



**CORPORATION AUDIT COMMITTEE
MINUTES OF MEETING 69 HELD ON 3.10.11**

Present: Richard Heseltine (Chair), Martin Longbottom, Grace Richardson, Philip Wright

In attendance: Lesley Hill (E. Coast Audit Consortium, Internal Audit Service Auditors), Bill Jackson (Director of Network and Information Systems), Steve Rogers, Finance Manager

Clerk: Fiona Bagchi

69.1 Apologies

There were apologies from Richard Lewis of the financial statements and regularity auditors, Baker Tilly.

69.2 Declaration of interests

There were no declarations of interest at the start of the meeting.

69.3 Election of Chair

The Clerk reported that:

- Committee Chairs were elected annually at the first committee meeting of the academic year;
- the September 2009 meeting of Corporation had agreed that Vice- Chairs should also be elected from 2009/10.

Philip Wright nominated Richard Heseltine as Chair of the Audit Committee. The nomination was seconded by Martin Longbottom.

Richard Heseltine was elected as Chair of the Audit Committee unopposed.

Richard Heseltine nominated Philip Wright as Vice-Chair of the Audit Committee. The nomination was seconded by Martin Long bottom.

Philip Wright was elected as Vice-Chair of the Audit Committee unopposed.

69.4 Minutes of Meeting 68 held on 13 June 2011

The minutes of meeting 68 held on 13June 2011 were approved.

69.5 Matters arising and actions

(Matters arising below are numbered according to their position in the Action Points table appended to the end of the minutes of the previous meeting. The reference to where the action can be found in the minutes is given in brackets at the end of each item).

Grace Richardson arrived during this item.

1 The risk priorities and control documents were approved by Corporation at its June 2011

meeting, on the recommendation of the Committee (68.5).

- 2 A briefing on competition from a long-term strategic perspective had been added to Corporation's 2011/12 training and briefing schedule (68.5).
- 3 A further report on the development of the College's disaster recovery and business continuity procedures would be made to the November 2011 meeting of the Audit Committee, following further development and discussion with the new Principal (68.5).
- 4 A report would be given at the meeting under item 69.13 (rolling implementation plan). On the issue of installing a flood alarm system in the server room (68.6).
- 5 Baker Tilly's audit strategy for the audit for the year ending 31.7.11, including fees, was approved by Corporation at its June 2011 meeting, on the recommendation of the Committee (68.9).
- 6 Baker Tilly's revised letter of engagement for the audit for the year ending 31.7.11 had been approved at Corporation's June 2011 meeting (68.9).
- 7 The Financial Reporting Council's (FRC's) updated UK Corporate Governance Code was on the agenda (68.9).
- 8 The final version of the Self-Assessment Questionnaire (SAQ) for the regularity audit for the year ending 31.7.11, signed by the Principal, had been presented to Baker Tilly in advance of their regularity audit visit in August 2011 (68.10).
- 9 Corporation approved minor revisions to the Committee's standing agenda item list and terms of reference at its September 2011 meeting, on the recommendation of the Committee. It was noted that Corporation had confirmed that the Committee's membership should continue to be 4 with a quorum of 2 until an external co-opted member of the Committee was identified (68.11).
- 10 The dates of Audit Committee meetings for 2011/12 had been presented to the June 2011 meeting of Corporation and e-mailed to auditors, as agreed (68.16).

69.6 Annual review of confidential minutes

The Committee noted that it had produced no minutes classed as confidential during the previous year.

69.7 Annual risk management report

The Finance Manager and College Risk Management Champion, Steve Rogers spoke to the annual risk management report.

The College's risk management processes were outlined. It was noted that:

- The College's Risk Management Sub Group met annually and reviewed the risk register and work undertaken and moderated risks in line with the College's risk management criteria.
- The group's continuing aim was to reduce risk scores, where possible, through appropriate mitigating actions.

- Although the risk register was formally updated once a year, where new risks were identified during the year (e.g. issues of risk recorded at senior management team or Corporation meetings) these were added to the register by the Finance Manager.
- The aim set by the group remained to reduce risks graded as High and to maintain or reduce risks graded as Medium.
- The internal audit service reviewed the risk register annually.

The Committee considered changes to the College's risk register during 2010/11 and the top 15 risks, noting in particular:

- The removal of risks relating to the building project.
- New risks relating to student recruitment as a result of changing secondary school provision and changing demographics in west Hull.
- New risks relating to the funding of marketing, although noting successful recruitment for 2011.
- Risks relating to funding uncertainty had fallen from high to low following the introduction of the lagged funding formula.
- Increased risk arising from the removal of the Educational Maintenance Allowance (EMA), although successful recruitment in 2011 might indicate that the impact of this was less than anticipated.
- Risks relating to restructuring and to changes in remuneration between school and college staff.

Members discussed how the College evaluated how marketing and initiatives such as subsidised transport affected recruitment and agreed that this should be addressed as part of the briefing on competition from a long-term strategic perspective.

Action: Clerk/MWR/JH

The Committee received and considered the College's annual risk management report, agreeing that it should be presented to Corporation in December 2011 as an annex to the Committee's Annual Report with the addition of a introductory section setting out the College's risk management processes and the College's logo.

69.8 Annual Data Protection report

Bill Jackson, Director of Network and Information Systems, spoke to the annual data protection report.

Members noted in discussion that:

- The report noted 2 Freedom of Information requests in 2010/11, including one relating to the use of biometrics.
- There had been no new systems, initiatives or alterations in procedure in the year which might serve to increase risk or exposure in relation to data protection.
- There had been no reported data protection incidents during the year.
- The policy of briefing all new staff on data protection had continued.
- The College's in-house e-record system was being further developed.
- The College had introduced an absence tracking system for students (OASYS) and were proposing that a secure link could be sent to parents from their child's account, although the student could refuse permission.

The Committee discussed in detail the proposal to make information from the OASYS available electronically to parents, noting that members had raised a number of data protection concerns in relation to the transmission of data to third parties and agreeing that

the Vice-Principal (Performance Improvement) should ensure that there were no issues before implementing, with a report to be made to the Committee.

Action: Clerk/IDT

The Committee received the College's annual data protection report for 2010/11.

69.9 Internal Audit Service Annual Report 2010/11

Lesley Hill of the internal audit service (IAS), the East Coast Audit Consortium (ECAC), gave a report on the IAS Annual Report 2009/10.

Members noted that:

- The internal audit work for the period from 1 August 2010 to 31 July 2011 had been carried out in accordance with the internal audit plan approved by the Corporation.
- The plan had been carried out in 25 days, as agreed.
- Nine reports had been issued during 2009/2010 covering governance, risk management processes, learner numbers systems, financial ledger maintenance, application and enrolment processes, safeguarding, IT software, health and safety and Follow Ups.
- The reports contained a total of 8 recommendations with 1 recommendation graded as significant in the Health and Safety report which related to 3 incidents which should have been reported under RIDDOR to the Health and Safety Executive.
- The remaining 7 recommendations were all graded as requiring attention and no recommendations were graded as fundamental.
- From their examinations the IAS had concluded that the policies, procedures and operations that the College had in place to:
 - establish and monitor the achievement of the college objectives were good,
 - identify, assess and manage the risks to achieving the college's objectives were good,
 - advise on, formulate, and evaluate policy, within the responsibilities of the Principal as accounting officer, were good,
 - ensure economical and efficient use of resources were good,
 - ensure compliance with the college's policies, procedures, laws and regulations were satisfactory (taking into account the recommendation graded as significant arising from the Health and Safety review),
 - safeguard the college's assets and interest from losses of all kinds, including those from fraud, irregularity and corruption, were good, and
 - ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes, were good.

The Committee received the Internal Audit Service Annual Report for 2010/11, noting that the auditors overall opinion was that Wyke Sixth Form College had adequate and effective management, control and governance processes to manage its achievement of the college's objectives.

The Committee agreed that the Internal Audit Service Annual Report for 2010/11 should be presented to the December 2011 meeting of Corporation as an annex to the Committee's Annual Report.

Action: Clerk/Chair

69.10 Review of Internal Audit Service (IAS)

(Lesley Hill left the meeting).

(i) Review the cost of the IAS arrangements for 2010/11

The Committee reviewed the cost of the IAS audit for 2010/11 noting that:

- The Committee reviewed the cost of the previous year's IAS audit at its October meeting. The total cost of the 2010/11 internal audit was on budget at £7,900 excluding VAT i.e. 25 days @ £316.
- The ECAC's fees were considered competitive.

The Committee completed its review of the cost of the 2010/11 internal audit, noting that as the audit was completed within the agreed number of day and the cost was on budget.

(ii) Performance review 2010/11

The Clerk reported that:

- the Committee reviewed the performance of the internal audit service (IAS) annually at its October meeting, using its performance checklist.

The Committee noted that:

- it had considered the ECAC's review of their own performance at Appendix 2 of the Internal Audit Report 2010/11, agreeing with the opinion expressed that the ECAC had achieved the performance measures set for 2010/11;
- the plan conformed to relevant standards and good practice
- there were no issues in dispute relating to cost or coverage;
- plans and reports were useful to readers, timely and reports factually accurate;
- with reference to the timeliness of reports, that reports had been issued within 14 working days of audit reviews against a target of 20 days;
- 52% of Director and Manager time was good and a higher percentage than could be expected from the largest audit firms;
- timeliness of follow-up of implementation was good;
- senior managers' relationships with the internal auditors were good and their perception of the auditors was positive while the ECAC's use of different auditors for regular reviews ensured that an appropriate professional relationship was maintained between auditors and College staff;
- the auditors' relationship with the Audit Committee was good;
- the number of recommendations was appropriate;
- recommendations were pertinent and had led to improvements being made;
- continuity of staffing was good;
- use of staff with specialist skills was good;

It was agreed that Richard Lewis of Baker Tilly should be asked concerning their relationship with ECAC at the November 2011 meeting of the Committee.

Action: Clerk/Chair

It was agreed that the checklist should be amended to refer to "the LSC and other funding bodies".

Action: Clerk

It was agreed that the Clerk would type up the results of the performance review of the IAS and return the list to the November 2011 meeting of the Committee for the Chair to sign.

Action: Clerk

(iii) Re-appointment of IAS auditors for 2010/11

Members noted that:

- Under the LSC's Audit Code of Practice, colleges appoint/re-appoint IAS auditors annually. The Audit Committee normally make a recommendation to Corporation on re-appointment following performance review of the IAS at the October meeting of the Committee.
- A 3-year contract with the internal auditors, the East Coast Audit Consortium (ECAC), was approved by Corporation in July 2007, subject to satisfactory annual performance review. Due to uncertainties relating to internal audit requirements, a decision on re-appointment was deferred to the July 2010 meeting of Corporation, which agreed to the re-appointment of the East Coast Audit Consortium (ECAC) for 2010/11.
- The revised Audit Code of Practice remained to be published.
- Proposed fees for 2011/12 were £6,520 excluding VAT (20 days @ £326)

The Committee discussed that number of audit days proposed for 2011/12, noting that the Finance Manager had sought relevant benchmarking information from NorVlc sixth form colleges and annual days varied from 11 to 28 days. It was noted that the proposed reduction from 25 to 20 days had been discussed with the ECAC and the College considered that, even allowing for coverage of mandatory areas, 20 days should be sufficient for 2011/12.

The Committee agreed to recommend to Corporation the re-appointment of the East Coast Audit Consortium (ECAC) for 2011/12 at a daily rate of £326 and agreed to consider the number of days required further under agenda item 69.12.

Action: Clerk/Chair

(Lesley Hill returned to the meeting).

69.11 Review of additional work undertaken by auditors in 2010/11

The Clerk reported that:

- the College's Financial Regulations approved by Corporation required that any work undertaken by the College's auditors in addition to their normal audit duties should not amount to a sum greater than the cost of the annual audit or the sum of £20,000, whichever was the lower, and should be approved by Corporation in advance of the work being carried out, as required by the LSC's Audit Code of Practice;
- the Audit Committee reviewed any such additional work undertaken annually.

The Committee considered the annual report on additional work by the internal and financial statements auditors, noting that, in 2010/11, the internal and external auditors did not undertake any additional non-routine work (e.g. consultancy work) and that additional work undertaken or planned by the external auditors was within the specified limits.

69.12 IAS plan for 2011/12

Lesley Hill spoke to the IAS Plan 2011/12.

Members noted in discussion that:

- The last Internal Audit Strategic Audit Plan was approved in 2005, covering the period 2005/2006 to 2009/2010. It included coverage of the mandatory areas required by the LSC's Audit Code of Practice.
- With the exception of Governance and Risk Management processes, which were required to be reviewed annually, and learner number systems which was covered on a cyclical basis, all other mandatory areas appeared only once in the 5 year strategic plan in recognition of the College's history of having sound systems in place.
- The East Coast Audit Consortium was proposing to continue with the existing Strategic Plans until such time as part II of the new Joint Audit Code of Practice was issued when strategic plans would be fully revised to take account of the revised guidance.

- The plan for 2011/12 was therefore drawn from year 2 of the strategic plan.
- It was proposed that the review of tuition fees should not, however, be undertaken as the College now had no ESOL or adult education provision and there were therefore few fee-paying students. The proposed sales ledger and treasury management reviews had been reduced from 5 to 4 days, allowing the plan to be delivered in 20 rather than 25 days.
- The reviews to be carried out under sections B and C of the plan had been determined in conjunction with the College and would focus on the College's 16-19 Bursary Fund and Trips and Visits.
- The cost of delivering this plan was £6,530 excluding VAT (2) days @ £326).

Members noted in discussion that trips and visits had not previously been reviewed and guidance was changing nationally e.g. DfE had, for example, issued new shorter guidance to schools. It was appropriate to review the new bursary scheme which replaced the EMA for new students.

The Committee reviewed the proposed internal audit plan for 2011/12 of 20 days and agreed to recommend it to the December 2011 meeting of Corporation for approval.

Action: Clerk/Chair

69.13 Review of rolling implementation plan of auditors' recommendations: II

Members considered the recommendations in the rolling implementation plan of auditors' recommendations, noting that:

- Payroll reconciliation was now in place (from start of 2011-12 financial year) and carried out monthly.
- A further report on Disaster Recovery and Business Continuity Planning would be given at the November 2011 meeting of the Audit Committee, following further development and discussion with the new Principal.
- A report on the cost of installing a flood alarm system in the Oak server room would be presented to the November 2011 meeting of the Committee.
- A fire proof safe for back-up tapes would be ordered by November 2011.

Action: Clerk/BJ/AW

It was noted that all recommendations would be reviewed as part of the IAS 2010/11 Follow ups review.

The Committee completed its review of the rolling plan of auditors' recommendations.

69.14 Review of funding body circulars and new regulations

The Committee considered the Financial Reporting Council (FRC) UK Corporate Governance Code, noting that Baker Tilly would report further on this in their management report at the Committee's November 2011 meeting.

