

**HARROW COLLEGE FURTHER EDUCATION CORPORATION  
MINUTES OF THE MEETING OF THE  
AUDIT COMMITTEE  
FRIDAY 5 DECEMBER 2008**

**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:** Therese Lorphevre  
Patrick O'Dwyer (Chair)

**In Attendance:** Jayne Chaplin (Clerk)  
Rena Prindiville

**Apologies:** Matthew Westmore

Members were advised that the Clerk had recently received the resignation of the former member and Chair Marie Harrison.

It was **RESOLVED** that Mr O'Dwyer would Chair 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 6 May 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 Internal Audit Service.

**1.7 Matters Arising**

There were no matters arising.

## **2 INTERNAL AUDIT**

### **2.1 Annual Internal Audit Report 2007/08**

The Internal Audit Annual Report and performance indicators 2007/08 were received.

It was noted that the internal audit work covered the period from 1 August 2007 to 31 July 2008 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, 35 days, and that:

2.1.1 Management had taken or planned appropriate and timely action to implement recommendations made in 2007/08.

2.1.2 Of the follow up recommendations made in 2006/07, and those that were outstanding from previous years, showed that the College had made adequate progress in implementing the recommendations.

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.

2.1.3 In addition, the IAS had undertaken non internal audit services during 2007/08:

- Providing advice on the LSC's new funding methodology; and
- Benchmarking the College against other colleges;

There was a discussion of the audit recommendations and the audit service performance indicators:

- Learner number systems, which had been assessed overall as adequate. It was noted that because of the ever changing nature of the systems and requirements, an assessment of more than adequate was very difficult to achieve.
- Risk management and governance and the recommendation dating back to 2005. Members were advised that the recommendation had been made following the 2007 governance audit and that it had now been addressed and would be removed at the next audit.

- Personnel and a recommendation made in 2006 regarding an introduction of an implementation plan for transferring data from the personnel system to payroll, with agreed timescales and functionality that was fit for purpose. It was reported that there had been issues of compatibility between the personnel and payroll systems and that the matter was to be addressed during 2008/09.
- The performance indicators that had been completed with regard to the internal audit service. Members were advised that during 2007/08, with the exception of in-year staffing changes, which had now been addressed, 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 2007/08.

## **2.2 Internal Audit Strategic Plan 2008/09**

The Internal Audit Strategy and Plan for 2008/09 was received.

It was noted that the purpose of the annual plan was to provide a programme for the year, within the overall scope of the audit strategy, taking a risk based systematic approach to individual audit assignments after reviewing the College's risk profile, a categorisation of the College's operating systems and assessing the potential impact of sector related and other issues.

The areas to be the subject of review in 2008/09 were noted and members were advised that 39 days of audit activity was planned for the year.

After discussion the Committee **RESOLVED** to:

2.2.1 **NOTE** the report.

2.2.2 **RECOMMEND** to the Corporation the **APPROVAL** of the Internal Audit Strategy & Annual Plan 2008/09.

## **3 FINANCIAL STATEMENTS & AUDIT MANAGEMENT LETTER 2007/08**

### **3.1 Financial Statements & Audit Management Letter 2007/08**

The Financial Statements, Audit Committee Pack Management Letter & Statutory Accounts 2007/08 were received.

Members were advised of the key activities that had taken place over the year in the implementation of the strategic and financial objectives and the main issues arising from the audit process including:

3.1.1 The financial statements, commentary and key performance indicators, which had been considered at the last Resources Committee. It was reported that for 2007-2008 the Corporation had approved a budget which showed an operating surplus of £56k, excluding the impact of FRS17. It was noted that achievement of learner numbers had been difficult and that whilst there would be no claw-back in-year, there would be in 2009/10. It was further noted that an operating surplus had been achieved of £294k, excluding the impact of FRS17, which increased staff pension costs by £91k and increased investment income by £179k. Members were advised that the net effect of these activities amounted to a positive adjustment of £88k, resulting in an operating surplus of £382k. It was noted that the impact of FRS17 on the College Balance Sheet was less positive with an increased deficit of £1.450m compared with a deficit of £213k in 2006-2007. With regard to the Key Performance Indicators it was reported that:

- Financially the College had had a successful year with a surplus of £382k against a planned surplus of £56k.
- Actual cash days in hand were 12.6 compared to a target of 0 days.
- The actual current ratio for 2007-2008 was 0.3:1 compared to a target of 0.

3.1.2 The Audit Management Letter for 2007/08, 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:

- The recommendation regarding loan covenants in place, for the College to perform regular calculations on actual and forecast financial performance in order to see whether or not covenants have or are likely to be breached. It was noted that whilst no breaches had occurred to date, management had accepted the recommendation.

