

**HARROW COLLEGE FURTHER EDUCATION CORPORATION
MINUTES OF THE MEETING OF THE
AUDIT COMMITTEE
WEDNESDAY 8 JULY 2009**

1 MEETINGS & MINUTES

1.1 Private Meeting with the Principal

Members were advised that the Principal had no issues to report or matters to raise with the Committee.

1.2 Private meeting with the Auditors

Members were advised that the Internal Audit Service had no issues to report or matters to raise with the Committee.

1.3 Attendance, Apologies for Absence & Chair

Membership: Gillian Eldridge
Patrick O'Dwyer (Chair)

In Attendance: Jayne Chaplin (Clerk)
Mike Cheetham
Rena Prindiville

Apologies: Matthew Westmore

Members were advised that the Clerk had recently received the resignation of the former member, Therese Lorphevre, and that Gillian Eldridge, as a former member of the Audit Committee, was attending in her place.

Mr Mike Cheetham from the Internal Audit Service was welcomed to the meeting.

1.4 Declarations Of Interest

Mr Patrick O'Dwyer advised members that he was an employee of Harrow Council.

1.5 Minutes of Previous Meeting

The Minutes of the Meeting held on 5 December 2008 were confirmed as a correct record, and were signed by the Chair.

1.6 Timing of the Agenda & Items of Other Business

Members were advised of one item of other business received from the External Audit Service.

1.7 Matters Arising

There were no matters arising.

2 INTERNAL AUDIT

2.1 Internal Audit Report

The March 2009 internal audit report was received for:

- 2.1.1 Risk management
- 2.1.2 Learner number systems
- 2.1.3 Long term planning
- 2.1.4 Capital project planning, management and evaluation
- 2.1.5 Franchise & train to gain provision
- 2.1.6 Follow up of prior years' outstanding recommendations

Members were advised that these areas had been included in the 2008/09 internal audit plan, previously approved by the Audit Committee.

It was reported that the purpose of each review was to give an 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.

It was noted that overall, with the exception of franchise & train to gain provision, the systems reviewed:

- 2.1.7 Were found to have risk management and internal control arrangements in place that provided a good basis to help the achievement of the system's objective. It was reported that, subject to some recommendations, findings indicated that the controls in place were effectively and efficiently designed operated in practice so as to exceed expectations for the achievement of the system's objective.
- 2.1.8 The Internal Audit Service had considered the management's responses and was satisfied that the responses adequately addressed those minor recommendations made.

In respect of franchise and train to gain provision, members were advised that:

- 2.1.9 The risk management and internal control arrangements in place provided a satisfactory basis to help the achievement of the system's objective.
- 2.1.10 Findings indicated that the controls as designed would not mitigate the risks to the achievement of the system's objective as efficiently or effectively as possible; but that the controls as designed were operating in practice such that it was considered that there was no significant risk overall to the achievement of the system's objective.
- 2.1.11 Management had accepted the audit findings and recommendations and the actions proposed.

Of the follow up of prior years' outstanding recommendations it was noted that of the twelve recommendations made previously:

2.1.12 Seven had been implemented.

2.1.13 Two had been incorporated into new recommendations.

2.1.14 The implementation of three remained ongoing.

There was a discussion of the findings and members welcomed confirmation that the current findings demonstrated improvements on those of previous years; and after consideration, it was **RESOLVED** to:

2.1.15 **NOTE** the report.

2.2 Future Internal Audit Approach

A report was received outlining developments in the Internal Audit Service (IAS) proposed future approach.

It was noted that the approach had been developed to reflect changes in the FE sector and provide a more efficient and effective service.

The proposed changes were summarised and members discussed in particular:

2.2.1 The proposal to bring assessments of systems into line with the four point scale that would be used in the framework for excellence model. It was noted that on reflection, following feedback from clients, the IAS had decided against the implementation of the use the College's FMCE to inform the audit approach and to revert to using its original assessment classification framework.

2.2.2 The trialling of the use of web based reporting facility that would allow clients to share web access to draft reports, held on a secure remote server. It was noted that management had welcomed the introduction of such an initiative, which would make future responses to reports simpler.

2.2.3 The requirement to include the IAS in the circulation of main board papers. The potential for increasing the level of bureaucracy and the work load of the College was noted, particularly when minutes were publicly available on the College's website.

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

2.2.4 **NOTE** the report.

2.3 Internal Audit Strategic Plan 2009/10

The Internal Audit Strategic Plan for 2009/10 was received.

Members were advised that the Plan outlined the proposed three year audit strategy for the period 2009/10 to 2011/12; together with a more detailed audit plan for the 2009/10 internal audit programme.

It was noted that the aim of the strategy was to set out a plan that focused internal audit resources on providing assurance on key risks faced by the College; and where input would be most valuable, whilst providing coverage of the minimum business areas required by the LSC's Audit Code of Practice; and complying with Government Internal Audit Standards (GIAS).

It was reported that the overall plan was based on:

- 2.3.1 Discussions as to the College's current situation and risk analysis.
- 2.3.2 Areas and activities identified by the IAS, College management and the Audit Committee as important operations that would benefit from an independent review to provide assurance on their effective and efficient operation.
- 2.3.3 The experience of the IAS of issues and risks facing the sector generally
- 2.3.4 The periodic coverage of all relevant systems to ensure compliance with professional standards for internal audit.

It was noted that the Plan included provision to review the College's capital build but that the scope of the audit would be confirmed once the situation with the LSC and its national capital projects programmes had been made clearer.

After discussion, and subject to some minor amendments, the Committee **RESOLVED** to **RECOMMEND** to the Corporation:

- 2.3.5 The **APPROVAL** of the Internal Audit Strategic Plan for 2009/10

3 EXTERNAL AUDIT

3.1 Performance Indicators

There was a verbal report on the audit service performance indicators.

It was noted that management's assessment of performance had been positive and that the audit service was considered to be sufficiently robust and challenging.

It was **RESOLVED** to:

- 3.1.1 **NOTE** the report.

4 RISK MANAGEMENT

4.1 Risk Management Update

Members were advised that the risk register had been reviewed and updated by the Executive management team in June and September in each year.

It was reported that following a review in June, no further changes had been identified and that version 12 of the register remained current.

The register was considered and members expressed some disappointment that the register had not been updated to simplify the rating of risks or identify those managers responsible for implementing actions. Members were advised that the register would be updated and a report provided at the December meeting.

After consideration it was **RESOLVED** to:

4.1.1 **NOTE** the report.

5 ANY OTHER BUSINESS & MEETING EVALUATION

5.1 Other Business: Audit Strategy & Planning Memorandum

A report was received briefing the Committee on the Audit Service's proposed approach to the 2008/09 audit; and advising on FE developments.

The main purpose of the regularity audit, carried out in accordance with International Auditing Standards, and the proposed approach for 2008/09 was reported and noted.

Members were advised of developments in the sector in respect of key risks, specifically:

5.1.1 The worsening economic climate and impacts on financial performance; and of particular note, the reviewing of loan covenants for possible breach.

5.1.2 That capital developments were accounted for correctly; and

5.1.3 That pensions' liability was accurately stated.

There was consideration of the approach proposed for 2008/09 and the key developments and risks in the Sector currently; and after discussion it was **RESOLVED** to:

5.1.4 **NOTE** the report.

5.2 Date of Next Meeting

Wednesday 2 December 2009

5.3 Meeting Evaluation

Members completed the meeting evaluation forms and the meeting closed.