

**HARROW COLLEGE FURTHER EDUCATION CORPORATION
MINUTES OF THE MEETING OF THE
AUDIT COMMITTEE
WEDNESDAY 2 DECEMBER 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: John Cowan
Patrick O'Dwyer (Chair)
Gill O'Brien

In Attendance: Jayne Chaplin (Clerk)
Mike Cheetham
Kelly Dunn
Andrew Mead
Rena Prindiville
Matthew Westmore

Apologies: Ketan Sheth

1.4 Declarations Of Interest

Mr Patrick O'Dwyer and Mr John Cowan advised members that they were employees of Harrow Council.

1.5 Minutes of Previous Meeting

The Minutes of the Meeting held on 6 July 2009 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 Annual Internal Audit Report 2008/09

The Internal Audit Annual Report and performance indicators 2008/09 were received.

It was noted that the internal audit work covered the period from 1 August 2007 to 31 July 2009 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 during the year internal audit coverage had been as agreed in the plan, 39 days, and that:

- 2.1.1 Management's responses indicate that they have taken or planned appropriate and timely action to implement the recommendations made during 2008/09.
- 2.1.2 Of the follow up work in March 2009 reviewing the recommendations made in 2007/08, and of those that remained outstanding from previous years, it was noted that the College had made good progress in implementing the recommendations, with 9 of the 12 recommendations being implemented satisfactorily by March 2009. Members were advised that the remaining 3 recommendations were in progress

Members were advised that:

- 2.1.3 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.
- 2.1.1 In addition, the IAS had undertaken non internal audit services during 2008/09 in respect of a benchmarking exercise on the College's staff utilisation.

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 the staff concerned for the positive outcome.

After discussion the Committee **RESOLVED** to:

- 2.1.4 **NOTE** the report.

2.1.5 **RECOMMEND** to the Corporation the **APPROVAL** of the Internal Audit Annual Report 2008/09.

3 FINANCIAL STATEMENTS & AUDIT MANAGEMENT LETTER 2007/08

3.1 Financial Statements & Audit Management Letter 2008/09

The Financial Statements, Audit Committee Pack Management Letter & Statutory Accounts 2008/09 were received.

The main issues arising from the audit process were considered including:

3.1.1 The financial statements, commentary and key performance indicators, which it was noted had been the subject of separate consideration by the Resources Committee and had been provided for information purposes only.

3.1.2 The Audit Management Letter for 2008/09, about which it was noted that its purpose was to record the overall results of the audit work and to assist the Corporation and College management by commenting on those significant matters that came to the attention of the auditors during the course of the audit. Members were advised of the significant matters discussed with management during the course of the audit, including:

- That for 2008-09 total income had decreased by £3.4m (14%), which was predominantly attributed to the fact that the College income had been received and recognised gross in 2007/08 as opposed to net in 2008/09, which accounted for a reduction of £2.9m; that a fall in income in employer responsive funding and work based learning income.
- That although staff costs had increased by £935k due to redundancy and higher agency/contracted staff costs, expenditure overall had decreased by £1.8m, before property strategy costs.
- The balance sheet showed a decrease in net assets of £15.6m, with the key changes including the reduction in tangible fixed assets of £6.8m primarily due to the write off of assets under construction relating to the One Harrow project

Members were advised that in respect of the write off of assets under construction relating to the One Harrow project, a going concern assessment had been required for the purposes of an additional disclosure statement in the Financial Statements. It was noted that the assessment was required to ensure that the College would continue to have the ability to meet all its liabilities as they fall due for the foreseeable future, which it was noted was defined as the period at least 12 months from the date of the approval of the financial statements.

Members were reminded that:

- 3.1.3 Following the write off of the £9.7m net property costs during the year, the College had net liabilities of £1.255m at 31 July 2009 compared with net assets of £14.3m at the same pointing the previous year
- 3.1.4 To finance the capital project the costs had been funded by a short term loan of £2.5m, a long term loan of £0.6m, advanced funding from the LSC of £4.1m, coupled with utilisation of College reserves of £4.1m.
- 3.1.5 During the year, the long term loan covenants had been breached, which had resulted in the loan being reclassified as a short term loan in the year.