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

After discussion it was **RESOLVED** to:

3.1.3 Recommend to the Corporation the **APPROVAL** of Financial Statements, Audit Committee Pack Management Letter & Statutory Accounts 2007/08.

## **4 FRAMEWORK FOR EXCELLENCE (FfE)**

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

A report was received outlining the principles of the Framework for Excellence Management and Control Evaluation.

Members were advised that the Framework for Excellence was a new initiative devised 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.

It was reported that:

4.1.1 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.

4.1.2 Providers would be scored on each dimension and overall rating provided against which they would be able to compare against a national average.

4.1.3 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 2007 to 31 July 2008 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) – outstanding
- Accountability (sub-contracting arrangements) – good
- Financial Planning (long term financial planning) – outstanding
- Financial Planning (short term financial planning) – outstanding
- Internal control (risk management) – good
- Internal control (internal control system) – outstanding

- Financial monitoring (financial monitoring) - outstanding

There was a discussion of the framework, and the estimated and overall grades and 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 2008.

## **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 in June and September 2008.

It was reported that the amended risk register:

5.1.1 Included one new risk identified in top strategic risks – ineffective management of transition to new planning and funding arrangements.

5.1.2 Had removed one risk from the top risks - failure of Corporation to have effective succession planning for senior post holders

It was noted that the next review was scheduled to take place in June 2009.

After consideration it was **RESOLVED** to:

5.1.3 **NOTE** the report.

## **6 COMMITTEE BUSINESS**

### **6.1 Committee Annual Report 2007/08**

The Annual Report for the Audit Committee was received outlining the work of the Committee during the period 1 August 2007 to 31 July 2008.

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 2007/08.

## 6.2 Committee Terms of Reference

A report was received on proposed amendments to the Committee Terms of Reference.

Members were reminded that the Terms of Reference set out the remit and procedures to be followed by the Committee and that to ensure that the Terms of Reference remained in line with good practice it was necessary to periodically review them.

In reviewing the Committee's business and terms of reference, it was reported that amendments had been proposed to ensure that they continued to reflect the recent changes in the Instruments and Articles of Government relating to the publication of agendas, papers, minutes and terms of reference on the College website for a minimum period of twelve months.

There was a discussion of the requirement for such publication and the practicalities and treatment of business that would be confidential in nature.

After consideration it was **RESOLVED** to:

6.2.1 **NOTE** the report.

6.2.2 **RECOMMEND** to the Corporation the approval of the Committee's Terms of Reference.

## 7 ANY OTHER BUSINESS & MEETING EVALUATION

### 7.1 Other Business: The engagement of Tenon by one of the college's subcontractors

A report was received from the College's Internal Audit Service, Tenon, advising the Audit Committee of its engagement by a training provider who planned to contract with the College and outlining why it was considered that such an engagement would not represent a conflict of interest with Tenon's role as the College's internal audit provider.

Members were advised that Tenon's Nottingham office had been engaged by SAFE Limited, a training provider that was seeking to establish a Train to Gain (TtG) presence in London and with potential TtG students requiring funding via the College.

It was noted that:

7.1.1 As part of the engagement Tenon was helping SAFE to establish an agreement with Harrow College and would also be reviewing SAFE's learner records and its compliance with the LSC's rules for TtG, providing assurance to SAFE.

7.1.2 The students would be Harrow College's learners and the College would be responsible for ensuring the eligibility, quality and delivery of the provision.

7.1.3 As Harrow College's Internal Audit provider Tenon conducted audits to provide assurance about the College's risk management, control and governance processes following a programme of internal audits of selected College systems and activities.

7.1.4 The proposed internal audit plan for 2008/09 included a review of the College's control and oversight over the training provided on its behalf by all its franchise and TtG contractors (including SAFE) and in particular how the College satisfied itself that the records for learners complied with the LSC's eligibility rules. It was noted that it was considered that this was evidence to support the belief that this did not represent a conflict of interest.

Members were advised that:

7.1.5 Tenon did not believe their engagements with SAFE and the College would lead to any actual or potential conflict of interest as separate teams within Tenon were responsible for the work with SAFE and the provision of the College's internal audit service.

7.1.6 The scope of the proposed internal audit review would cover the College's arrangements for control and oversight for all contractors, including SAFE and in undertaking the assignment, the internal audit team would have no knowledge of and place no reliance upon the work being undertaken by Tenon for SAFE.

After discussion it was **RESOLVED** to:

7.1.7 **NOTE** the report.

## **7.2 Date of Next Meeting**

**Wednesday 21 January 2009**

## **7.3 Meeting Evaluation**

Members completed the meeting evaluation forms and the meeting closed.