Members noted that the Governance Code for FE and sixth form colleges had yet to be issued.

As noted above, the revised Joint Audit Code of Practice Part II had yet to be issued.

The Committee considered the SFA/YPLA's revised FMCE, noting in particular the revised sections on risk management. The usefulness of a standard cover sheet for College reports which could record issues of significant risks was considered and it was agreed that the example considered with a tabular format for the recording of risk should be presented to Corporation for discussion.

Action: Clerk

It was noted that the aim of such a cover sheet was to facilitate Corporation discussion of risk and that it was proposed that, should such a cover sheet be adopted by Corporation, the recording of risk in the College's risk register would continue to follow the College's usual processes.

The Committee undertook a review of documents relevant to the work of the Committee from the College's funding body or other outside organisations.

69.15 Annual completion of Committee performance checklist and review of PIs

The Committee reviewed its performance indicators for 2010/11 and noted it was 100% compliant with its performance checklist. It was noted that severe snow in November 2010 had affected the Committee's 2010/11 attendance statistics.

66.16 Any other business

It was noted that there was no other business.

69.17 Risk management – items identified at the meeting

No new items of risk were identified at the meeting.

69.18 Date of next meeting: Monday 28 November 2011 at 4.30pm.

69.19 Meeting of Committee with auditors without the presence of senior management

It was noted that there were no issues to consider under this item.

Fiona Bagchi
Clerk to the Corporation
24.11.11

**CORPORATION AUDIT COMMITTEE
MINUTES OF MEETING 70 HELD ON 28.11.11**

Present: Richard Heseltine (Chair), Martin Longbottom, Grace Richardson, Philip Wright (Vice-Chair),
In attendance: Benita Jones (E. Coast Audit Consortium, Internal Audit Service Auditors), Bill Jackson (Director of Network and Information Systems), Richard Lewis (Baker Tilly, financial statements and regularity auditors), Steve Rogers, Finance Manager
Clerk: Fiona Bagchi

70.1 Apologies

There were no apologies but it was noted that as the Chair, Richard Heseltine, would join the meeting later on the agenda, the Vice-Chair would chair the meeting until he arrived.

70.2 Declaration of interests

There were no declarations of interest at the start of the meeting.

70.3 Minutes of Meeting 69 held on 3 October 2011

The minutes of meeting 69 held on 4 October 2010 were approved, with a minor typographical amendment on page 8.

Action: Clerk

70.4 Matters arising and actions

(Matters arising below are numbered according to their position in the Action Points table appended to the end of the minutes of the previous meeting. The reference to where the action can be found in the minutes is given in brackets at the end of each item).

- 1 A briefing on the College's marketing strategy in the context of demographics, the school situation in West Hull and funding constraints had been agreed as part of the Corporation's 2011/12 training and briefing schedule.

It had been agreed by the Committee at its October 2011 meeting that it would be useful to have a briefing on competition from a long-term strategic perspective and also to consider how the success of marketing activities was assessed by the College (69.7).

Action: Clerk

- 2 The Committee had discussed in detail at its October 2011 meeting a proposal to make information from the OASYS available electronically to parents, noting that members had raised a number of data protection concerns in relation to the transmission of data to third parties and agreeing that the Vice-Principal (Performance Improvement) should ensure that there were no issues before implementing, with a report to be made to the Committee (69.8) .

The Committee considered reports from Ian Taylor (Vice-Principal, Performance Improvement) and from Jamie Davies, a Tutor, on the above issues. The Committee accepted that the College was compliant with data protection guidance in requiring student consent for the provision of reports to parents on academic progress and attendance. In response to members' queries in relation to whether students had sufficient maturity to opt out of the scheme for sharing information with parents, the Director of Network & Information Services (NIS) replied that some students did use this option.

Members noted that, despite assurance concerning the College's compliance with data protection principles, they still had some concerns relating to the sharing of information with parents and it was agreed that a recommendation would be made to Corporation on the inclusion of a presentation on reporting to parents in Corporation's training and briefing schedule.

Action: Clerk

- 3 The internal audit report for 2010/11, which had been considered at the Committee's October 2011 meeting, would be presented to the December 2011 meeting of Corporation as annex to the Committee's Annual Report (69.9).

Action: Clerk/Chair

- 4 It was noted that Richard Lewis of the College's financial statement and regularity auditors, Baker Tilly, had confirmed that liaison with the internal auditors, the East Coast Audit Consortium was good (69.10).

The completed performance checklist for the internal auditors, amended as agreed at the Committee's October 2011 meeting and including the response from Baker Tilly noted above, was signed at the meeting.

- 5 The re-appointment of the East Coast Audit Consortium for 2011/12 would be recommended to the December 2011 meeting of Corporation when the 2011/12 internal audit plan was considered (69.10).

Action: Clerk/Chair

- 6 The Committee's recommendation on the internal audit plan for 2011/12 would be presented to the December 2011 meeting of Corporation (69.12).

Action: Clerk/Chair

- 7 The October 2011 meeting of the Committee had considered the usefulness of a standard cover sheet for College reports which could record issues of significant risks and agreed that the example considered with a tabular format for the recording of risk should be presented to the December 2011 meeting of Corporation for discussion (69.14).

Action: Clerk/Chair

70.5 Review of rolling implementation plan of auditors' recommendations

The Committee reviewed the rolling implementation plan of auditors' recommendations, noting:

- With reference to the development of the College's disaster recovery and business continuity planning procedures, the Finance Manager reported that a further meeting including the new Principal remained to be arranged.

Action: AW/SR/BJ

- The Director of Network and Information Systems had placed an order for a fire safe and this action could now be removed from the plan.

Action: Clerk

- The Director of Resources had reported that he was still waiting for a quote for the installation of a flood alarm system before considering whether it would be cost effective to install and would report to the Committee in due course.

Action: AW

The rolling implementation plan of auditors' recommendation was reviewed.

70.6 Review of the Statement of Internal Financial Control Checklist

The Finance Manager spoke to the Statement of Internal Financial Control Checklist, reporting that the checklist recorded the controls the College had in place and was reviewed annually, with any changes implemented or planned noted.

It was noted that:

- Changes made to the checklist in 2011 were minor e.g. reflecting the replacement of the College Management Team with the Scrutiny Committee from autumn term 2011, the introduction of a College Bribery policy in 2010/11.

In response to a query from members concerning section F1.2 (What steps have been taken to ensure that managers exercise leadership with competence and integrity? Appointment of honest people. Appraisal. Regular meetings of F&GP and SMT at which reports are checked and managers held to account), it was noted with reference to the response relating to the appointment of honest people that this was accomplished through the use of references, Criminal Records Bureau (CRB) checks and a review of original qualifications at appointment.

The Committee reviewed the updated Statement of Internal Financial Control Checklist, noting that it was a comprehensive document which provided the Committee with assurance concerning the College's system of internal financial control prior to receiving the College's annual financial statements.

70.7 Financial Statements/Regularity audits and Annual Financial Statements

- (i) Receive the College's annual financial statements to inform the Committee's review of the financial statements auditors' audit findings report and to consider the final regularity audit opinion, the statements on corporate governance, responsibilities of members of the Corporation and the system of internal control

Richard Lewis of Baker Tilly spoke to the Members' Report and Financial Statements for the year ended 31.7.11, which was discussed.

Members noted that:

- The Committee reviewed the College's Report and Annual Financial Statements annually at its second autumn term meeting to inform its review of the financial statements auditors' audit findings report and to consider the final regularity audit opinion,
- The draft Members' Report and Financial Statements for the year ended 31.7.11 would be considered by the F&GP Committee at its meeting on 6 December 2011.

In response to a query from members concerning where peripatetic music tuition fees were shown in the accounts, it was noted that these were included within "Other income", noting that the local authority charged for peripatetic music tuition and the College recharged students although the

cost to students was subsidised by the College, with students studying A Level Music receiving a higher level of subsidy. It was noted that some local educational institutions were no longer subsidising music tuition fees.

The Committee noted that the financial statements had been prepared on a going concern basis, noting in particular the following statements from the Finance Manager on page 4 of the College's Report:

- The College is confident that on the basis of the three year development plan submitted to the Young People's Learning Agency in 2011 that it will continue to improve its financial strength over the short to mid-term. It is noted that the Government's Comprehensive Spending Review will have an impact on funding for Further Education, but the College believes that its plan is robust enough to allow for any reductions in government funding.
- The College will continue to monitor any changes that may occur as a result the Comprehensive Spending Review and adjust its development plan accordingly to maintain its improving financial position.

The Committee reviewed the draft Members' Report and Financial Statements for the year ended 31.7.11 to inform the Committee's review of the financial statements auditors' audit findings report and to consider the final regularity audit opinion, the statements on corporate governance, responsibilities of members of the Corporation and the system of internal control.

The Committee agreed that it was content to recommend to Corporation the statements on corporate governance, responsibilities of members of the Corporation and the system of internal control as stated in College's Report and Annual Financial Statements.

Members noted that financial statements auditors, Baker Tilly, anticipated issuing an unqualified audit opinion and that their opinion as expressed in the independent auditors' report of the College's Report and Financial Statements for the year ended 31.7.11 was that the financial statements:

- ***gave a true and fair view of the state of the College's affairs as at 31 July 2011 and of the College's surplus of income over expenditure for the year then ended; and***
- ***had been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.***

Members considered Baker Tilly's regularity management report for the financial year ended 31.7.11, noting that Baker Tilly anticipated issuing an unqualified audit opinion and had stated in the report appended to the College's Report and Financial Statements that :

- ***In all material respects the expenditure disbursed and income received during the year ended 31 July 2011 had been applied to purposes intended by Parliament and the financial transactions conformed to the authorities which governed them.***

(Richard Heseltine joined the meeting).

(ii) Financial Statements Audit Findings

Richard Lewis of Baker Tilly, the financial statements and regularity auditors, spoke to their audit findings report for the year ended 31.7.11.

Members noted that the audit findings report stated that:

- Baker Tilly had completed their financial statements audit for the year ended 31 July 2011 subject to the following outstanding information: final reconciliation statements / returns for 2010/11 (Single Adult Budget), matters connected with the post balance sheet events review and the final review of the financial statements.
- Since Baker Tilly presented the Audit Strategy document to the Committee in June 2011, statutory instruments in respect of Charities Act 2006 had conferred exempt charity status on designated sixth form corporations and the Secretary of State for Education had been appointed as the Principal Regulator with effect from 1 August 2011. As a result of these legislative changes Baker Tilly had a duty to report to the Secretary of State for Education such matters (concerning the activities or affairs of the college or any institution or body corporate connected with the college) of which they become aware during the course of their audit which they had reasonable cause to believe were (or are likely to be) of material significance to the Secretary of State for Education in the exercise of his powers of inquiry into, or acting for the protection of, charities. This additional responsibility was reflected in Baker Tilly's updated letter of engagement.
- The College's accounting treatment of a Devolved Formula Capital grant of £32,000 for maintenance, was appropriate.
- There were no breaches of bank covenants and the College was compliant with FRS 25 disclosures.
- The College's management had checked the data and considered the assumptions used by the actuary in preparing the FRS 17 valuation and Baker Tilly had reviewed a copy of the FRS 17 actuarial valuation to support the disclosures in the financial statements.
- No issues had arisen from the regularity review.

Members noted that:

- The SFA would not provide final reconciliation statements until 13 December 2011 and the Corporation was due to sign off the College's Report and Financial Statements on 15 December 2011. The College's contract with the SFA, however, related only to post-19 provision, which was not the College's core provision, and no change to the estimates was expected.
- A satisfactory reply had been received to Baker Tilly's standard bank letter request to Lloyds regarding the cash on deposit.
- There were no issues identified during the audit of the College that were not addressed at the planning stage and highlighted in the Audit Plan.
- There were no internal control issues arising that Baker Tilly considered should be brought to the attention of the Audit Committee.
- Baker Tilly considered the accounting policies adopted by the College were appropriate for the circumstances of the College and consistent with the FE sector;
- Baker Tilly's fees were consistent with the Audit Plan.
- Baker Tilly's independence was in line with International Standard on Auditing (UK and Ireland) 260.
- Proposals within the draft Joint Audit Code of Practice Part 2 ("JACOP" Part 2) were expected to remove the mandatory requirement for rotation for audit principals, however this requirement had already been removed for 31 July 2011 year ends, in advance of the JACOP Part 2 being published and would override the provision within the existing Audit Code of Practice ("ACOP") published by the Learning and Skills Council in 2004.

Members considered the audit findings report for the year ended 31.7.11 from Baker Tilly, the financial statements and regularity auditors, noting that the auditors anticipated issuing an unqualified audit opinion in the standard format on the financial statements.

The Committee noted that the year-end surplus of £16,000 for the y.e. 31.7.11 was close to budget and congratulated the Finance Manager and his team on the fact that the annual financial statements were unchanged from the management accounts and on the clarity and presentation of the College's Report and Financial Statements.

The Committee thanked Baker Tilly for their conduct of the financial statements and regularity audit.

(iii) Financial statements and regularity audit: letters of representation for recommendation to Corporation

Richard Lewis of Baker Tilly presented the letters of representation relating to the financial statements and regularity audits for the year ended 31.7.11 which were considered.

Members noted that:

- The letters required the Corporation to confirm that the representations given to Baker Tilly in connection with the above audits and to acknowledge their responsibility for the financial statements.
- The letter remained unchanged from the previous year.
- The letters of representation should be signed before Corporation approved the financial statements.
- On receipt of the signed letters, Baker Tilly would sign off the financial statements.

The Committee agreed to recommend that Corporation should approve the letters of representation relating to the financial statements and regularity audits for the year ended 31.7.11 for signing by the Chair of Corporation and the Principal before the approval of the financial statements for the year ended 31.7.11.

Action: Clerk/Chair

(iv) Review Corporation's signed 2006 statement on regularity, propriety and compliance and supporting checklist and decide whether it is necessary to commission an interim audit

Members receive a report from the Clerk which noted that:

- Colleges which were prepared to sign the statement on regularity, propriety and compliance at Supplement F of the LSC's Regularity Audit Framework, were dispensed from the requirement to undergo an annual interim regularity audit.
- Corporation signed the statement and submitted it to the LSC in March 2006, on the recommendation of the Audit Committee.
- Once signed, the statement would normally dispense a college in perpetuity from the requirement to undergo an annual interim regularity audit but it was, however, regarded as best practice for Audit Committees to review the statement and accompanying suggested sources of evidence annually and make a decision on whether the dispensation was still appropriate.
- It was agreed at Audit 51 in March 2007 that the Audit Committee would, following receipt of the final management report on the regularity audit at its December meeting, review annually at that meeting the need to commission an interim regularity audit during the following spring term.

