

COLLEGE BOARD OF GOVERNORS

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 2 JULY 2015

PART I

PRESENT:

C Partridge	Governor (Chair)
M Wesson	Governor (staff)
S Turton	Governor
P Bird	Governor (staff)

IN ATTENDANCE:

A J Oaks (Clerk to the Governors)
T Johnson (VP Corporate Services)
L Miah (Director of Finance)
D Watson (GT UK)
G Nunns (GT UK)
J Creed (ICCA)
L Copley (AP for HE)

APOLOGIES

15.26 There were no apologies.

On behalf of the Committee, the Chair wished to formally record the passing of Mr Michael Taylor in May 2015. The Committee conveyed thanks to Mr Taylor for the commitment and support given to the College Board and particularly the Audit Committee which he Chaired for a number of years.

DECLARATION OF INTERESTS IN ANY AGENDA ITEM

15.27 The Chair reminded members of the requirement to declare any financial or personal interests in any agenda items. C Partridge's standing declaration in respect of KPMGs provision of audit services to other colleges in the region was noted.

MINUTES

15.28 The Minutes of the meeting held on 24 March 2015 (Part I) were agreed as a true and accurate record and were signed by the Chair.

MATTERS ARISING

15.29 The Committee received a list of actions arising from previous meetings. It was noted that the majority of actions had been addressed and two formed future agenda items.

FINANCIAL REGULATIONS REVIEW

15.30 The Director of Finance reported that following annual review, the ERDF National Procurement Regulations had been removed from the document and would instead be appended to the College's Procurement policy. Further to two internal audit recommendations made during the year, the central contract register limit had been reduced from £10k to £7,500, and responsibility for contract management had been clarified within the regulations. Other changes were minor and related to committee structure, job titles and responsibilities. Further to a question from the Chair, the Director of Finance confirmed that no changes had been made to the Regulations in the last year. Governors were informed that following implementation of the new SORP further revisions to the Regulations may be necessary in-year. The Financial Regulations would be considered by the F&R Committee at its meeting on 7 July 2015.

RESOLVED 15.30 to recommend the Financial Regulations be approved.

POLICY REVIEWS

Anti-Fraud, Fraud Response Plan and Anti Bribery Policy

- 15.31 The VP CS reported that following review, it was proposed to amend the Fraud Response Plan in respect of the level of investigation required which was previously to be determined by the Audit Committee. Following discussion it was agreed that the Fraud Response group should only call upon a senior representative of the internal audit if required. It was further agreed that the decision to commission a special investigation would be the role of the FR group and would constitute the authority to refer to internal audit.
- 15.32 Some minor changes were proposed to the Anti-Fraud and Anti Bribery policies by the Chair in the pre meeting briefing. The Committee considered the frequency of reviewing the policies and agreed that every two years was appropriate, subject to any changes as a result of revised financial regulations, regulatory requirements or relevant updates to legislation. The Chair commented that the College might wish to consider merging the two policies for the next review.
- 15.33 The VP CS reported that he was working towards the development of a Board Assurance Framework for consideration by the Committee in September and that it was more appropriate to review the Risk Management Policy alongside this at that time, as he wished to align it to the college's strategic priorities. Following an observation by the Chair, the VP CS undertook to incorporate the responsibilities delegated to the Audit Committee in respect of risk management, within the Policy document.
- 15.34 Grant Thornton commented that reviewing such policies was an opportunity for raising awareness amongst staff, and sought clarification of how the policies were communicated. The VP CS explained the process for raising awareness and communicating policy changes to staff, and in respect of the Financial Regulations, the process for budget holders to sign off and acknowledge receipt of the new version. The Chair referred to the Whistleblowing Policy, asking if all staff were clear on the procedure. The VP CS undertook to ensure the procedure was communicated well.

RESOLVED 15.34.1 to recommend the Anti-Fraud Policy, Fraud Response Plan and Anti Bribery Policies be approved.

