

**HARROW COLLEGE FURTHER EDUCATION CORPORATION  
MINUTES OF THE MEETING OF THE  
AUDIT COMMITTEE  
WEDNESDAY 7 MAY 2014**

**1 PRIVATE MEETINGS**

**1.1 Private Meeting with the Principal**

Discussing with the Principal developments since the Committee's last meeting:

- Concerns for the Internal Audit Strategy and Plan for 2014/15 to be in place in advance of the new academic year had been addressed following the scheduling of a special meeting in advance of the July Corporation meeting.
- Plans for the appointment of the new internal audit service had been welcomed.
- Members were advised of the position to date regarding the signing-off of the 2012/13 year-end accounts confirming that bring matters to a swift conclusion remained a priority (agenda item 3.2 refers)
- Plans were welcomed to undertake testing of the market for the College External Audit Service during 2014/15.

The Principal left the meeting at this point.

**1.2 Private meeting with the Auditors**

Reviewing with the audit services developments since the Committee's last meeting:

- After sharing the reasons for declining to tender for future services, the outgoing Internal Audit Service discussed with members:
  1. Their experience of the audit process and the timescales over which some reports had been finalised with management, particularly those regarded as more contentious.
  2. In the context of the Corporation discharging its responsibility, particularly its current priorities in the monitoring and oversight of the College's financial position and its capital projects, the importance of ensuring reporting arrangements that readily highlight the key issues and strategies for addressing those matters identified as requiring attention.
  3. The range of the resources available to address the breadth of the current and increasing activities requiring Management attention and to ensure the on-going welfare of those post-holders, suggesting the need to keep under review the availability of further resources to ensure the provision of appropriate support as and where necessary.
- The External Audit (Financial Statements) Service confirmed that the signing-off of the 2012/13 year-end accounts remained a priority, emphasising the need for an early meeting in order to be able to schedule the outstanding field work to allow the conclusion of the process; and advising of plans for the audit of the 2013/14 year-end (agenda item 3.2 refers).

## **2 PRELIMINARY PROCEDURAL MATTERS**

### **2.1 Attendance, Apologies for Absence, Welcome & Introductions**

<b>Membership:</b>	Tracey Critchley		
	David Dipple		
	Mark Eastwood	(Chair)	
<b>In Attendance:</b>	Judith Abbott		(From Item 1.3)
	Jayne Chaplin	(Clerk)	
	Ben Stapleton	(KPMG)	(Up to item 4.1)
	Tony Medhurst	(Principal)	(Item 1.1 only)
	Mike Cheetham	(Baker Tilly)	(Up to item 4.1)

**Apologies:** Ketan Sheth

### **2.2 Declarations Of Interest**

There were none.

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

It was agreed to amend the Agenda order and for business to be conducted in accordance with the order proposed by the Committee Chair.

### **2.4 Minutes of Previous Meeting & Matters Arising**

The Minutes of the Meeting held on 4 December 2013 were confirmed as a correct record, and were signed by the Chair.

There were no matters arising.

## **3 2013/14 AUDIT**

### **3.1 Internal Audit: Audit Plan 2013/14**

Members were presented with the reviews completed in accordance with the 2013/14 Audit Plan:

#### **3.1.1 Assignment Report, February 2014**

The Internal Audit Report was presented covering:

- Learner Number Systems
- Strategic Business Planning
- Capital Projects
- Fundamental Financial and Asset Controls
- Procurement and Payments; and
- Marketing

With the exception of the Marketing Review that had been an advisory review only, it was reported that, the purpose of each review had been to give independent assurance to management and the Audit Committee on whether the risk management and internal control arrangements in place to help the achievement of the systems' objectives were effectively and efficiently designed and operated.

Members were advised that:

- A substantial assurance and a green rating had been applied in all cases, with the exception of the Learner Numbers and Capital Projects reviews, where amber ratings had been assigned; and
- Whilst the review of Marketing had been purely advisory in nature, recommendations had been made to help with the operation of the control framework.

There was particular consideration of the:

- Capital Projects Review, noting the report findings the importance was acknowledged of and the need to ensure confirmation that the projects remain on-time, on-budget and where value engineering has been completed remain fit for purpose.
- Procurement activity undertaken on behalf of the College by Tenet, agreeing that it should be kept under review to ensure that it provided value for money.

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

### **3.1.2 Assignment Report: Follow-up on Previous Audit Recommendations**

The report was presented outlining the findings of the a review to follow up progress made by the College in implementing previous internal audit recommendations for Payments, International Income, HE Student Records, Learner Number Systems and Risk Assessment and Mitigation.

Members were advised that:

- Of the recommendations 71% had been implemented, 23% not implemented and had been 6% superseded
- It had been concluded that the College had demonstrated adequate progress in implementing actions agreed to address the recommendations.
- There were no medium recommendations considered to be receiving inadequate management attention
- Recommendations had been reiterated where not yet implemented and new recommendations made where appropriate.

After discussion the report was noted.

### **3.1.3 Assignment Report: Financial Planning, April 2013**

Originally reported upon in in draft format at the December 2013 meeting, members were reminded that the purpose of the review had been to give independent assurance to management and the Audit Committee on whether the risk management and internal control arrangements in place to help the achievement of the systems' objectives were effectively and efficiently designed and operated.

Members were advised that that reasonable assurance and an amber rating had been applied accordingly.