It was reported that the assessment had been undertaken by the Resources Committee at its last meeting and that as part of the going concern assessment the Resources Committee had considered:

- 3.1.6 The current funding available to the College, any covenants accompanying the funding sources, the timescales within which it would remain available and the key risks to which the College would be exposed during that period.
- 3.1.7 The cash flow forecasts for 2009/10 and 2010/11.

Members were advised that based on all the information available, it had been the opinion of the Resources Committee that the College remained a going concern and that it had recommended the approval of the Financial Statements for 2008/09 to the Corporation accordingly.

There was consideration of the financial highlights and the key issues raised in the Audit Management report. Members commended management on such a positive report.

After discussion it was **RESOLVED** to:

- 3.1.3 Recommend to the Corporation the **APPROVAL** of the Audit Committee Pack Management Letter & Statutory Accounts 2008/09.

4 FRAMEWORK FOR EXCELLENCE (FfE)

4.1 FfE Financial Management and Control Evaluation

A report was tabled on the updated Framework for Excellence Management and Control Evaluation.

Members were reminded that:

- 4.1.1 The Framework for Excellence had been introduced by the Learning and Skills Council (LSC) to manage performance across the learning and skills sector. It was noted that it was mandatory for all LSC-funded providers who fell within the scope of Version 1 of the Framework for Excellence in 2008-2009, which included the College.

- 4.1.2 The basis for the Framework was a scorecard of Key Performance Indicators (KPIs) that could be brought together to describe three key dimensions; Responsiveness, Effectiveness of provision (quality) and Finance.
- 4.1.3 Providers would be scored on each dimension and overall rating provided against which they would be able to compare against a national average.
- 4.1.4 The financial management and control activities within FE organisations would fall within the following four areas:
- Accountability: strategic and operational oversight of financial management and control, and sub-contracting arrangements (where relevant)
 - Financial planning: long and short term financial planning arrangements
 - Internal Control: internal control system and risk management
 - Financial Monitoring

It was noted that:

- 4.1.4 the College had now self-assessed its financial management and control arrangements for the period 1 August 2008 to 31 July 2009 using the Financial Management Control Evaluation dimension of the Framework for Excellence and that whilst all areas of the document were under review, the estimated grades were:

- Accountability (strategic Oversight) – Good
- Accountability (operational oversight) – Good
- Accountability (sub-contracting arrangements) – Good
- Financial Planning (long term financial planning) – Good
- Financial Planning (short term financial planning) – Outstanding
- Internal control (risk management) – Good
- Internal control (internal control system) – Good
- Financial monitoring (financial monitoring) - Good

There was a discussion of the framework, and the estimated and overall grades in the context of the College's current financial position and the rationale applied for the assessment and grades applied.

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

- 4.1.5 **APPROVE** the College's Financial Management and Control Evaluation and overall, self-assessed grading, subject to any subsequent amendments, for submission to the Learning and Skills Council no later than 12 December 2009.

5 RISK MANAGEMENT

5.1 Risk Management Update

The risk management update was received.

Members were advised that the risk register had been reviewed and updated by the Executive management team.

It was reported that:

5.1.1 The risk strategy had been reviewed by the Risk Management Group in July 2009 and that the highest rated risk identified for 2009 had been carried forward from 2008 and recognised the difficulties that the College might face when the funding mechanism changes in 2010.

5.1.2 The failure of local 14-19 strategic planning had been identified as the next most significant risk and members were advised that this is linked to the first risk as from 2010 the local authority was to become the commissioning agents for the 16-18 work the college delivers.

There was a discussion of the key risks and after consideration it was **RESOLVED** to:

5.1.3 **APPROVE** the report.

6 COMMITTEE BUSINESS

6.1 Committee Annual Report 2008/09

The Annual Report for the Audit Committee was received outlining the work of the Committee during the period 1 August 2008 to 31 July 2009.

Members were advised that the format of the report had been revised to include a statement from the Chair giving an overview of the main sector issues relevant to the Committee's work, along with the highlights of the business considered.

The contents of the report were discussed and the Committee's attendance rate for the year was noted. After discussion it was **RESOLVED** to:

6.1.1 **NOTE** the report.

6.1.2 **RECOMMEND** to the Corporation the approval of the Committee's Annual Report for 2008/09.

7 ANY OTHER BUSINESS & MEETING EVALUATION

7.1 Other Business

There was none.

7.2 Date of Next Meeting

Wednesday 20 January 2010

7.3 Meeting Evaluation

Members completed the meeting evaluation forms and the meeting closed.