RESOLVED 15.34.2 That the Risk Management Policy be revised and brought to the next meeting for consideration together with a draft Board Assurance Framework.

RESOLVED 15.34.3 To continue to review the Policies every two years subject to any necessary changes.

KEY INFORMATION SYSTEMS

- 15.35 The College's UCB HE department had undergone an HEFCE audit of Key Information Sets (KIS) in January 2015. The resulting report and Action plan had been provided to the Committee for consideration, together with an updated KIS Policy, which would support and enhance provision of information for HE applicants. The Assistant Principal for HE had been invited to the Committee to report on the outcome of the audit.
- 15.36 The AP HE explained that the audit had identified some errors as a result of the college's current systems and protocols in respect of the accuracy of the data. Recommendations had therefore been made, which, when implemented, would improve the systems used in

deriving KIS data and its accuracy. The Committee were provided with substantial detail of the issues that had been identified and of the actions that had been taken to address the recommendations, and were assured that robust systems were now in place. Governors were referred to the KIS policy, and to the flow chart demonstrating the collection and review process for course level information. Since the report had been circulated to members, HEFCE had issued a further letter to the College Principal signing off the audit and confirming it was fully satisfied with the actions taken by the College. The Chair drew attention to the sentence *'The College Audit Committee should seek to gain assurance over the accuracy of the data submitted and the audit trail to the module data'* and noted that the Committee would ensure it received future reports as part of its business. She added that thanks should be conveyed to the staff at UCB for the significant amount of work undertaken to address the audit findings.

- 15.37 The Chair commented that it would be useful to add the audit of college data to the Internal audit plan for 2016/17 and emphasised the importance of seeking assurance of the robustness of systems across the college in respect of data. It was proposed the Committee receive a paper at the December meeting from college management in this regard. The Chair thanked the AP for the Report.

The Report was noted and received.

The AP HE left the meeting.

INTERNAL AUDIT REPORTS

Additional Learning Support

- 15.38 The Committee received a report following the audit of ALS which provided substantial assurance and highlighted one medium priority recommendation relating to the calculation of hourly rates. Management had accepted the recommendation to review the costing and pricing model as part of its discussions with LA commissioners for 2015/16. The college had 354 commissioned places, which was significant. ICCA made reference to the table highlighting the total anticipated support costs and actual costs incurred. Discussion took place with regard to the current model and difference between pricing and costing. Further to discussion the Deputy Principal was comfortable with the figures, and confirmed that management would review the methodology to ensure the costs were more transparent. The Chair proposed that given the long term sickness absence of the VP Data and Communications, the implementation date be put back to December 2015, which was agreed.

The Report was received.

Performance Management Framework

- 15.39 The Committee received a report following the audit of the PM Framework undertaken in June. The report provided substantial assurance in all areas with two low priority recommendations relating to the link between SAR process and action plans, and Staff appraisals. Both recommendations had been agreed by management for implementation by October 2015. ICCA reported that they had given the audit the highest level of assurance as the process was extremely robust both financially and qualitatively.

The Report was noted and received.

Targeting The Savings - Efficiency and Effectiveness Free Report 2013/14

- 15.40 The Committee received a report highlighting the college's performance compared to publicly available national data from the finance records and success rate data. The graphs clearly indicated good performance year on year and provided much assurance to the

Committee. ICCA advised that in future years, this information would come to the committee as part of the planned audit work. The Chair commented that the report confirmed information previously provided to the Board on performance which was very reassuring. The Report was noted and received.

PROGRESS REPORT

- 15.41 A progress report had been produced which provided an overview of work undertaken to date against the 2014/15 Audit Plan. Nine audits had been undertaken, one of which was advisory, with 21 recommendations made overall. The Chair was satisfied with the status of the report and progress being made.