The Committee noted that:

- The regularity auditors' regularity audit opinion as expressed in the Financial Statements and Members' Report for the year ended 31.7.11 was positive and the auditors anticipated issuing an unqualified opinion on the financial statements.
- No issues relating to the regularity audit were stated in Baker Tilly's audit findings report for the year ended 31.7.11.

The Committee agreed that as the College had received a positive regularity audit report from the regularity auditors, Baker Tilly, it was not necessary to commission an interim regularity audit in 2012 and that the College's dispensation from an interim regularity therefore remained appropriate.

- (v) Determine that copies of the financial statements auditors' management letter and the IAS annual report are sent to the YPLA

It was noted that:

- It was the College's responsibility to send the Internal Audit Service (IAS) annual report and the financial statements auditors' audit findings report to the YPLA.
- The College's internal audit service report would be sent to the LSC in December 2011, following presentation to the December 2011 meeting of Corporation by the Audit Committee.
- The financial statements auditors' audit findings report would be sent to the YPLA with the members' report and financial statements for the year ended 31 July 2011.

It was agreed that the Clerk and the Finance Manager would ensure that the internal audit report 2010/11 and the financial statements auditors' audit findings report would be sent to the YPLA with the members' report and financial statements for the year ended 31 July 2011.

Action: Clerk/SR

70.8 Consider the completed LSC-YPLA FMCE for recommendation on approval to Corporation and submission to the YPLA

The Finance Manager presented the Financial Management and Control Evaluation for 2010/11 to the Committee.

Members noted that:

- The YPLA has reported that, as in previous years, and as part of the Framework for Excellence (FfE), providers in scope were required to return the FMCE to their responsible funding body.
- The College had completed the full return in 2007/08 but completed summary returns for 2008/09 and 2009/10, as the College's financial management and control arrangements remain unchanged and its self-assessment accordingly remains as agreed in 2007/08 i.e. as grade 2 (Good).
- The College noted that, as colleges were now permitted to submit a summary FMCE return for more than 2 consecutive years where the college's self-assessment remained unchanged, the College was submitting a summary return to the Committee for 2010/11.
- While a summary return was permitted, it was, however, considered prudent to complete a full return for 2010/11 as previous inspection cycles suggested that the College might be inspected in 2012 and there had been some significant changes to the 2011 version of the FMCE.
- The full return was used by the YPLA's provider financial assurance team, which accompanied Ofsted at inspection, as the basis of their review.

The Committee discussed the improvement plan accompanying the summary return in detail and the achievement dates for actions listed, noting in particular the development of a course costing model by the Finance Manager.

As the submission date for the return was 30 November 2011, the Committee approved the FMCE to allow it to be sent to the YPLA by the required deadline, agreeing that the full

return should also be submitted to the December 2011 meeting of Corporation for consideration on approval and for subsequent submission to the YPLA.

Action: SR/Clerk/Chair

70.9 Annual review any fraud, irregularities and “Whistleblowing” events

The Committee noted that there had been no fraud, irregularities or “Whistleblowing” events reported in 2010/11 or to date.

70.10 Annual Audit Committee Report to the Corporation and the Principal

The Committee considered the draft of its 2010/11 annual report to Corporation and the Principal as chief accounting officer.

Members noted that:

- The report recorded the Audit Committee’s opinion that:
 - reliance could be placed upon the adequacy and effectiveness of the College’s systems of internal control and its arrangements for risk management, control and governance and securing economy, efficiency and effectiveness,
 - Corporation’s responsibilities, included in the annual financial statements, had been satisfactorily discharged.

It was noted that the following documents would be attached to the report to be presented to Corporation:

- The IAS Annual Report 2010/11
The Financial Statements and Regularity Auditors’ Audit Findings Report for the year ended 31 July 2011
- The College’s annual report on risk management, amended as agreed at the Committee’s October 2011 meeting.

It was agreed that the text of the Committee’s opinion should be amended to refer to “Wyke Sixth Form College” rather than “Wyke College”.

Action: Clerk

The Committee approved its annual report 2010/11, amended as noted above, for presentation to Corporation before Corporation considered the members’ report and financial statements for the year ended 31 July 2011.

Action: Clerk/Chair

70.11 Review of LSC Circulars, new regulations, reports and/or documents from other outside bodies

The Committee received an update from the Sixth Form Colleges’ Forum (SFCF) noting the following information:

- The Education Act 2011 had received Royal Assent on 15 November 2011 and included the following measures intended to influence the Office for National Statistics (ONS) decision to reclassify Sixth Form Colleges as ‘public sector’ including: removal of powers for the YPLA to alter college instrument and articles of government and the removal of the Secretary of State’s control over the dissolution of corporations.
- Following talks with SFCF, and the Association of Colleges (AoC) the YPLA had decided to suspend their consultation on minor changes to the Instrument and Articles (I&A) of

Government for Sixth Form Colleges, pending more significant modifications required by the Education Act 2011.

- The AoC had completed development of the English Colleges' Code of Governance and had released it to FE and Sixth Form Colleges for voluntary adoption in the 2011/2012 academic year. The SFCF were consulting with sixth form colleges on adoption of the Code and further details of the consultation would be presented to the December 2011 meeting of Corporation.

Action: Clerk

The Committee received an update from the Sixth Form Colleges Forum (SFCF) on the Education Act 2011, revision of the Instrument and Articles of Government for sixth form colleges and the English Colleges' Code of Governance.

70.12 Risk management update: top 10 key risks report

The Finance Manager spoke to the top 10 key risks report which was considered.

Members noted in discussion that:

- With reference to risk 174 (Finance: changes to YPLA funding formula) that the proposed changes would be implemented from 2013/14 and that the College was responding to the relevant YPLA consultation.
- With reference to risk 109 relating to student recruitment, that student enrolments had increased in 2011/12 which would affect funding for 2012/13 under the YPLA's lagged funding system.
- With reference to risk 278 relating to student recruitment, that studio schools should be added to the list of educational changes in the Hull area, noting that studio schools included a vocational element for pupils in years 10-13 in addition to the national curriculum.

Action: SR

The top 10 key risks report was received.

70.13 Any other business

It was noted that there was no other business.

70.14 Risk management – items identified at the meeting

It was noted that no new items of risk had been identified at the meeting.

70.15 Date of next meeting

It was noted that the Committee was next scheduled to meet on Monday 12 March 2012 at 4.30pm

70.16 Meeting of Committee with auditors without the presence of senior management

It was noted that there was nothing to be considered under this item.

Fiona Bagchi, Clerk to the Corporation

**CORPORATION AUDIT COMMITTEE
MINUTES OF MEETING 71 HELD ON 12.3.12**

Present: Richard Heseltine (Chair), Martin Longbottom, Grace Richardson, Philip Wright (Vice-Chair),
In attendance: John Holmes (E. Coast Audit Consortium (ECAC), Internal Audit Service Auditors), Bill Jackson (Director of Network and Information Systems), Steve Rogers, Finance Manager
Clerk: Fiona Bagchi

71.1 Apologies

There were apologies from Lesley Hill (ECAC, internal auditors) and from Richard Lewis (Baker Tilly, financial statements and regularity auditors),

71.2 Declaration of interests

There were no declarations of interest at the start of the meeting. Martin Longbottom declared that he was employed by Hull College during the meeting.

71.3 Minutes of Meeting 70 held on 28 November 2011

The minutes of meeting 70 held on 28 November 2010 were approved with the following minor typographical amendments: the deletion of the redundant word "College" from the third bullet point on page 3; the replacement of "31.7.10" with "31.7.11" in the second bullet point in page 4; the replacement of "LSC" with "YPLA" in the final paragraph of 70.7(iv) on page 7.

Action: Clerk

71.4 Matters arising and actions

(Matters arising below are numbered according to their position in the Action Points table appended to the end of the minutes of the previous meeting. The reference to where the action can be found in the minutes is given in brackets at the end of each item).

- 1 The minutes of the October 2011 meeting had been amended, as agreed (70.3).
- 2 A briefing on reporting to parents to had been included in Corporation's training/briefing schedule for 2011/12, on the recommendation of the Committee (70.4).
- 3 The internal audit service (IAS) annual report to Corporation had been included as an annex to the Audit Committee's Annual Report (70.4).
- 4 The ECAC had been re-appointed as IAS for 2011/12 and the IAS plan 2011/12 had been approved at Corporation's December 2011 meeting, on the recommendation of the Committee (70.4).

- 5 The model risk management cover sheet had been presented to the February 2012 meeting of Corporation as part of an item on changes in governance practice. The model was not adopted by Corporation and was on the agenda for further consideration (70.4).
- 6 A meeting with the Principal concerning development of Disaster Recovery/Business Continuity Planning procedures had still to be arranged by the Director of Resources (70.5).
- 7 The action relating to the fire safe had been removed from the rolling plan of auditors' recommendations, as agreed (70.5).
- 8 A report on whether flood alarms would constitute value for money for the server room would be considered as part of the report on the rolling plan of auditors' recommendations (70.5).
- 9 The letter of representation to the financial statement/regularity auditors had been approved by Corporation for signing by the Chair of Corporation, on the recommendation of the Committee (70.7).
- 10 The internal audit report 2010/11 and the financial statements auditors' audit findings report had been sent to the YPLA with the members' report and financial statements for the year ended 31 July 2011, following approval of the members' report and financial statements for the year ended 31 July 2011 at the December 2011 meeting of Corporation (70.7).
- 11 The summary Financial Management & Control Evaluation (FMCE) had been submitted to YPLA by 30.11.11, as agreed. The full FMCE was approved at the December 2011 meeting of Corporation and submitted to the YPLA (70.8).
- 12 Audit Committee Annual Report for 2010/11 had been amended, as agreed, to include reference to "Wyke Sixth Form College" in the opinion before presentation to Corporation at its December 2011 meeting (70.10).
- 13 The Committee's annual report 2010/11, amended as noted above, had been presented to Corporation before Corporation considered the financial statements for the y.e. 31.7.11 (70.10).
- 14 Corporation adopted at its December 2011 meeting Sixth Form Colleges' Forum (SFCF) option 2 i.e. that the Corporation could not endorse the Code at the present time. The deadline for the SFCF consultation on the Code was 31.3.12 (70.11).
- 15 Studio schools had been included at risk 278 in the College's risk register, as agreed (70.12).

71.5 Internal Audit Reports

(i) Internal Audit Progress report

The Committee received a progress report from the East Coast Audit Consortium on the 2011/12 audit, noting that 4 reviews have been completed to date and would be considered later on the agenda.

(ii) Amendment to 2011/12 internal audit plan

Members noted that:

- The internal audit plan contained in the internal audit progress report was the plan approved by Corporation at its December 2011 meeting on the recommendation of the Audit Committee.
- The Finance Manager was recommending an amendment to the Block 2 audit to be undertaken during summer term 2012.

The Finance Manager reported that:

- At a meeting between the principal and the ECAC, the Principal had indicated that he wished a review of the College's IT Replacement Strategy during the current financial year.
- In order to accommodate this review and to remain within the agreed number of days for internal audit work in 2011-12, it was agreed that the two day block of work on the asset register due to take place in Block 2 would be delayed until 2012/13 and replaced by the review on IT Replacement.
- The Committee welcomed the Principal's involvement in the annual internal audit plan.

Members noted that:

- The College did not have a written IT replacement strategy but computer equipment had been replaced as part of the College redevelopment project.
- The Director of Network and Information Systems was developing a strategy to deal with the need to replace servers and about half the College's PCs over a number of years, which had been discussed with the Finance Manager, Director of Resources and the Vice-Principals.
- He had not been aware that there was a proposal to include a review of this area in the 2011/12 internal audit plan and was uncertain whether it would add value.

Members considered the relative merits of undertaking a review of the asset register or the IT replacement strategy, noting that:

- This was not the first time that the review of the asset register review had been postponed, although the asset register was regularly reviewed as part of the year-end regularity/financial statements audit.
- The ECAC were confident that they could add value to either audit.

It was agreed that the asset register audit should be replaced with the IT replacement strategy audit unless the Director of Network and Information Systems' discussions with the Principal suggested otherwise, with the change presented to the May 2012 meeting of Corporation for ratification.

Action: BJ/Clerk/Chair

John Holmes of ECAC, the College's internal auditors presented the internal audit reports, which were discussed.

(iii) Block 1 Internal Audit Reports

(a) Governance

Members noted in discussion that:

- An annual review of the College's governance arrangements was carried out each year in line with the Audit Code of Practice (ACOP), but the emphasis changed each year.
- The particular focus of the 2012 governance review was the governor appointment process, to confirm that governors were appointed in line with the Corporation's approved membership structure and that it complied with the requirements of the Instrument & Articles of Government
- The results of the audit work undertaken were positive and ECAC was able to offer substantial assurance that governors were appointed in line with the Corporation's approved membership structure.
- No formal recommendations had been made as a result of this review but it was noted that the Corporation and Committee minutes available on the College's website are not up to date.
- The Clerk was to be given access to be able to add documents to the website directly, but needs training first.

Action: Clerk

The Committee reviewed the report on governance, noting that it had been awarded substantial assurance with no recommendations arising from the review.

(b) Learner Number Systems

Members noted in discussion that:

- The review was undertaken to ensure that adequate controls operated in respect of student records.
- The focus of this 2012 review was disadvantage uplift and additional support.
- The College had a comprehensive system of Learner Support in place, including identification of support needs and subsequent provision of support.
- The results of the audit work undertaken were generally positive and overall the ECAC were able to offer substantial assurance that adequate procedures were in place in respect of the control over risks associated with student records. This opinion level was based on the sample work undertaken as part of the review and did not seek to provide the same level or type of assurance as might be provided by external funding audits.
- Four recommendations had been made as a result of the review. All were graded at the lowest grade of 3 (requires attention).
- Recommendations 1 and 2 related to students who were wrongly coded in respect of disadvantage uplift. The Director of Network & Information Systems had identified that there were bugs in the DSAT auditing tool, which was the standard tool provided by The Data Service to support data hygiene and auditing of the ILR. The DSAT report for incorrect postcode uplifts was currently incorrect. The Data Service's consultants at KPMG had been contacted but in the interim the College had also implemented additional in-house checking processes.
- Recommendations 3 and 4 identified some weaknesses in the recording process where expected controls, such as signing of documentation by the relevant student, had not been applied in all cases. Management had agreed that checks would be made at each review (Christmas and Easter) to ensure that forms were up to date.

The Committee reviewed the report on Learner Numbers Systems, noting that it had been awarded substantial assurance with 4 recommendations at grade 3 (requires attention) arising from the review.

