

**HARROW COLLEGE FURTHER EDUCATION CORPORATION
MINUTES OF THE MEETING OF THE
AUDIT COMMITTEE
WEDNESDAY 3 DECEMBER 2014**

1 PRIVATE MEETINGS

1.1 Private Meeting with the Principal

In respect of:

- The College financial year-end, confirmation was welcomed that the Financial Statements would be presented to the Committee.
- Internal audit, the Principal reported positively on the experience and reporting on the first of the audits undertaken with the College's new Internal Audit Service, TIAA, which were to be the subject of presentation and discussion at the meeting.

The Principal left the meeting at this point.

1.2 Private meeting with the Auditors

The audit services joined the meeting at this point.

The Internal Audit Service advised that there was nothing of significance to report.

The External Audit (Financial Statements) Service reported on the completion of the financial statements audit process, forming the subject of discussion at the meeting; and summarised those matters of priority for the next couple of years.

2 PRELIMINARY PROCEDURAL MATTERS

2.1 Attendance, Apologies for Absence, Welcome & Introductions

Membership: Tracey Critchley
David Dipple
Mark Eastwood (Chair)
Ketan Sheth

In Attendance: Judith Abbott (From Item 1.3)
Jayne Chaplin (Clerk)
Steve Lake (TIAA) (Except Item 1.2)
Ben Stapleton (KPMG) (Except Item 1.2)
Tony Medhurst (Principal) (Item 1.1 only)

2.2 Declarations Of Interest

There were none.

2.3 Minutes of Previous Meeting

The Minutes of the Meetings held on 7 May and 23 June 2014 were confirmed as a correct record and were signed by the Chair.

2.4 Agenda & Items of Other Business

Nothing reported.

2.5 Matters Arising

There were no matters arising.

3 YEAR-END 2013/14

3.1 Internal Audit Service (IAS) - Internal Audit Annual Report

The 2013/14 Annual Report of the former Internal Audit Service was received covering the period from 1 August 2013 to 31 July 2014, undertaken in accordance with the internal audit plan previously approved by the Corporation.

It was reported that it was the opinion of the IAS that it was satisfied that sufficient internal audit work had been undertaken to allow it to draw a reasonable conclusion on the adequacy and effectiveness of the College's arrangements; and that in its opinion the College had adequate and effective governance, risk management and control processes to manage the achievement of its objectives

After discussion the Committee **RESOLVED** to:

2.1.1 **RECOMMEND** for the Corporation to **APPROVE** the Internal Audit Annual Report 2013/14

3.2 External Audit Service (EAS): Financial Statements & Audit Management Letter Year-ended 31 July 2014

Contained in its Audit Highlights Memorandum and Management Letter, the external auditors review and report on the College's financial statements, was presented.

On the basis of the audit work undertaken, it was reported by the EAS that it considered that the financial statements:

3.2.1 Gave a true and fair view of the state of the affairs of the College as at 31 July 2014 and of the College's income and expenditure, recognised gains and losses and cash flows for the year then ended

3.2.2 Had been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice

3.2.3 Had been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education.

On that basis members were advised that:

3.2.4 An unqualified opinion was anticipated.

- 3.2.5 The regularity audit had been completed and that there were no observations to make.
- 3.2.6 Controls testing undertaken during the audit showed that the controls selected were operating effectively. It was noted that one performance improvement observation has been identified in the current year which was a 'low' rated observation in regard to the consistent performance of the fixed assets month end reconciliation, which had been accepted by Management.
- 3.2.7 One adjusted audit difference had been identified, relating to an invoice received post year-end for £55k of exam fees relating to the year which was not accrued for as at the year end, which had been adjusted for within the financial statements.

In the context of instances reported previously and the extent of any continuing vulnerability in compliance with College procedures, the adjusted audit difference was reviewed further. It was confirmed in response to questioning that testing confirmed it to have been an isolated issue, noting that the finance team were taking steps to ensure that any invoices received by the College were quickly communicated in case accruals need to be recorded.

After consideration, it was **RESOLVED** to **RECOMMEND** to:

- 3.2.8 The Corporation the **APPROVAL** of the Audit Management Letter & Statutory Accounts for the year-ended 31 July 2014

3.3 SFA Financial Health Letter

The SFA Financial Health Rating Letter was presented confirming provisional assessment grades of Satisfactory for 2013/14 and for 2014/15.

The report was noted.