UPDATE ON INTERNAL AUDIT RECOMMENDATIONS

- 15.42 The Clerk's report summarised the status of audit recommendations made over the last two years. All recommendations from 2013/14 had been fully implemented. To date, 15 out of 17 recommendations made in 14/15 had been implemented in the current year. The recommendations arising from reviews reported to the Committee earlier in the meeting were not included within the report. ICCA's Follow Up report would be presented to the Committee in the autumn term. At the request of external auditors, a summary of recommendations from the external audit of the financial statements in 2014 had been appended. Three recommendations had been made, two of which had been completed. The one outstanding related to the introduction of a new finance system in August 2015. The Committee were very satisfied with progress.

The Report was received.

TRANSACTIONS WITH COMPANIES LISTED IN THE REGISTER OF INTERESTS

- 15.43 The Committee received a report summarising the transactions with companies identified within the Register of Interests. Details were provided of income, expenditure and apprenticeships, in relation to the companies identified. The Director of Finance confirmed that she was satisfied no direct conflicts of interest had arisen. The Chair proposed that for the sake of transparency, Leeds City College should be added to the Register of Interests as a related party, and included in the next report.

The report was noted and received.

ANNUAL INTERNAL AUDIT PLAN 2015/16

- 15.44 The Committee received a draft Annual Audit Strategy for consideration. The Plan provided coverage of 10 areas plus a Follow Up, over a total of 50 days, at fees of £22,150 plus VAT. Considerable discussion took place with regard to the proposed audit areas in terms of the rationale and added value. Members were keen to review areas of highest risk linked to the strategic priorities. Following consideration of the Plan and proposals for reviewing the areas identified, management undertook to review the Plan with ICCA and produce a further draft for circulation and agreement by the Chair and members prior to Board approval on 14 July 2015.

RESOLVED 15.44 **that the Plan be revised as discussed and a further draft issued for circulation to the Audit Committee to enable the Committee to recommend it to the Board for approval.**

EXTERNAL AUDIT PLAN

- 15.45 The Committee received the External Audit Plan for year ending 31 July 2015. D Watson from GT outlined the areas that would be covered within the audit process in detail. Proposed fees of £24,050 plus VAT were noted.

The Report was noted and received.

COMMITTEE TERMS OF REFERENCE AND ANNUAL CYCLE OF BUSINESS

- 15.46 The Committee received the Terms of Reference for the Committee for annual review. The ToR were last revised in 2013 following publication of the JACOP. The Clerk's report confirmed that the ToR reflected the requirements of the JACOP and that the remit of the Committee was therefore appropriate. The increased focus on risk assurance was noted and indeed the Committee's commitment to seeking assurance from a broader range of college activities had been discussed previously. The Clerk advised members that the JACOP 2015/16 was currently out for consultation. Should there be any changes necessitating a further review of the ToR, the Clerk would inform members. The Chair was content that the requirements of current JACOP were captured within the ToR and that no further revisions were therefore necessary.
- 15.47 A cycle of core business for 2015/16 had been set out within the papers including dates of all meetings. The VP CS undertook to ensure the review of the Whistleblowing Policy aligned to that of the Anti-Fraud and Anti Bribery policies.

The Report was received.

J Creed, D Watson and G Nunns left the meeting.

AUDITOR'S PERFORMANCE

- 15.48 The Committee discussed the report as presented highlighting performance of both internal and external audit providers against agreed KPIs.
- 15.49 Further to discussion the Committee were content to reappoint ICCA and Grant Thornton UK LLP for a further year.

RESOLVED 15.50 To recommend the reappointment of ICCA to provide internal audit services for 2015/16

RESOLVED 15.51 To recommend the reappointment of Grant Thornton UK LLP as financial statements auditors for the year ending 31 July 2015.

As part of the annual evaluation of Committee effectiveness, a survey was tabled to Committee members and members of SMT attending Audit Committee for completion. The Clerk would analyse results for discussion with the Chair in the next few weeks, following which any further training, support and/or development could be identified.

End of Part I.

Signed _____ Chair

Date _____