(c) 16-19 Bursary Fund

Members noted in discussion that:

- The 16-19 bursary fund review had been undertaken to review the adequacy of the College's procedures in respect of the allocation and payment of the new 16-19 Bursary Fund.
- The College had been allocated £99,940 in 16-19 Bursary Funding for the year 2011/2012.
- At the end of January 2012, £7,746 had been allocated to guaranteed bursaries (College Bursary), with a further £37,328 allocated in respect of discretionary bursaries (College Award). Support of approximately £30,000 has also been awarded to support students' transport costs
- The results of the audit work undertaken were generally positive and overall the ECAC were able to offer substantial assurance that adequate procedures were in place in respect of the allocation and payment of 16-19 bursary funding.
- A total of four recommendations had been made as a result of this review, one at grade 2 (significant) and 3 at grade 3 (requires attention).
- With reference to the grade 2 recommendation, the College had produced a 'Policy Statement - 16-19 Bursary Fund' which set out the College's eligibility criteria for students to be eligible for support from the fund. This was available on the College's website and was made available to students through a variety of means e.g. through the tutorial system. It had, however, been recommended that it was expanded prior to the 2012/13 academic year to promote the financial assistance available to students from low income families who did not meet one of the other criteria as, while this was one of the criteria used to determine eligibility, it was not currently stated in the policy.
- With reference to the recommendations graded 3, it was noted that management had agreed that application forms would be updated to make it clear that students applying to the fund were required to submit evidence of all household income and the types of supporting documentation which should be provided. The control spread sheet had also been updated to correct a number of errors identified during the audit, future payments would be reconciled back to the control spread sheet by the Finance Office as they were made and the control spread sheet had been amended to enable students aged 19+ to be identified separately.

The Committee reviewed the report on Learner Numbers Systems, noting that it had been awarded substantial assurance with 4 recommendations at grade 3 (requires attention) arising from the review.

(d) Trips & Visits

Members noted in discussion that:

- The trips and visits review had been undertaken as part of the College's 2011/2012 Internal Audit Plan and sought to ensure that the College effectively managed the welfare of students and staff away from College on trips and visits.
- The College regularly completed day visits to support educational courses, and at the time of the review, residential trips to New York and Disneyland Paris were ongoing.
- Residential Trips and Day Visits were supported by comprehensive guidelines and a system of authorisation; risk assessment; financial appraisal; Student attendance record; emergency contact recording and end of trip evaluation. Procedures were in the process of review, following Department of Education advice on health and safety relating to trips and visits, and Health and Safety Executive 'School trips and outdoor learning activities' guidance, although the current guidelines were considered satisfactory by the ECAC.
- Whilst the ECAC considered that adequate guidelines were in place, the implementation of procedures had been found to contain a number of areas for improvement.

- As The results of the audit work undertaken included a number of system weaknesses, the ECAC were only able to offer limited assurance that adequate procedures are in place in respect of the control over risks associated with trips and visits.
- Six recommendations have been made as a result of this review: 3 graded as 2 (significant) and 3 as 3 (requires attention).
- With reference to grade 2 recommendations, the ECAC were recommending that Group Leaders should be required to use a pro-forma Risk Assessment form to assess all likely risks on a step by step basis, i.e. from prior to the trip commencing, when staff and students meet, and ending when the students collected by parents or guardians. They were also recommending that consideration should be given to retaining evidence of parental consent, including medical information, to participate on College trips and visits for at least six months after the trip or visit has been completed, as evidence in the event of a subsequent incident or claim.
- With reference to grade 3 recommendations, the ECAC were recommending that
- The risk register should certify that all likely risks had been considered.
- The final Form D4/R4 - List of Students involved in Visit, should be retained on the appropriate Trips and Visits file, together with a list of teaching staff that completed the trip or visit. The completed Trip and Visit packs should be reviewed and retained by the Principal's PA and any errors or gaps in completion should be rectified by the appropriate responsible Group Leader. Consideration should be given to scanning or holding hard copy files of completed trips within the central Principal's Office for a period to be determined by the College, but not less than one term following the end date of the trip.
- The Trips & Visits Authorisation Form [R1/D1] should be revised to include a declaration by the Group Leader as to whether qualified first aiders were attending the trip or suitable alternative arrangements if supervisors were not qualified first aiders. The Risk Assessment should also record the proposed first aid controls to be implemented.

Members discussed the report in detail, noting that:

- The College had decided that, as a result of the internal audit report, the procedures for trips and visits would be rewritten and presented to the Finance & General Purposes (F&GP) Committee for approval, as the Committee which was responsible for health & safety issues and which received regular reports on College trips and visits. The College was aiming to have a new procedure in place for September 2012.

Action: SR/Clerk

- Four trips and visits procedures from NorVlc colleges had been obtained and would be used as a basis to form the revised policy, together with good practice from the College's existing policy and incorporating the recommendations from the internal audit report.
- Comprehensive guidance for schools on trips and visits from the Department for Children, Schools and Families had recently been replaced by a 9 page booklet, although it had not been formally endorsed by the Department for Education (DfE) or the Health & Safety Executive (HSE).

The Committee noted that the College had received limited assurance following the trips and visits review and that 6 recommendations had been made: 3 graded as 2 (significant) and 3 graded as 3 (requires attention), noting that while the internal auditors considered that adequate guidelines were in place, the implementation of procedures had been found to require improvement in a number of areas. The College intending to revise its policy for September 2012 and Martin Longbottom, a Committee member would review the draft, as he had expertise in this area.

Action: SR/ML

The draft revised policy would be presented to the F&GP Committee for recommendation to Corporation on approval. **Action: SR/Clerk**

71.6 Review of rolling implementation plan of auditors' recommendations

The Committee reviewed the rolling implementation plan of auditors' recommendations, noting:

- With reference to the development of the College's disaster recovery and business continuity planning procedures, that the Director of Resources would arrange a meeting with the Principal.

Action: AW/SR/BJ/JKT

- It was understood that the Director of Resources College was still awaiting a quote for the installation of a flood alarm system before considering whether it would be cost effective to install and would report to the Committee in due course.

Action: AW

The rolling implementation plan of auditors' recommendation was reviewed.

71.7 Financial Statements/Regularity Auditors

- (i) Review the cost of the financial statements, regularity and other audit arrangements undertaken by the financial statements/regularity auditors from the previous year

Members noted that:

- The Committee reviewed the cost of the financial statements and regularity audit for the previous financial year annually.
- Fees charged for the audit for the year ended 31.7.11 were notified in Baker Tilly UK Audit LLP's audit strategy approved at the July 2011 meeting of Corporation and that the cost of the work was within budget.
- Paragraph 2.3 of the College's Financial Regulations required that any additional, non-audit work undertaken by the internal audit service or financial statements auditors, at the request of the Corporation, should not amount to a sum greater than the cost of the annual audit, or the sum of £20,000 (excluding vat), whichever was the lower. No work of this type had been undertaken during the period under review other than the Teachers' Pension Scheme (TPS) certificate audit at a cost of £575 +VAT.

The Committee reviewed the cost of the financial statements and regularity audit for the year ended 31.7.11, noting that costs were as agreed in the audit strategy.

- (ii) Performance review of financial statements/regularity auditor

Members noted that:

- The Committee reviewed the financial statements auditor's performance annually at its March meeting, following receipt of the financial statements management letter at its December meeting. The review also incorporated the auditor's work as regularity auditor.
- It was agreed at the October 2008 meeting of the Audit Committee that the Committee would in future use the performance indicators (PIs) from Baker Tilly's annual plan, which were based on the non-mandatory model PIs issued in November 2003 by the LSC/AoC/ACRA in their *Guidance on the LSC's Interim Audit Code of Practice* (later replaced by the LSC Audit Code of Practice).

The Committee completed its review of Baker Tilly UK Audit LLP's performance as financial statements/regularity auditors for the audit for the year ended 31.7.11, agreeing that all answers to the performance questions should be Yes (i.e. that the satisfaction rating was

high), with the exception of Questions 9 and 16, where the appropriate response was “Not applicable”.

The Clerk would present the completed review for signing at the Committee’s June 2012 meeting.

Action: Clerk

(iii) Consideration of re-appointment of the financial statements/regularity auditors and agreement of their fees for recommendation to Corporation

The Committee noted that:

- Its performance review of the financial statements/regularity auditors, Baker Tilly had been positive.
- Paragraph 85 of the LSC’s Audit Code of Practice (ACOP), published in 2004, required the partner responsible for the financial statements audit to be rotated every seven years. This requirement was introduced from 1.8.02 (the effective implementation date of the LSC’s Interim Audit Code of Practice, published 2003, now replaced by the ACOP).
- As noted in Baker Tilly’s Audit Findings report for the y.e. 31.7.11 at the Committee’s November 2011 meeting, proposals within the Joint Audit Code of Practice Part 2 (“JACOP” Part 2) would remove the mandatory requirement for rotation of audit principals, however, this requirement had already been removed for 31 July 2011 year ends, in advance of the JACOP Part 2 being published and therefore overrode the provision within the existing ACOP.

The Committee agreed to recommend to Corporation that Baker Tilly UK Audit LLP should be re-appointed as financial statements/regularity auditors for the audit for the year ending 31 July 2012, subject to agreement of audit strategy and fees.

Action: Clerk/Chair

71.8 Risk Management

(i) Risk management update report: top 10 key risks

Then Finance Manager reported that the College risk register had been updated as agreed at the Committee’s November 2011 meeting to include a reference to studio schools at Risk 278 i.e. Risk identified: Increased competition as a result of new school sixth forms, UTC’s, free schools, academies, studio schools and demographic changes in West Hull.

The Committee received the risk management report on the top 10 key risks and noted that the annual updating and moderation of the risks in the risk register would take place in April 2012.

(ii) Risk reporting cover sheet

Members noted that:

- The model risk reporting sheet presented to Corporation in February 2012 had not been approved and the issue of risk management reporting had therefore been referred back to the Committee for further review.
- The Clerk was recommending that, as the issue concerned the format of cover sheets for Corporation papers generally, it should be reviewed by the Search & Governance Committee.

The Committee agreed that the issue of risk management reporting should be referred to the Search & Governance Committee as part of a general review of cover sheets for Corporation papers.

Action: Clerk

71.9 Review of funding body circulars, new regulations, reports

The Committee received the following documents from outside bodies.

(i) ONS announcement on classification of sixth form colleges

The Committee received a briefing from the Clerk and a letter from the Department for Education (DfE) dated 27 February 2012 announcing the re-classification of sixth form colleges as private sector entities by the Office of National Statistics (ONS).

It was noted that:

- From October 2010, the Office of National Statistics (ONS) had re-classified sixth form colleges as central government entities backdated to incorporation in 1993, classifying them as local government entities from April 2010. The ONS had previously classified them as private sector entities.
- As stated in the letter from the DfE, the ONS had now announced that from April 2012, they would re-classify sixth form colleges as private sector for the purpose of National Accounts as a result of the introduction of a number of new freedoms for colleges in the Education Act 2011.
- New freedoms introduced by the Education Act 2011 included:
 - Allowing sixth form college corporations to modify or replace their Instrument & Articles of Government and to dissolve the corporation and transfer its property, rights and liabilities to another body – powers that currently rested with the Young Peoples' Learning Agency (YPLA) and the Secretary of State respectively.
 - The YPLA and the Department for Education (DfE) were currently consulting with colleges on a Modification Order and Regulations implementing these changes.
 - As the deadlines for response to the consultations was 20 and 29 March 2012 respectively and the Corporation was not scheduled to meet until May 2012, the Clerk is consulting on the changes with Corporation members by e-mail and the Chair of Corporation would respond to the YPLA and DfE consultations on behalf of the Corporation under Chair's action.

The Committee noted the re-classification of sixth form colleges as private sector entities by the Office of National Statistics (ONS) from April 2012.

(ii) Dissolution of YPLA & establishment of EFA

The Committee received a briefing from the Clerk and a letter from the DfE dated 18 January 2012 giving details of the establishment of the Education Funding Agency (EFA) from 1 April 2012.

It was noted that:

- The YPLA would be dissolved on 31 March 2012 and replaced, as the College's main funding body, by the Education Funding Agency (EFA) from 1 April 2012. The EFA would fund the education system for 3-19 year olds including Academies, free schools, maintained schools and sixth form colleges.
- The DfE website stated that to achieve administrative savings and establish greater accountability, transparency and efficiency in the operation of public services, it intended to close several of its arm's length bodies, which would instead become part of the Department. The EFA had been established as part of this programme. It would have a chief executive who would report to one of the Department's directors general and, as accounting officer, would also report to the Permanent Secretary and be accountable to Parliament. It would have its own budget and would be responsible for publishing its own annual accounts. Executive agency staff would be civil servants, employed by the DfE.

The Committee noted the establishment of the Education Funding Agency (EFA) from 1 April 2012 replacing the YPLA as the College's funding body for students aged 16-19.

71.10 Any other business

It was noted that there was no other business to consider.

71.11 Risk management – items identified at the meeting

It was noted that no new items of risk had been identified at the meeting.

71.12 Date of next meeting: 11 June 2012 at 4.30pm

71.13 Meeting of Committee with auditors without the presence of senior management

It was noted that there was nothing to be considered under this item.

Fiona Bagchi
Clerk to the Corporation

CORPORATION AUDIT COMMITTEE
Minutes of Meeting 72 held on 11.6.12

Present: Richard Heseltine (Chair), Martin Longbottom, Philip Wright (Vice-Chair),

In attendance: Andrew Carrick (Corporation member), Lesley Hill (E. Coast Audit Consortium (ECAC), Internal Audit Service Auditors), Richard Lewis (Baker Tilly, financial statements and regularity auditors), Bill Jackson (Director of Network and Information Systems), Steve Rogers (Finance Manager)

Clerk: Fiona Bagchi

72.1 Apologies

There were apologies from Grace Richardson, a Committee member.

72.2 Declaration of interests

There were no declarations of interest at the start of the meeting. Standing declarations: Richard Heseltine (employed by the University of Hull), Martin Longbottom (employed by Hull College)

72.3 Minutes of Meeting 71 held on 12 March 2012

The minutes of meeting 72 held on 12 March 2012 were approved.

72.4 Matters arising and actions

(Matters arising below are numbered according to their position in the action points table appended to the end of the minutes of the previous meeting. The reference to where the action can be found in the minutes is given in brackets at the end of each item).

- 1 The minutes of November 2011 had been amended, as agreed (71.3)
- 2 Corporation ratified the replacement of the review of the asset register with the IT replacement strategy audit in the internal audit plan (71.5).
- 3 The Clerk was still awaiting training to add documents to the governance section of the website and would therefore ask John Hamlin to update the site (71.5).
Action: JH/Clerk
- 4 The procedures for trips and visits would be rewritten by the Director of Resources and presented to the Finance & General Purposes (F&GP) Committee in September 2012 (71.5).
Action: AW/Clerk
- 5 Martin Longbottom, a Committee member would review the above draft, as he had expertise in this area (71.5).
Action: AW/ML
- 6 The draft revised trips and visits policy would be presented to the F&GP Committee for recommendation to Corporation on approval in September 2012 (71.5).