3.4 Annual Report of the Audit Committee 2013 /14

The Audit committee Annual Audit Report 2013/14 was presented summarising the activity of the Committee during the year 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 2013/14 year-end, endorsing the view that they represented a fair assessment of the state of the College's financial and 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:

- 3.4.1 APPROVE** the Audit committee Annual Audit Report 2013/14.

4 ACADEMIC YEAR 2014/15

4.1 Review of Recent Internal Audits

In accordance with the Audit Plan for the year, the first of the Internal Audit Reports for 2014/15 was presented covering the reviews of:

4.1.1 ICT

4.1.2 Key Financial Controls

4.1.3 Safeguarding

Reporting that the purpose of the reviews had been to assess the effectiveness of the internal control arrangements mitigating against risk, members were advised of the:

4.1.4 Substantial Assurance provided following the reviews of Key Financial Controls and Safeguarding;

4.1.5 Limited Assurance provided upon conclusion of the review of ICT.

There was consideration of the findings in particular:

4.1.6 The rationale for the Limited assurance for ICT, which members were advised had been based on the overall number of recommendations made. Reviewing in particular Management's confidence in the implementation of the audit findings within the challenging timescales stated and the prioritisation of the audit recommendations. In response to questioning members were advised that implementation had been determined on the basis of those with the potentially more practical consequences and in order to facilitate the compiling of a realistic and workable road-map on the basis of a strategy aligned with Ofsted "Outstanding" and the College's curriculum needs.

4.1.7 The Substantial opinion following the Safeguarding review, welcoming the observations of the internal audit service and the commending of the good practice found to be in operation.

The report was noted

4.2 Risk Management Update

The risk management update was received.

The key changes were summarised with members discussing in particular the changes in risk profile in 2014 compared with 2013. Acknowledged to be reflective of the increasingly riskier environment within which the College was operating it was noted in particular that:

4.2.1 The top three risks were essentially unchanged from the previous year and that whilst several rankings had changed based on judgement, the underlying risk scores for the majority of risks had not.

4.2.2 Two risks now had lower scores, failure to develop quality partnerships and manage sub-contractor and partner contracts and property capital build

projects, reflecting the substantial reduction in sub-contracting in the former and the good progress with the projects in the latter.

4.2.3 Two risks now had higher risk scores than last year, failure to:

- Ensure optimum number of appropriately skilled staff at the right cost, reflecting the absolute requirement to achieve pay cost targets and the increasing need for high quality staff to achieve OFSTED Outstanding and remain competitive with local schools
- Maintain estates and facilities with the deteriorating condition of IT infrastructure leading to increased risk of failure, which it was reported was identified pending the implementation of plans to address this by September 2015.

After consideration it was **RESOLVED** to:

4.2.1 **APPROVE** the updated risk register as presented.

4.3 Audit Service Tender Arrangements

A report was presented updating members on the arrangements for the planned tender for the College's external audit function.

Reminding members of the decision to undertake market testing via re-tendering in order to remain assured of receipt of a good value and effective service, the proposed arrangements, tender documentation were summarised. Inviting input from those members of the Committee wishing to be involved in the decision-making process, the timescales for the commencement and conclusion of the process were outlined advising of the intention for a new contract to be in place from 1 August 2015.

The arrangements proposed were reviewed and it was **RESOLVED** to:

4.3.1 **RECOMMEND** for the Corporation to **APPROVE** the arrangements and timescales as outlined.

4.4 Anti-Bribery Policy

A report was presented following a review of the College Anti-Bribery Policy

Members were advised:

4.4.1 That aside from minor updates to reflect role changes within the College no other amendments were proposed

4.4.2 Of the proposal for the next review to take place in three years' time rather than annually as further significant change was not anticipated and confirming that in any event it would not prevent it being re-presented in the event of any major changes to best practice.

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It was **RESOLVED** to:

4.4.3 **RECOMMEND** for the Corporation to **APPROVE** the revised Policy and the proposal for reviews on a three-yearly basis.

4.5 Committee Terms of Reference

A report was received following a review of the Committee's Term of Reference.

Members were advised of minor amendments proposed to either reflect provisions of the Joint Audit Code of Practice (JACOP) Part 2 or to remove areas where duplication with the JACOP occurred.

It was **RESOLVED** to:

4.5.1 RECOMMEND to the Corporation the **APPROVAL** of the updated Terms of Reference as presented.

5 OTHER BUSINESS & MEETING EVALUATION

5.1 Any other Business

There was no other business

5.2 Date of next meeting

Wednesday 13 May 2015

5.3 Meeting Evaluation

Members completed the meeting evaluation forms and the meeting closed.