted would be the subject of review by the Resources Committee; the Audit Management Letter for 2011/12, recording the overall results of the audit work was presented and reviewed, noting that:

3.1.1 The audit work was now complete with an unqualified audit opinion for the year end anticipated subject to addressing matters identified as outstanding:

- Receipt of the management representation letters; and
- Post balance sheet events review, including receipt of Skills Funding Agency and Education Funding Agency confirmation of the College's final Learner Responsive funding position for 2011/12 to confirm there were no issues which required reflecting in the accounts

3.1.2 In respect of material adjusted and unadjusted audit differences, there was one adjusted difference identified relating to the pension liability that did not impact the current year surplus and no unadjusted audit differences identified.

3.1.3 One low-rated performance improvement observation had been identified and a recommendation made regarding the maintenance of the fixed asset register.

After discussion, it was **RESOLVED** to:

3.1.3 Recommend to the Corporation the **APPROVAL** of the Audit Management Letter & Statutory Accounts 2011/12.

## **4 FINANCIAL MANAGEMENT & CONTROL EVALUATION (FMCE)**

### **4.1 FfE Financial Management and Control Evaluation**

The updated Framework for Excellence Management and Control Evaluation Questionnaire was presented.

It was reported that whilst it was no longer a requirement for colleges to submit a completed FMCE to the SFA, the College considered its beneficial to continue to do so to monitor performance and ensure the maintenance of high standards of control.

Members were advised that the FMCE summary was presented to the Committee for information purposes.

The updated Financial Health letter was summarised, noting:

- 4.1.1 A rating of Satisfactory, based on a projected out-turn for 2011/12 of £100k, but in subsequently exceeding it with a final out-turn of £405k instead gave a Good rating for the year.
- 4.1.2 That benchmark data showed a position mostly worse than other colleges, due to the aftermath of "One Harrow", which had significantly reduced the College's reserves and cash.
- 4.1.3 The document for 2012/13 was being updated.

The report was noted

## **5 RISK MANAGEMENT**

### **5.1 Risk Management Update**

The risk management update was received.

Following routine review by the Strategic Leadership Team, the Risk Register and comparison of the changes in risk profile between 2011 and 2012 were presented.

The key changes were summarised with members discussing the changes, in particular the third highest rated risk, failure to manage sub-contractor contracts and delivery performance, which had formed the subject of discussion earlier on the agenda (Minute 2.2.1 refers).

After consideration it was **RESOLVED** to:

- 5.1.3 **APPROVE** the updated risk register as presented.

## **6 COMMITTEE BUSINESS**

### **6.1 Annual Report of the Audit Committee 2011/12**

The Audit committee Annual Audit Report 2011/12 was presented summarising the activity of the Committee during 2010/11 and advising the Board on the adequacy of the operation of the internal control systems in the College.

Reviewing the report there was consideration of those items presented at the meeting relating to the 2011/12 year-end, suggesting one minor amendment to reflect those officers present at meeting throughout the year.

The business conducted during the year and the Overall Assurance and Opinion statements contained in the Internal Audit Annual Report was considered. There was discussion of the conclusions contained in the Annual Internal Audit Report, endorsing

the view that they represented a fair assessment of the state of the College's internal control systems and the extent to which they could be relied upon at the time of audit.

After consideration, and subject to the amendments proposed, it was **RESOLVED** to **RECOMMEND** for the Corporation to:

6.1.1 **APPROVE** the Audit committee Annual Audit Report 2011/12

## **6.2 Committee Terms of Reference**

A report was received about the Committee's Term of Reference.

Members were reminded that the Terms of Reference were reviewed annually and that after review one minor amendment was proposed, for a change from annual to biennial review of the Committee's Terms of Reference.

It was **RESOLVED** to:

6.2.1 **NOTE** the report and to **RECOMMEND** to the Corporation the **APPROVAL** of the amended Terms of Reference as presented.

## **7 OTHER BUSINESS & MEETING EVALUATION**

### **7.1 Any other Business**

There was no other business

### **7.2 Date of next meeting**

**Wednesday 15 May 2012**

### **7.3 Meeting Evaluation**

Members completed the meeting evaluation forms and the meeting closed.