- 7 A progress report on the development of the College's disaster recovery and business continuity planning procedures was included in the rolling implementation plan of auditors' recommendations, which would be considered later on the agenda (71.6).
- 8 The Director of Resources had received a quote for the installation of a flood alarm system. A report was included in the rolling implementation plan of auditors' recommendations, which would be considered later on the agenda (71.6).
- 9 The completed performance review of Baker Tilly's performance in relation to the 2010/11 audit was signed at the meeting by the Chair (71.7).
- 10 Corporation approved, at its May 2012 meeting, the re-appointment of Baker Tilly UK Audit LLP as financial statements/regularity auditors for the audit for the year ending 31 July 2012, subject to agreement of audit strategy and fees (71.7).
- 11 The Committee agreed that the issue of risk management reporting should be referred to the Search & Governance Committee as part of a general review of cover sheets for Corporation papers. The Committee was due to meet on 25.6.12 (71.8).

72.5 Internal audit service: progress report on the 2011/12 internal audit

Lesley Hill of internal auditors, the ECAC, spoke to the progress report.

Members noted that, with the exception of the production of the Internal Audit Annual Report which would be presented to the Committee's October 2012 meeting, the 2011/2012 internal audit plan had been completed.

72.6 Internal audit service: Block 2 reports including Follow Ups report

Members considered the 5 internal audit reports completed in May 2012.

(i) Risk management report

Members noted that:

- The Audit Code of Practice required internal auditors to carry out a review of Colleges' risk management processes annually, with the object of reviewing whether the College continued to apply risk management processes which would enable the Corporation to make a statement of full compliance with the Combined Code on Corporate Governance, in so far as it applied to the sixth form sector, in the financial statements for the year ended 31 July 2012.
- ECAC had been able to provide substantial assurance that the College would be able to make a full compliance statement for 2011/2012, provided that the College's risks were adequately managed for the remainder of the year and an annual report on risk management was prepared.
- While no recommendations were made in this report, ECAC had suggested that the College might find it helpful to re-visit elements of its risk management framework periodically in order to refresh knowledge, understanding and experience e.g. through a review of the college's understanding and interpretation of risk appetite, by considering the embeddedness of risk management throughout the College below senior management level.

- In response to the above suggestion, the Finance Manager stated that he would compare risk management processes with other NorVlc colleges.

Action: SR

The Committee considered the report arising from the internal audit review of risk management, noting that substantial assurance had been awarded with no recommendations made.

The Committee recorded that that they were content that the report provided assurance that the College continued to apply risk management processes which would enable the Corporation to make a statement of full compliance with the Combined Code on Corporate Governance, in so far as it applied to the sixth form sector, in the financial statements for the year ended 31 July 2012.

(ii) Sales ledger report

Members noted that:

- The review was undertaken as part of the College's 2011/2012 Internal Audit Plan and sought to ensure that there was adequate control over sales ledger income.
- The College had an integrated Sales Ledger within the 'Resources32000' financial system. The sales ledger was used to collect income from tuition fees, music lessons, overseas student course fees, teacher release costs, private photocopier and sundry costs within the College.
- For the period 1 August 2011 to 30 April 2012, 107 sales ledger invoices had been raised, with an income value of just under £100,000, although much of this had been work undertaken for the NorVlc office which was now being undertaken at Wilberforce Sixth Form College.
- The results of the audit work undertaken were generally positive and ECAC were therefore able to offer substantial assurance that adequate procedures were in place in respect of the control over sales ledger income
- One recommendation graded at the lowest grade of 3 (requires attention) had been made relating to supporting documentation for invoices.
- The above recommendation had been accepted by the Finance Manager who had confirmed that, where the raising of invoices had been requested by budget holders, supporting written or e-mailed evidence would be required in future, with all invoice requests authorised by the Finance Manager and supported by further evidence where possible.

Members considered the report, noting the need for clear separate of ordering and the raising of invoices and that in future the Finance Assistant would raise invoices which the Finance Manager would sign.

The Committee considered the report arising from the internal audit review of the sales ledger, noting that the report recorded substantial assurance that adequate procedures were in place in respect of the control over sales ledger income and that one recommendation at the lowest grade of 3 (requires attention) had been made.

(iii) Treasury management report

Members noted that:

- The review was carried out as part of the 2011/2012 internal audit plan and sought to ensure that adequate control was exercised in respect of treasury management.
- The College had two bank accounts, both with Lloyds TSB. The review considered the amount of cash and bank balance total on short term deposit with Lloyds TSB.

- The current account ledger balance was reconciled to the bank statement balance on a monthly basis as part of the month end procedures which led to the production of the management accounts.
- As a result of the audit work carried out, ECAC were able to give substantial assurance in respect of the College's treasury management function.
- Four recommendations had, however been made as a result of the review to further strengthen controls, all at the lowest grade of 3 (requires attention) e.g. the Finance Manager would investigate ways to make the cash flow in the management accounts reflect the actual balance in the bank account more closely, the bank account signatories would be updated, the Finance Manager would sign the Cardnet reconciliation as well as the main bank account reconciliation, the treasury management section within the Financial Regulations and procedures would be updated

The Committee discussed the report, noting that

- A rolling 12 month cash forecast (showing the actual cash flow for the current month plus the forecast cash flow for the next 12 months) was produced as part of the monthly management accounts which were reviewed by the senior management team (SMT) and the F&GP Committee and cash days in reserves was one of the financial key performance indicators.
- Producing a rolling cashflow was considered good practice by funding body auditors.
- The report noted that the total cash and bank balance recorded on the ledger at the end of March 2012 and on the balance sheet was around £39,000 higher than the March balance on the cash flow forecast. It was noted that the discrepancy would have been a more significant issue if the College had only minimal cash reserves.
- The Finance Manager noted that half of the difference was accounted for by the Cardnet account not being included in the cashflow, which would be rectified, and that he would in future aim to show the same balance on the month's cash flow as on the balance sheet, to give the most accurate picture of the College's cash position.

The Committee considered the report arising from the internal audit review of treasury management, noting that the report recorded substantial assurance that adequate procedures were in place in respect of the control over sales ledger income and that 4 recommendations at the lowest grade of 3 (requires attention) had been made.

(iv) IT replacement strategy report

Members noted in discussion that:

- A consultancy style review of the draft IT Replacement Strategy had been undertaken to provide advice and guidance as appropriate regarding content and options available. The report arising from the review did not include an assurance rating or recommendations, because of the type of review undertaken.
- The strategy was supported by a replacement schedule that showed the amount of equipment and estimated costs of replacements for each year.
- One area that affected the strategy was the increased use of computer equipment within the curriculum, which would be monitored.
- Options in the strategy included e.g.
 - Formalising the requirement of the College Scrutiny Group to consider and provide information on any expected increase or decrease in use of ICT equipment to allow these assumptions to be integrated into an updating of the IT Replacement Strategy.
 - The College had recently invested in virtual server technology that would allow better use of server side resources with a decrease in the energy consumption of devices and allowed for more efficient administration. Use of virtualised technology allows for better utilisation of server hardware and the use of thin clients or virtual

desktop infrastructures could lower the cost of desktop hardware whilst ensuring the service received by users remained consistent.

- The collaborative purchasing of equipment with other local educational bodies (e.g. in collaboration with other NorVic colleges) could offer significant benefits.
- The ECAC's report concluded that, while development of the College's IT replacement strategy was currently in the early stages, once completed it should provide a sound basis for the provision of IT to students and staff.
- The Director of Network and Information Services had produced a spreadsheet detailing equipment replacements and estimated costs for the next nine years and would seek to carry out a full evaluation and pilot study, should a major change to the College's infrastructure (such as moving to thin client technology) be considered.
- The draft strategy would be presented to SMT shortly and expenditure would be subject to the College's budget process.
- The replacement of desktop computers was based on an average life span of five years, with the equipment likely to become more unreliable in future years. Due to cost pressures, equipment which was nearing its five year life span might be used for an additional year with, for example, a third of current workstations replaced with newer models but with older equipment retained to allow them to be used for in house maintenance.
- Some colleges had leased IT equipment but, if the College intended to explore this as an option, it should be noted that associated maintenance contracts could be high and contracts needed to be clear when leased equipment became the property of the College.

The Committee considered the report on the IT replacement strategy, noting that the ECAC had concluded that assumptions made within the strategy were robust and provided a clear direction for the efficient use and replacement of equipment in the future. It was agreed that a progress report should be made to the March 2013 meeting of the Committee.

Action: BJ/Clerk

(v) Follow Ups report

Members noted that:

- The ECAC had followed up recommendations arising from the following 2010/11 internal audit plan reviews to ascertain the progress made in implementing previous audit recommendations: Learner Number Systems; Financial Ledger Maintenance; Safeguarding; IT Software; Health & Safety.
- There were also 3 recommendations which remained outstanding or partially outstanding from the previous year's follow up report which were revisited during the current review.
- 10 of the 11 recommendations examined had been completed and the remaining recommendation had been partially implemented.
- The partially completed recommendation related to the Financial Ledger Maintenance review undertaken in February 2011, which had recommended that Sales Ledger invoices should be supported by evidence of approval by the appropriate budget holder or similar staff member with delegated authority. The Follow Up report noted that credit notes were certified by the Finance Manager but a number of Sales Invoices were still not supported by sufficient evidence of approval by the appropriate budget holder or senior manager.
- It was noted that the above action could be monitored together with the similar recommendation arising from the Sales Ledger review.

Action: SR/Clerk

The Committee considered the Follow Ups report, noting the College had implemented 10 of the 11 recommendations examined and the remaining recommendation had been partially implemented.

72.7 Rolling implementation plan of auditors' recommendations

The Committee reviewed the rolling implementation plan of auditors' recommendations, noting in discussion that:

- The Director of Resources had discussed the development of a Business Continuity Plan (BCP) with the Principal, was continuing with the development of a BCP including research into what other colleges were doing, and was due to attend a Disaster Recovery Scenario session at Franklin Sixth Form College.
- The Director of Resources had discussed the provision of detection and associated costs with the Principal of a flood alarm system in the Oak Building server room and had concluded that the risks were not commensurate with the costs needed to address the suggested problem.
- The recommendation relating to the signing of learning support agreements had been completed and could be removed from the plan.

Action: Clerk

- Recommendations arising from the bursary fund and trips and visits reviews had a future completion date.

Action: MWR/SR

The rolling implementation plan of auditors' recommendation was reviewed.

72.8 Review Baker Tilly's audit strategy

Richard Lewis of Baker Tilly spoke in detail to the audit strategy for the financial and regularity audits for the year ending 31.7.12.

Members noted in discussion that:

- Baker Tilly's financial statements and regularity audit strategy document covered the scope of the audit, the proposed audit approach, and highlighted the key risks that would be focussed on during the audit i.e. risks relating to funding, college estate, financial health/going concern, bank covenants, FRS17 and the regularity review.
- With reference to funding, that adult provision numbers were close to 97% of target, at which the Skills Funding Agency (SFA) would not clawback funds. The College's SFA allocation was small compared to funding received from the YPLA for students aged 16-18, the College's core business.
- With reference to the college estate, the College had been awarded a Devolved Formula Capital grant by the Young People's Learning Agency (YPLA) for maintenance and the auditors would review whether the treatment of costs and associated grants was correctly reflected in the financial statements.
- With reference to going concern, that the auditors would review the financial forecasts which would be approved by Corporation in July 2012. Lagged funding, under which growth in student numbers would be funded in the subsequent year, did not appear to have caused any problems for the College.
- With reference to bank covenants, that there was a loan on the balance sheet and the auditors would review whether there had been any breaches of bank covenants without a bank waiver being obtained, which could result in the loan being re-classified as a current liability.
- With reference to FRS17, it was noted that some colleges with March 2012 year ends had seen their liabilities in the East Riding Pension Fund increase.
- With reference to the regularity audit, that the review considered the regularity and propriety of the expenditure of public funds received e.g. whether the requirements of the Financial Memorandum with the College's funding body had been met. There was no materiality level in relation to the regularity audit, which meant that any breach could result in the accounts being qualified.

- Proposed audit fees for the financial, regularity and Teachers' Pension Scheme (TPS) audits were £11,550 (2011: £10,250).
- The Appendices to the report included details of the audit team and auditor independence.

The Committee agreed to recommend Baker Tilly's audit strategy for the audit for the year ending 31.7.12, including fees, to Corporation for approval.

Action: Chair/Clerk

It was noted that Baker Tilly would be issuing a revised tri-partite letter of engagement between the College, Baker Tilly and the Education Funding Agency (EFA) for the audit for the year ending 31.7.12 shortly and agreed that it should be presented to Corporation for approval and signing by the Chair of the audit Committee.

Action: RL/SR/Clerk

72.9 Regularity audit: review draft Self-Assessment Questionnaire (SAQ) for year ending 31.7.11

Members considered the draft SAQ for the year ending 31.7.12 noting changes from the previous year's version and in particular that:

- The SAQ was reviewed by the auditors when undertaking the regularity audit.
- In the absence of references in the SAQ having been updated by funding bodies, Baker Tilly would provide an updated version into which the College could transfer the information in the draft SAQ.

The Committee agreed the following changes/additions:

- The expansion of the section on restrictions on redundancy and/or severance payments to staff (Q.9, Baker Tilly Q.11)
- The re-wording of the section on the capital project post-implementation review (Q.36, Baker Tilly Q.43)
- The addition of text on devolved capital grant received in 201/12 (Q.20, Baker Tilly Q.26).

Action: SR/AW

The Committee reviewed the draft Self-Assessment Questionnaire (SAQ) for the regularity audit for the year ending 31.7.12, indicating that they were content with the draft and noting that a final version on a pro forma to be supplied by Baker Tilly (with the changes noted above, updated to 31.7.12 and signed by the Principal) should be presented to Baker Tilly in advance of their regularity audit visit in August 2012.

Action: SR/Clerk

72.10 Review of College risk management plan for recommendation to Corporation & report on the development of disaster recovery & business continuity planning procedures

Members noted that:

- The College's risk priorities and controls documents had been updated in May 2012 and were being presented to the Committee for consideration on recommendation to Corporation.
- Changes since these documents were last reviewed were considered.
- Funding changes remained the College's highest risk but 3 new high risks had been added:
 - The effect of recruitment on funding under the lagged funding system
 - Quality monitoring (e.g. Ofsted inspection including new inspection regime)
 - Premises (e.g. cost of maintenance contracts for new estate).

The medium rating for recruitment in relation to the establishment of new schools with sixth forms, University Technical Colleges (UTCs), Academies, free schools and studio schools was considered and the likelihood that this might rise to high.

The continuing inclusion of risks which now had a zero rating was considered, noting that this was useful to provide an audit trail but that consideration could be given to excluding them from the version presented to the Audit Committee in future.