The findings were reviewed and there was particular discussion with Management of:

- Of staff resourcing confirming increased capacity in the finance team following recent recruitment.
- The format and presentation of the Management Accounts, which it was noted were to be revised to ensure the ready highlighting of the key issues and strategies for addressing those matters identified as requiring attention.

The report was noted.

### **3.2 External Audit: Financial Statements Year-End 31 July 2014 - Audit Strategy & Planning Memorandum**

A report was presented outlining the proposed approach to and timetable for the audit for the year ended 31 July 2014.

Members were advised of the proposed arrangements for the year end 2013/14 notwithstanding on-going efforts to conclude the 2012/13 financial year-end, noting that the 2012/13 Regulatory Opinion had been issued on 31 January 2014.

It was reported that:

- 3.2.1 The College originally had been required to submit its audited financial statements for the year-end 31 July 2013 to the SFA by the 31 December 2014 but that it had been granted an extension pending conclusion of the process for securing financial support with the bank.
- 3.2.2 The conclusion of the 2012/13 year-end required the final review by KPMG of going concern and the adequacy of banking facilities once in place. It was noted however that the conclusion of the process was not anticipated before the end of May 2014.
- 3.2.3 A fee increase had been proposed but that discussions would take place with management and an update would be provided at the next meeting.

After discussion of the Report and accompanying benchmark data, the report was noted.

## **4 ACADEMIC YEAR 2014/15**

### **4.1 Audit Arrangements: Appointment & Tendering of Audit Services**

A report was presented on the arrangements for the appointment and tendering of Audit Services.

After summarising the process adopted and the outcome of the presentations to the Presentation Panel following the tender process for the College Internal Audit Service members were advised of the Panel's recommendation for the appointment of TIAA Ltd based on:

- 4.1.1 A good presentation from the TIAA Ltd partner, director and audit senior

- 4.1.2 Relevant sector experience with questions answered capably and confidently
- 4.1.3 The approach presented appeared to offer flexibility whilst meeting the College's needs; and
- 4.1.4 The most competitive daily rate and overall fee proposal, noting both that the day rate was 30% lower than present incumbent, and that it had been considered that fewer days were required to provide the appropriate level of service than currently, resulting in a year on year saving of around £20,000.

In response to questioning it was confirmed that references had been received and had been positive.

Advising members that mindful that the current external auditors, KPMG, had similarly provided audit services to the College for several years, it was suggested for the retendering of the External Audit Service contract to be undertaken during 2014/15. Reviewing the proposal:

- 4.1.5 It was agreed that market testing was prudent to remain assured that the College continued to receive good value and an effective service.
- 4.1.6 In the context of any potential reputational impact resulting from the outstanding conclusion of the year-end 31 July 2013 there was discussion of the timescales, noting that it was anticipated that all outstanding matters would be addressed before such a tender exercise commenced.

Following discussion it was **RESOLVED** to **RECOMMEND** for the Corporation to **APPROVE**:

- 4.1.7 The appointment of TIAA Ltd as the College's internal auditors commencing on 1 August 2014 for an initial period of 3 years with the option to extend for 2 further years beyond this; and
- 4.1.8 For market testing of the External Audit Service contract to be undertaken during the 2014/15 academic year.

## **4.2 Internal Audit Strategy & 2014/15 Audit Plan**

In the context of Minute 4.1, a report was received outlining the approach proposed in order for arrangements for the Internal Audit Strategy and 2014/15 Audit Plan to be in place for the commencement of the new academic year.

Members were advised that it was proposed for an additional, special meeting of the Committee to take place to ensure the approval of the audit strategy and plan by Corporation at the July meeting in order to provide the Corporation and any other interested parties with reassurance that the appropriate plans, review and monitoring arrangements were in place ready for the new academic year.

Reviewing the proposal it was:

- 4.2.1 Agreed that it represented the most practicable solution and was preferable to deferring until the autumn term when other demands on time may occur.

4.2.2 Requested for management ensure that the 2014/15 Plan made provision for a system review to ensure that specific shortcomings in the monitoring and administration process associated with a particular budget-line, reported at the July 2013 Corporation meeting, had been addressed; in order for the Corporation to be provided with the appropriate audit assurance regarding the controls and operation of the system.

Following discussion it was **RESOLVED** to:

4.2.3 **APPROVE** the proposal as presented.

## **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 latest changes in risk profile were presented.

The key changes were summarised reviewing the assessment of the risks 10.6 *Failure to manage cash flow*, 10.7 *Failure to manage College reputation* and 10.12 *Failure to ensure optimum number of appropriately skilled staff* which it was acknowledged was reflective of the College's financial position, the need for restructuring, and the protracted negotiations with the bank.

In response to questioning, it was confirmed that the situation remained the subject of on-going review by management; and that the revised risk register would be presented to the Corporation at its next meeting.

After consideration the report was noted.

## **4 ITEMS FOR INFORMATION**

### **4.1 Financial Memorandum**

Advising members that the Item had appeared erroneously, it was withdrawn.

## **5 OTHER BUSINESS & MEETING EVALUATION**

### **5.1 Any other Business**

There was no other business

### **5.2 Date of next meeting**

Noting that the Special Meeting scheduled Wednesday 25 June 2014 needed to be reviewed and that the Clerk would contact members regarding a revised date.

### **5.3 Meeting Evaluation**

Members completed the meeting evaluation forms and the meeting closed.