Action: SR/Clerk

With reference to disaster recovery and business continuity planning, members noted that:

- The Director of Resources had provided an update on the development of the College's Disaster Recovery Plan (DRP) and business continuity planning (BCP) at item 7 above (*Rolling implementation plan of auditors' recommendations*).
- The importance of a DRP/BCP being completed as soon as possible, as the Committee considered that the current Disaster Recovery document was not adequate to the College's needs.

Action AW

The Committee agreed to recommend the College's risk priorities and controls documents for recommendation to Corporation and to provide a progress report on the development of the College's disaster recovery and business continuity plans.

Action: Chair/Clerk

72.11 Review standing agenda items and terms of reference

The Committee completed its annual review of its standing agenda item list and terms of reference and agreed, for recommendation to Corporation, the following minor changes to the Committee's standing agenda item to reflect the Committee's current practice:

- ***Election of the Committee's Vice-Chair at the Committee's September/October meeting***
- ***Progress report and Block 2 internal audit reports to be given in June rather than in September/October***
- ***An internal audit progress report to be given in March with the Block 1 reports.***

Action: Chair/Clerk

It was noted that:

- From 1.4.12, the responsibility for modifying or replacing the Instrument and Articles of Government transferred from the Young Peoples' Learning Agency (YPLA) to individual sixth form college corporations.
- The May 2012 meeting of Corporation had agreed to retain its current Instrument & Articles of Government, as modified by a Modification Order issued by the YPLA, pending review and recommendation from its Search & Governance Committee. The reference to section 6 (1) of the Articles of Government in the preface to the Committee's terms of reference therefore remained correct.
- The Committee's terms of reference and standing agenda item list should be reviewed again, if necessary, after the Joint Audit Code of Practice Part II is issued by the Education Funding Agency (EFA).

Action: Clerk

72.12 Audit Committee members' length of office

Members noted that:

- The Chair, Richard Heseltine, was the longest serving member, having been a member of the Committee for more than 14 years. He would retire from the Committee at the end of the 2011/12 academic year.
- The Vice-Chair, Philip Wright had been a member of the Committee for just over 8 years.

- Grace Richardson had served on the Committee for just under 3 years.
- Martin Longbottom had been a member of the Committee for just under a year. His term of office as a Parent member of Corporation would terminate at the end of the 2011/12 academic year.
- The May 2012 meeting of the Corporation had appointed Andrew Carrick, a Parent member of Corporation, to the Committee with effect from the start of the 2012/13 academic year. He was attending the current meeting as an observer.
- The Committee's terms of reference required it to have five members. There was currently a vacancy for a fifth member who could be a Corporation member or an external co-opted member with experience in accountancy/audit.

The Chair of the Audit Committee, Richard Heseltine, commenting on his forthcoming retirement as Chair of the Committee, stated that serving as Chair had been a satisfying experience, with the routine nature of the Committee's work a testimony both to a well-managed College and an effective Audit Committee. He thanked auditors Baker Tilly and the East Coast Audit Consortium for their professionalism.

Members and auditors thanked Richard Heseltine for his work as Chair of the Committee.

The Committee received a report on members' length of office, noting that the Chair would retire from the Committee at the end of the current academic year.

72.13 Review of EFA/SFA circulars and new regulations or other documents from outside bodies

(i) EFA consultation on revisions to Financial Memorandum

The Committee noted that:

- The May 2012 meeting of the Board of Governors received the Education Funding Agency's (EFA's) *Consultation on Rationalisation of Audit Arrangements for Sixth Form Colleges from 2012/13* and agreed that a response should be submitted by the deadline of 1.6.12 by Chair of the Audit Committee, following e-mail consultation with Committee members.
- The EFA had asked respondents to consider the following proposals:
 - Removal of the requirement for colleges to have an Internal Audit Service (IAS), with any decision not to do so to be made by the Corporation on the advice of its Audit Committee;
 - Removal of the prohibition on the internal and financial statements audits being provided by the same audit firm;
 - Removal of the requirement for colleges to make an annual Financial Management and Control Evaluation (FMCE) return to the EFA from 1 August 2012;
 - Consultation during 2012/13 by the EFA and Chief Executive of Skills Funding (SFA) on the need for, and content of, detailed provisions to be contained in Part II of the Joint Audit Code of Practice (JACOP).
- The Chair had requested that a response in line with the majority view arising from the consultation be sent to the EFA i.e. asserting the value of an IAS to colleges; agreeing that any decision to remove the IAS should be made by the Corporation on the advice of its Audit Committee; asserting the value of prohibition on the internal and financial statements audits being provided by the same audit firm; asserting the value of colleges continuing to complete the FMCE as an internal college exercise; agreeing with the proposal that the EFA and SFA should consult on the JACOP Part II.

The Committee and Richard Lewis, as financial statements auditor, discussed the value of colleges continuing to employ and internal audit service to provide the assurances which enabled the

annual statement of financial control to be signed, which would have to be obtained through other means e.g. employing auditors to undertake individual consultancy reviews. It was noted that employing an internal audit service was considered best practice for companies and was also a cost-effective way to acquire early warning of problems which, if unaddressed, could lead to costly mistakes or fraud. Other options would include obtaining assurance through employing auditors to undertake consultancy work.

(ii) Update on JACOP Part II

Members noted that:

- The EFA's consultation document on the proposed revised Financial Memorandum had stated that when Part I of JACOP had been issued in April 2010, it had been anticipated that a detailed Part 2 would be consulted on and issued later in the year.
- The subsequent decision in September 2010 of the Office of National Statistics (ONS) to classify colleges in the public sector caused this work to be postponed.
- Following on from the ONS decision to classify colleges as private sector bodies in 2012, the EFA and Chief Executive of Skills Funding would, in consultation with local authorities conduct a full review of the need for and content of detailed provisions to be contained in Part II of the JACOP and consult during 2012/13 on the provisions, if any, to come into force for 2013/14.

(iii) SFCF update on Foundation Code

Members noted that:

- The outcome of the Sixth Form Colleges' Forum (SFCF) consultation on the voluntary English Colleges' Foundation Code of Governance had been as follows: 12% (7/60 respondents) endorsed the Code; 75% (45/60) stated that they could not endorse the Code at the present time; 13% (8/60) stated modifications would have to be made before all SFCs could legally adopt the Code.
- The SFCF has since written to the Association of Colleges (AoC) outlining the sector's concerns and the issue had been discussed at a SFCF/AoC liaison meeting which took place in May 2012.

(iv) Press reports on 2 cases of fraud at the Royal Academy of Music

The Committee considered press reports on 2 recent cases of fraud, including fraudulent invoices and pension contributions, at the Royal Academy of Music, a small specialist HE institution. The relevance of the reports to the discussion of the retention of an internal audit service as noted at (i) above was noted.

72.14 Any Other Business

It was noted that there was no other business to be considered.

72.15 Risk management – items identified at the meeting

It was noted that no new items of risk had been identified at the meeting.

72.16 Future planning, including next year's meeting dates

It was noted that meeting dates for 2012/13 would be agreed at the July 2012 Corporation meeting.

72.17 Meeting of Committee with auditors without the presence of senior management

It was noted that there was nothing to be considered under this item.

Fiona Bagchi
Clerk to the Corporation



**CORPORATION AUDIT COMMITTEE
MINUTES OF MEETING 73 HELD ON 8.10.12**

- Present:** Andrew Carrick, Grace Richardson (Vice-Chair), Philip Wright (Chair)
- In attendance:** Lesley Hill (E. Coast Audit Consortium, Internal Audit Service Auditors), Bill Jackson (Director of Network and Information Systems), Steve Rogers (Director of Finance)
- Clerk:** Fiona Bagchi

73.1 Apologies

There were apologies from Committee members, Martin Longbottom and John Shipley, from Richard Lewis of the financial statements and regularity auditors, Baker Tilly, and from Benita Jones of the internal auditors, the East Coast Audit Consortium.

73.2 Declaration of interests

There were no declarations of interest at the start of the meeting.

73.3 Election of Chair

The Clerk reported that Committee Chairs and Vice-Chairs were elected annually at the first committee meeting of the academic year

Grace Richardson nominated Philip Wright as Chair of the Audit Committee. The nomination was seconded by Andrew Carrick.

Philip Wright was elected as Chair of the Audit Committee unopposed.

Philip Wright nominated Grace Richardson as Vice-Chair of the Audit Committee. The nomination was seconded by Andrew Carrick

Grace Richardson was elected as Vice-Chair of the Audit Committee unopposed.

73.4 Minutes of Meeting 72 held on 11 June 2012

The minutes of meeting 72 held on 11 June 2012 were approved.

73.5 Matters arising and actions

(Matters arising below are numbered according to their position in the Action Points table appended to the end of the minutes of the previous meeting. The reference to where the action can be found in the minutes is given in brackets at the end of each item).

- 1 The Clerk had received website training from the Personnel Officer to enable her to update the Corporation section of the website (72.4).
- 2 The Trips & Visits flowchart setting out the College's revised procedure had been

presented to the September 2012 meeting of F&GP Committee, as agreed, and was included with the action table for the information of the Audit Committee. The procedure was in force from September 2012 (72.4).

3 Martin Longbottom, an Audit Committee member, and Alan Woodcock, Director of Resources, had met to discuss the Trips and Visits procedure, as agreed (72.4).

4 Risk management processes were due to be discussed at the October 2102 NorVlc Finance Directors' meeting (72.4).

Action: SR

5 An update on the IT replacement strategy would be made to the March 2013 meeting of the Audit Committee (72.6).

Action: WGJ

6 Recommendations arising from the Financial Ledger Maintenance and Sales Ledger reviews would be considered later on the agenda with reference to the rolling plan of auditors' recommendations(72.6). .

7 The internal audit recommendation relating to the signing of learning support agreements had been completed and had been removed from the rolling implementation plan (72.6)..

8 Recommendations arising from the 16-19 Bursary Fund and Trips & Visits reviews would be considered later on the agenda with reference to the rolling plan of auditors' recommendations.

9 Baker Tilly's audit strategy for the audit for the year ending 31.7.12, including fees, had been approved by Corporation at its July 2012 meeting (72.8).

10 The July 2012 meeting of Corporation agreed that the Chair of the Audit Committee, Richard Heseltine, should sign the revised tri-partite letter of engagement, when received, on behalf of the Corporation, and this had been done (72.8).

11 With reference to the College's Self-Assessment Questionnaire (SAQ) for the regularity audit for the year ending 31.7.12, it was noted that a final version on a pro forma supplied by Baker Tilly (with the changes agreed and updated to 31.7.12 and signed by the Principal) would be presented to Baker Tilly (72.9).

Action: SR

12 Risks which had a zero rating would be excluded from the version of the risk register presented to the Audit Committee in future (72.10).

Action: SR

13 The Director of Resources reported that the Disaster Recovery Plan (DRP)/ Business Continuity Plan (BCP) was still a work in progress and would be presented to the March 2013 meeting of the Committee (72.10).

Action: AW

14 The College's risk priorities and controls documents were approved by the July 2012 meeting of Corporation and a progress report on the development of the

College's disaster recovery and business continuity plans had been received (72.10).

- 15 The Committee's amended standing agenda item list had been approved at the September 2012 meeting of Corporation (72.11).
- 16 The Committee's terms of reference and standing agenda item list would be reviewed again, if necessary, after the Joint Audit Code of Practice Part II was issued by the Education Funding Agency (EFA) (72.11).

Action: Clerk

73.6 Annual review of confidential minutes

The Committee noted that it had produced no minutes classed as confidential during the previous year.

73.7 Annual risk management report

The Director of Finance and College Risk Management Champion, Steve Rogers spoke to the annual risk management report.

The College's risk management processes were outlined. It was noted that:

- The College's Risk Management Sub Group met annually and reviewed the risk register and work undertaken and moderated risks in line with the College's risk management criteria.
- The group's continuing aim was to reduce risk scores, where possible, through appropriate mitigating actions.
- Although the risk register was formally updated once a year, where new risks were identified during the year (e.g. issues of risk recorded at senior management team or Corporation meetings) these were added to the register by the Finance Manager.
- The aim set by the group remained to reduce risks graded as High and to maintain or reduce risks graded as Medium.
- The internal audit service reviewed the risk register annually.

The Committee considered changes to the College's risk register during 2011/12, noting in particular:

- The register now contained 4 risks graded as high in the areas of finance, student recruitment, quality monitoring (external quality reviews), premises (building servicing strategy).
- The risk score represented the situation at the time that the register was last reviewed and could change over time e.g. the risk relating to external reviews might be changed following an Ofsted inspection.
- A new Finance risk 285 with a score of 7 (low) had been added to the register. This risk related to the placing of College funds on deposit with banking organisations. It was considered that a low score was appropriate as the College would only place such funds with reputable banks. In response to members' questions, it was noted that the College banked with Lloyds TSB and received free banking and good service. It had not gone out to tender recently but would consider doing so should this situation change.
- A new personnel risk (284) had been added to the register relating to the loss of key staff for extended periods at crucial times during the year which could lead to a short term rapid increase in staffing costs. This had been felt to be a medium risk with a score of 14 as much would depend on at what point of the year the absence arose.

- Finance Risk 129 had been increased from a score of 16 (medium) to 18 (medium) due to potential changes in 16-19 funding which could have a negative impact on funding leading to a depletion of College reserves.

The Committee discussed future funding changes in detail, noting that:

- The College had had some indication from the Education Funding Agency (EFA) concerning what its funding allocation would have been had the new funding methodology been in place in the current financial year.
- The College required Level 3 entrants to have 5 GCSEs at grades A-C. Government policy would in future require A-C grades in GCSE English and Maths and those who did not have these qualifications would have to undertake a Level 2 programme to reach this level.
- At the moment, under lagged funding, the College received full funding if a student was on course at 6 weeks from enrolment. In future if a student left the course halfway through the year, funding would be reduced by 50%.
- Funding would move from being based on learning aims towards a single lump sum per student. There would be fewer weightings e.g. there might be weightings for students doing a heavier A Level programme or the International Baccalaureate.

The Committee received and considered the College's annual risk management report, agreeing that it should be presented to Corporation in December 2012 as an annex to the Committee's Annual Report.

73.8 Annual Data Protection report

Bill Jackson, Director of Network and Information Systems (NIS), spoke to the annual Data Protection and Freedom of Information (FOI) report.

Members noted in discussion that:

- As part of the College's induction process, the Director of NIS gave a presentation at the bringing of the academic year to all new college staff on their responsibilities under the Data Protection Act, with a one-to-one discussion provided for staff appointed during the year.
- There had been no reported Data Protection incidents during the last twelve months.
- In the last twelve months, the College had received and processed Freedom of Information (FOI) requests in the following areas: expenditure with recruitment agencies; the sharing of information with the police; changes in staff numbers and the effects of funding cuts and the withdrawal of the Educational Maintenance Allowance (EMA); servers, storage devices, tape libraries, network switches held by the college, and associated warranties and support contracts; information on numbers of Tier 4 CAS (Confirmation of Acceptance for Studies) processed for international students and information on international student enrolment status reported to the UK Border Agency (UKBA); IT budget and spend in a number of categories for 2011-2012 and 2012-2013.
- All FOI requests were responded to within the prescribed twenty working days.

In response to members' questions, it was noted that:

- Under the FOI Act, the College was not allowed to ask why the information requested was wanted.
- The College did not receive copies of the results of any research which might be undertaken by the requesters.
- FOI requests would often be sent to all colleges in the sector.
- It was not always clear whether FOI requests came from individuals or organisations but it appeared that, as well as requests from individuals, they often came from

commercial organisations, journalists, research groups or through FOI organisations such as What Do They Know.

- The Director of NIS kept a log of requests received.
- With reference to the effect of requests on staff workload, the volume and timing of requests could not be predicted but normally all had to receive a response within 20 working days. Where the amount of work required exceeded a specified “appropriate limit”, the College could refuse the request or ask the requester to refine it to ensure it came within the limit.
- Larger organisations, such as universities and local authorities, often had a dedicated staff member to deal with FOI requests.

The Committee received the College’s annual data protection and freedom of information report for 2011/12.

73.9 Review of Internal Audit Service Annual Report

Lesley Hill of the internal audit service (IAS), the East Coast Audit Consortium (ECAC), gave a report on the IAS Annual Report 2011/102

Members noted that:

- The internal audit work for the period from 1 August 2011 to 31 July 2012 had been carried out in accordance with the internal audit plan approved by the Corporation;
- The plan had been carried out in 20 days, as agreed.
9 reports had been issued during 2011/2012 covering governance, risk management processes, learner numbers systems, sales ledger, treasury management, It replacement strategy, 16-19 bursary fund, trips and visits, Follow ups
The reports contained a total of 19 recommendations with 4 recommendation graded as significant (3 in the Trips and Visits report and 1 in the 16-19 Bursary Fund report),
- The remaining 15 recommendations were all graded as requiring attention and no recommendations were graded as fundamental.
- The auditors overall opinion was that Wyke Sixth Form College had adequate and effective management, control and governance processes to manage its achievement of the college’s objectives.
- From their examinations the IAS had concluded that the policies, procedures and operations that the College had in place to:
 - establish and monitor the achievement of the college objectives were good,
 - identify, assess and manage the risks to achieving the college’s objectives were good,
 - advise on, formulate, and evaluate policy, within the responsibilities of the Principal as accounting officer, were good,
 - ensure compliance with the college’s policies, procedures, laws and regulations were satisfactory (taking into account the recommendations graded as significant arising from the Trips and Visits and 16-19 Bursary Fund reviews),
 - safeguard the college’s assets and interest from losses of all kinds, including those from fraud, irregularity and corruption, were good, and
 - ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes, were good.

The Committee received the Internal Audit Service Annual Report for 2011/12, noting that the auditors overall opinion was that Wyke Sixth Form College had adequate and effective management, control and governance processes to manage its achievement of the college’s objectives.

The Committee agreed that the Internal Audit Service Annual Report for 2011/12 should be presented to the December 2012 meeting of Corporation as an annex to the Committee's Annual Report.

Action: Clerk/Chair

73.10 Review of Internal Audit Service (IAS)

(Lesley Hill left the meeting).

(i) Review the cost of the IAS arrangements for 2011/12

The Committee noted that the 2011/12 internal audit provided by the East Coast Audit Consortium (ECAC) was on budget at £6,520 excluding VAT i.e. 20 days @ £326. This compared with the cost of the 2010/11 internal audit which was on budget at £7,900 excluding VAT i.e. 25 days @ £316.

The Committee completed its review of the cost of the 2011/12 internal audit, noting that as the audit was completed within the agreed number of day and the cost was on budget.

(ii) Review of additional work undertaken by IAS during 2011/12

The Financial Regulations approved by Corporation require that, to preserve auditor independence, any work undertaken by the College's auditors in addition to their normal audit duties (e.g. consultancy work) should not amount to a sum greater than the cost of the annual audit or the sum of £20,000, whichever was the lower, and should be approved by Corporation in advance of the work being carried out, as required by the Audit Code of Practice (ACOP).

It was noted that the College commissioned no additional work (e.g. consultancy) from its internal audit service auditors, the East Coast Audit Consortium (ECAC), in 2011/12. While the IT Replacement Strategy review undertaken in June 2012 was designed to review the College's draft strategy and to provide, in addition, advice and guidance as appropriate regarding content and options available, it was an agreed part of the College's annual internal audit plan.

The Committee noted that the internal audit service undertook no additional work in 2011/12.

(iii) Performance review of IAS

The Committee reviewed the performance of the internal audit service (IAS) annually at its October meeting, using its performance checklist and noting the IAS auditors' assessment of their own performance at Appendix 2 of the IAS Annual Report considered above at item 73.9. The high percentage of manager and director time and the ECAC's work with other sixth form colleges, which allowed best practice recommendations where appropriate, were particularly noted.

It was agreed that Richard Lewis of Baker Tilly should be asked concerning their relationship with ECAC at the November 2012 meeting of the Committee.

Action: Clerk/Chair

The Committee accepted the draft checklist, noting that, subject to the above caveat, its opinion of the ECAC's performance remained unchanged from 2010/11.

It was agreed that the Clerk would type up the results of the performance review of the IAS and return the list to the November 2012 meeting of the Committee for the Chair to sign.

Action: Clerk

The Committee undertook an initial review of the options available under the EFA's revised audit arrangements to inform its discussion with Lesley Hill of ECAC at item 73.11. It was agreed that part of the discussion should be kept in a confidential minute.

Action: Clerk

It was noted that the Director of Finance had met with Benita Jones and Lesley Hill of the ECAC in the summer to discuss future arrangements. The Committee noted that he was in favour of retaining some form of internal audit service to allow Corporation to make its required assurances in its annual the Statement of Internal Control.

(Lesley Hill returned to the meeting).

73.11 Assurance arrangements for 2012/13

(i) Review EFA/SFCF guidance on 2012/13 audit arrangements

The Clerk's briefing note for this item noted that:

- Under the Learning and Skills Council's (LSC's) Audit Code of Practice (ACOP), colleges appointed/re-appointed IAS auditors annually, with the Audit Committee making a recommendation to Corporation on re-appointment following performance review of the IAS at the October meeting of the Committee.
- From 2010, due to uncertainties pending the publication of the funding bodies' revised ACOP, the ECAC had been re-appointed annually as the College's internal audit service by Corporation on the recommendation of the Audit Committee.
- The LSC's ACOP remained in force and the EFA would consult with sixth form colleges on a revised ACOP during 2012/13 but had already made a number of assurance changes applicable in 2012/13 e.g. the mandatory requirement for sixth form colleges (SFCs) to have an internal audit service and to submit an annual internal audit report to the Education Funding Agency (EFA) had been removed from 1 August 2012.
- EFA and SFC Forum (SFCF) guidance advised that the core role of Audit Committees, as set out in the ACOP remains '*to advise the governing body on the adequacy and effectiveness of the . . . college's systems of internal control and its arrangements for risk management, control and governance processes...*' and recommended that the Committee's current role be extended to include advising the Corporation on what assurance framework it should put in place to ensure that adequate assurances over the effective operation of the College's systems of control could be obtained. The guidance regarded this as a significant shift in Audit Committee responsibility i.e. from telling Corporation's what they were required to do under the ACOP to advising them what they should do to obtain adequate assurance.
- Using an internal audit service to obtain this assurance remains an option for SFCs and the EFA/SFCF guidance included professional standards appropriate for a SFC internal audit service.
- The response to the EFA consultation submitted by the Chair of the College's Audit Committee in June 2012, emphasised the value of an internal audit service, in line with the majority response from Audit Committee members consulted by e-mail.

(ii) ECAC: options for internal assurance 2012/13

The Clerk's briefing note on the ECAC's report on options for internal assurance in 2012/13 stated that:

- The East Coast Audit Consortium (ECAC) document, *The Future of Internal Audit at Wyke College*, set out, for review by the Committee, the options for obtaining assurance on internal control issues under the EFA's new audit regime i.e. continue with an IAS provided by an external provider on a similar or reduced scale e.g. an annual audit of 17-18 days; commission ad hoc internal audit work; undertake in-house checks.

It was noted that the above report had been written before the EFA/SFCF had issued their guidance on 2012/13 audit arrangements.

(iii) Recommendation to Corporation on assurance arrangements 2012/13

It was noted that:

- Under the EFA's revised audit arrangements, the Committee needed to make a recommendation to Corporation on what assurance framework it should put in place to ensure that adequate assurances over the effective operation of the College's systems of control could be obtained.

The options outlined in the EFA/SFCF and ECAC report were considered.

The number of days required should the Corporation decide to continue with an internal audit service were considered and it was noted that:

- The audit had been reduced from 25 days in 2010/11 to 20 days in 2011//12
- The ECAC's view was that 17-18 audit days appeared to be the minimum that would be required for a full audit opinion to be given.
- Reducing the number of days required for the Learner Numbers Systems review to better reflect changes in funding methodology (which was now more student than learning aim based), and the fact that Additional Learner Support (ALS) was now formula driven, appeared to be an option.
- The governance review might be undertaken cyclically rather than annually, given that the financial statements and regularity auditors also did some work in this area annually.
- Other reviews should be risk-based and relate to current risks.
- The level of assurance required by Corporation could depend on how specific it wished to make their Statement of Internal Control in the annual Members' Report and Financial Statements.
- Reduction in internal audit work might require the financial statements auditors to carry out more internal control work, which would not be cost-effective.
- The Committee might wish to consider whether other external and internal quality reports could contribute to the Corporation's Statement of Internal Control e.g. Ofsted inspection reports, the College's annual internal report on data protection and FOI.

The Committee agreed that Corporation could most effectively obtain the assurance that it need to make its annual Statement of Internal Control by retaining an internal audit service. The number of days required to give appropriate assurance should, however, be reviewed and a draft internal audit plan relating to 2012/13 only should be prepared, to reflect the fact that the revised Audit Code of Practice (ACOP) had not yet been issued by the EFA.

It was agreed that the Director of Finance, the Director of NIS and the ECAC should meet to discuss an IAS plan for 2012/13, with the draft plan to be presented to the November 2012 meeting of the Audit Committee.

Action: SR/WGJ/LH

It was agreed that the Committee would need to discuss with Baker Tilly, the College's financial statements and regularity auditors, whether the amount of any internal audit proposed was sufficient for them to rely upon.

Action: Chair

It was agreed that the Committee should recommend to Corporation that the Audit Committee's terms of reference and standing agenda item list be amended to reflect the

change in its role and responsibilities, as noted in the EFA/SFCF guidance on 2012/13 audit arrangements.

Action: Clerk

73.12 Review of rolling implementation plan of auditors' recommendations: II

Members considered the recommendations in the rolling implementation plan of auditors' recommendations, noting that:

- Recommendations arising from the Financial Ledger Maintenance and Sales Ledger reviews remained to be implemented.
- With reference to recommendations arising from the Treasury Management review, the cardnet account bank reconciliation was now countersigned and the recommendation had therefore been implemented and could be removed from the rolling plan. **Action: Clerk.**
- Three other recommendations arising from the Treasury Management review remained to be implemented i.e. making the cash flow in the management accounts reflect the actual balance in the bank account more closely, updating the bank mandate, developing a Treasury Management Policy.
- All recommendations arising from the 16-19 Bursary Fund review had been implemented and could be removed from the rolling plan.

Action: Clerk

- All recommendations arising from the Trips & Visits review had been implemented and could be removed from the rolling plan. **Action: Clerk**

The Committee discussed new arrangements for trips and visits, noting that the daytrips flowchart has been received earlier on the agenda when actions arising from the June 2012 minutes had been considered. It was noted that an existing member of staff had been appointed as trips and visits co-ordinator to make sure that all paperwork was completed and that fees were paid and past to the Finance Department. In response to members' questions, it was noted that the College generally kept parental consent forms until the end of the financial year and normally kept rolling consent forms for day trips for 2 years.

It was noted that all recommendations would be reviewed as part of the IAS Follow ups review.

The Committee completed its review of the rolling plan of auditors' recommendations.

73.13 Review the College's Financial Management Control Evaluation (FMCE)

The Committee noted that:

- The Education Funding Agency (EFA) had removed the requirement for sixth form colleges (SFCs) to complete an FMCE annually for approval by Corporation and submission to the EFA.
- SFCs were, however, free to complete the FMCE, if they so wished, as a useful source of 'best practice' guidance against which to assess their own operations.
- The EFA and Skills Funding Agency (SFA) would not be providing updated versions of the FMCE in future and it had therefore been proposed that the SFC Forum (SFCF) should facilitate an 'open source' approach to maintaining the questionnaire i.e. the master copy of the questionnaire would be accessible through the SFCF's website, SFCF members would be able to suggest amendments that could then be commented on by others, on a six-monthly basis, the SFCF would moderate the suggested changes and update the master copy so that it continued to reflect developing best practice.
- Both the EFA and SFCF consider that the above proposal was consistent with the wider, developing, framework of self-regulation for SFCs.

The full version of the 2011/12 FMCE, updated in October 2012, was considered by the Committee, which noted that the overall grade remained as in 2011 i.e. "Good".

It was noted and agreed that on page 17 (Area 1 - Summary of the Effectiveness of the Accountability Arrangements) the following areas should be graded as "Good": Area 1, Section 1 - Strategic Oversight; Area 1 - Accountability Arrangements.

Action: Clerk

It was noted in discussion of the response to Q.3a on page 7 that:

- The Audit Committee had a vacancy for a fifth, co-opted member during 2011/12.
- The response to Q.3a on page 7 should be amended to show that the Committee had a full complement of 5 members from 1.9.12, all full members of the Corporation.
- It was noted that, with a view to succession planning, it would still be appropriate for the Search & Governance Committee to search for an external co-opted member in 2012/13, who might be appointed if Corporation amended the Committee's terms of reference to allow 6 members.

Action: Clerk

The Committee considered significant changes to the 2012 FMCE compared to the 2011 version, noting that:

- With reference to Q.4 on page 19 (Does the 3 year plan ensure the efficient and effective use of resources, the solvency of the College and the, safeguarding of its assets) that the College was anticipating a small deficit in 2012-13, returning to surplus in the following two years. The impact of the funding changes to be introduced in 2013-14 would need to be examined closely once further detailed information became available.
- With reference to Q.4 on page 21, that the only material uncertainty at the time of budget preparation was in relation to the new 16-19 funding arrangements to be introduced in 2013-14 although this would have no impact on the 2012-13 budget.
- With reference to Q.9 on page 22, that a course costing model had been introduced in 2011/12 which could be used as an aid to aid decision making when reviewing the most effective use of resources within the College. This was being updated for 2012/13 and would be presented to the December 2012 meeting of Corporation.

Action: SR

It was noted in response to members' questions concerning the course costing model that:

- The purpose of the course costing model was as a management tool.
- The cost of a course would not be used to determine whether it should run, although it might be an additional factor where a course had falling student numbers and poor results, for example.
- It could be necessary to run small and/or expensive courses in order to provide a balanced curriculum and/or meet student demand.

The Committee noted that:

- The EFA's Provider Assurance Team (PFA) did not require the College to submit the completed FMCE to them and would determine whether to undertake a review of governance and management at the same time as an Ofsted inspection based on risk i.e. using the College's 3-year financial plan and financial health assessment as a guide, for example.
- It was understood that a College with a "Good" financial health assessment would not normally be reviewed.

The Committee considered the College's Financial Management Control Evaluation (FMCE) for 2011/12, agreed the grades and that the summary version of the signed FMCE should be presented to Corporation for information.

Action: SR/JKT/Clerk

73.14 Audit Committee self-assessment/performance checklist and PIs

The Clerk reported that:

- Under its standing agenda item list, the Committee completes, at its October meeting, the Committee's performance checklist relating to the previous academic year and reviews its performance indicators.

The Committee reviewed its performance indicators for 2011/12 and noted it was 100% compliant with its performance checklist. It was noted that the Committee had achieved or exceeded its targets for attendance, quoracy and compliance with its performance checklist, while the target for consideration of standing agenda items at the relevant meetings was just below target at 97%. The target for timely dispatch of agendas and papers had not been met and, in this context, the Committee considered the possibility of receiving papers electronically. It was noted that the Curriculum & Quality Committee had been receiving their papers electronically for over a year and the Clerk had visited the Clerk of West Herts College, a College graded Outstanding by Ofsted, to discuss e-governance. The importance of being able to annotate electronic papers were discussed and it was noted that Fox-it reader software, which was a free download, could provide this facility.

The Committee completed its performance checklist for 2011/12 and considered a report on the Committee's performance indicators (PIs) for 2011/12.

73.15 Documents from outside bodies: press report on Academy fraud

The Committee received a report on fraud committed at a local Academy by a member of support staff who had responsibility for collecting payment for school trips.

It was noted that Academies' funding agreement with the Secretary of State did not require them to employ an internal audit service.

A press report on Academy fraud was received, for information.

73.16 Any other business

It was noted that there was no other business.

73.17 Risk management – items identified at the meeting

No new items of risk were identified at the meeting.

73.18 Date of next meeting: Monday 26 November 2012 at 4.30pm.

73.19 Meeting of Committee with auditors without the presence of senior management

It was noted that there were no issues to consider under this item.

Fiona Bagchi
Clerk to the Corporation

**CORPORATION AUDIT COMMITTEE
MINUTES OF MEETING 74 HELD ON 26.11.12**

- Present:** Grace Richardson (Vice-Chair), Councillor, John Shipley, Philip Wright (Chair),
- In attendance:** Lesley Hill (E. Coast Audit Consortium, Internal Audit Service Auditors), Bill Jackson (Director of Network and Information Systems), Richard Lewis (Baker Tilly, financial statements and regularity auditors), Steve Rogers, (Director of Finance)
- Clerk:** Fiona Bagchi

74.1 Apologies

Apologies were received from Committee members, Andrew Carrick and Martin Longbottom.

74.2 Declaration of interests

There were no declarations of interest at the start of the meeting.

74.3 Minutes of Meeting 74 held on 8 October 2012

The minutes of meeting 74 held on 8 October 2012 were approved.

74.4 Matters arising and actions

(Matters arising below are numbered according to their position in the Action Points table appended to the end of the minutes of the previous meeting. The reference to where the action can be found in the minutes is given in brackets at the end of each item).

- 1 The Director of Finance reported that the NorVic Finance Directors' group had discussed risk management processes and it appeared that most were following a similar model but with different levels of detail. Some used a Red-Amber-Green (RAG) rating to highlight High-Medium-Low risks. This had been introduced to the top 10 key risks report to be considered later on the agenda. Members noted in discussion that the presentation of the report could be improved in future if:
 - A separate final RAG rated column was included;
 - The score was highlighted in colour; or
 - Paler colours were used (74.5).

Action: SR/Clerk

- 2 An update on the Colleges' s IT replacement strategy would be presented to the Committee's March 2013 meeting (73.5).

Action: BJ

- 3 The final signed version of the Self-Assessment Questionnaire (SAQ) for the regularity audit for the year ending 31.7.12 was on the agenda (73.5).

- 4 Risks which had a zero rating would be excluded from the version of the risk register

presented to the Audit Committee in future (73.5).

Action: SR

- 5 The Director of Resources reported that the Disaster Recovery Plan (DRP)/ Business Continuity Plan (BCP) was still a work in progress and would be presented to the March 2013 meeting of the Committee (73.15).

Action: AW

- 6 The Committee's terms of reference and standing agenda item list would be reviewed again, if necessary, after the Joint Audit Code of Practice Part 2 (JACOP Part 2) was issued by the Education Funding Agency (EFA). It was noted that Baker Tilly had seen a draft of the JACOP Part 2 and that it was expected to be made available early in 2013 (73.5).

Action: Clerk

- 7 The internal audit service (IAS) annual report would be presented to Corporation as an annex to Audit Committee Annual Report, which would be considered later on the agenda.(73.9)

- 8 Baker Tilly confirmed that there was appropriate liaison with the East Coast Audit Consortium (ECAC) as internal auditors (73.10).

- 9 The IAS performance checklist had been typed up and signed by the Chair of the Committee, as agreed (73.10).

- 10 The Director of Finance, the Director of Network & Information Systems (NIS) and the Lesley Hill of the ECAC had met to discuss an IAS plan for 2012/13, which would be considered later on the agenda (73.11).

- 11 The Committee would discuss with Baker Tilly, the College's financial statements and regularity auditors, whether the amount of any internal audit proposed would impact on their work, later on the agenda (73.11).

- 12 Revisions to the Audit Committee's terms of reference and standing agenda item list reflecting the change in its role and responsibilities, as noted in the Education Funding Agency/Sixth Form Colleges Forum (EFA/SFCF) guidance on 2012/13 audit arrangements, would be considered later on the agenda (73.11).

- 13 The full version of the Financial Management Control Evaluation (FMCE) had been amended, as agreed information (73.13).

- 14 The College's course costing model would be presented to Corporation in December 2012 (73.13)

Action: SR

- 15 The summary version of the FMCE would be presented to the December 2012 meeting of Corporation, as agreed (73.13).

Action: Chair

74.5 Review of rolling implementation plan of auditors' recommendations

The Committee reviewed the rolling implementation plan of auditors' recommendations, noting:

- Actions relating to the Financial Ledger Maintenance review had been completed and could be removed from the plan.

Action: Clerk

- With reference to actions relating to the cashflow report arising from the Treasury Management review, that the Director of Finance was still investigating ways to make the cashflow in the management accounts reflect the actual balance in the bank account more closely e.g. including information from the College's Cardnet account and some sundry items of income and expenditure. **Action: SR**
- The bank mandate still needed to be amended to include the Principal, the second Assistant Principal and the HR Manager. **Action: SR**
- Procedures were in place to ensure that the Cardnet account bank reconciliation would in future be counter-signed by the Director of Finance and this action could therefore be removed from the plan. **Action: Clerk**
- The Treasury Management policy would be presented to the January 2013 meeting of the Finance & General Purposes Committee for recommendation to Corporation. **Action: SR/Clerk**

It was noted that completed actions would be followed up by the ECAC as part of the 2012/13 internal audit plan.

The rolling implementation plan of auditors' recommendation was reviewed.

74.6 Risk management update: top 10 key risks report

The Finance Manager spoke to the top 10 key risks report which was considered.

Members noted in discussion that:

- The report remained unchanged from that previously reviewed by the Committee i.e. 4 risks graded as High and 6 as Medium after mitigating controls.
- The College's highest identified risk (Risk 174) related to changes to the funding formula which could disadvantage the College.
- The College had received notification from the EFA of a shadow allocation which provided details of the funding allocation that the College would have received had the new funding formula due to be implemented from 2013/14 been in place for 2012/13. On this basis, it appeared that the new funding formula would result in the College losing around £249,000 p.a., although 3-year protective transitional funding should enable colleges to take necessary actions in response to the fall in income.
- Growth in student numbers could provide some protection against the expected fall in income although student recruitment was a competitive market.
- Increases in inflation, pay awards and an increase in interest rates on loans over the relevant 3-year period would also need to be considered as potential risk factors.

In response to members' questions, it was noted that:

- The College's Risk Management Sub Group continued to meet annually in March/April to review the risk register, consider new risks proposed by managers and moderate risks in line with the College's risk management criteria.

The top 10 key risks report was received, with members noting that changes to the funding formula constituted the College's highest risk.

74.7 Review of the Statement of Internal Financial Control Checklist

The Director of Finance spoke to the Statement of Internal Financial Control Checklist for the year ended (y.e.) 31.7.12 which had been signed by the Principal, reporting that the checklist recorded the controls the College had in place and was reviewed annually, with any changes implemented or planned highlighted.

Members noted in discussion that:

- Changes made to the checklist in 2012 were minor e.g. reflecting the development in 2012/13 of a strategic internal audit plan with a proposed annual internal audit plan of 15 days.

In response to members' questions, it was noted that:

- The checklist referred to a 5 year strategic internal audit plan produced following an audit needs assessment although the plan to be considered later on the agenda was a 3 year plan.
- A 5 year internal strategic internal audit plan had been produced in the past, and was considered desirable, but it could be difficult to produce a long term plan before publication by the EFA of the JACOP Part 2 and details of changes to the regularity audit.
- Taking into account an increase in funding audits undertaken by the EFA, including learner numbers systems audits in the internal audit plan and ensuring that the College regularly undertook DSATs tests would be appropriate.

The Committee reviewed the updated Statement of Internal Financial Control Checklist, noting that it was a comprehensive document which provided the Committee with assurance concerning the College's system of internal financial control prior to receiving the College's annual financial statements.

74.9 To receive the final signed version of the SAQ, for information

The Committee agreed to receive the final signed version of the Self-Assessment Questionnaire (SAQ) at this point on the agenda to inform its review of the College's Annual Report and Financial Statements, including the regularity audit opinion for i.e. 31.7.12.

Members particularly considered questions in the 2012 SAQ where the text of the question and/or the response differed from or were in addition to those considered at the Committee's June 2012 meeting, noting in discussion that:

- The Audit Committee had considered the first draft of the College's (SAQ) at its June 2012 meeting, with the final version signed by the Principal and used by Baker Tilly, as regularity auditors, being presented to the current meeting.
- The SAQ had originally been produced by the Learning and Skills Council to support the annual regularity audit. The questions in the revised version had been updated by Baker Tilly to reflect the regularity framework which currently applied to sixth form colleges.
- The regularity audit would continue in the future but the EFA and the Skills Funding Agency (SFA) had agreed that the approach to the audit needed to change to reflect current expectations, and that this should apply to the 2012/13 financial statements, although it was not yet known whether this would affect the format of the 2013 SAQ.

In response to members' questions it was noted that:

- The College had 2 trust funds, Sydney Smith and Linda Toft/David Cosway, which had been reviewed as part of the regularity audit.
- Neither fund put conditions on expenditure, which was identified under creditors in the accounts.
- There was a typing error on page 15 of the accounts, as the current Principal had been appointed in August 2011 rather than 2012.

The Committee received and considered the final signed version of the Self-Assessment Questionnaire (SAQ)

74.8 Financial Statements/Regularity audits and Annual Financial Statements

- (i) Receive the College's annual financial statements to inform the Committee's review of the financial statements auditors' audit findings report and to consider the final regularity audit opinion, the statements on corporate governance, responsibilities of members of the Corporation and the system of internal control

Richard Lewis of Baker Tilly spoke to the Annual report and Financial Statements for the year ended 31.7.12, which was discussed.

Members noted that:

- The Committee reviewed the College's Report and Annual Financial Statements annually at its second autumn term meeting to inform its review of the financial statements auditors' audit findings report and to consider the final regularity audit opinion,
- The draft Annual report and Financial Statements for the year ended 31.7.12 would be considered by the F&GP Committee at its meeting on 27 November 2012.

The Committee considered the statements on corporate governance, responsibilities of members of the Corporation and the system of internal control. The following statements from the College's Annual Report and Financial Statements were also noted:

- The College had declared an operating surplus of £20,000 (2010/2011: surplus £16,000) after charging depreciation of £739,000 (2010/11: £734,000).
- The historical cost surplus for the year was £ 20,000 (2010/2011: surplus £16,000).
- The College's cash position of £783,000 (2010/11: £896,000) was healthy, as was the balance sheet.
- The size of the College's total borrowing had been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow and during the 2011/12 financial year this margin had been comfortably exceeded.
- The College was 94.5% dependent on education sector funding bodies (2010/2011: 93.8%) but was confident that on the basis of the three year development plan submitted to the Education Funding Agency (EFA) in 2012 that it would continue to improve its financial strength over the short to mid-term.
- The College believed that its plan was robust enough to allow for any reductions in government funding and it would continue to monitor any changes that might occur as a result of the Comprehensive Spending Review and adjust its development plan accordingly to maintain its improving financial position.
- The accounts had been prepared on a going concern basis and the College remained confident that, due to its continued growth in student numbers and ability to react to changing circumstances, it had the ability to remain a going concern over the longer term.
- The financial statements reported the College's share of the pension scheme deficit on the College's balance sheet in line with the requirements of Financial Reporting Standard (FRS) 17, noting that the College's share of the deficit in the East Riding Pension Fund (EYPF), which related to support staff, was £592,000 as of 1.8.12. The Teacher's Pension Scheme (TPS), which applied to the College's teaching staff, was a multi-employer scheme and the College was unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS was therefore treated as a defined contribution scheme and the contributions recognised as they were paid each year.
- The College's future share in the EYPF deficit was difficult to predict over the next 3 years on the basis of past performance and this, together with the expected fall in funding income of around £249,000 following changes to the funding methodology which would be implemented over the next 3 years, constituted risks which the College would keep under review as part of its risk management strategy.

- The competitive market for student recruitment, the raising of the participation age for all young people to age 17 in summer 2013 and to age 18 in summer 2015, and the need to continue to invest in the College's estate to ensure that it remained attractive to students, would also be kept under review in the College's risk management strategy.
- Staff costs, in the Notes to the Accounts, showed restructuring costs incurred during the 2011/12 year, and, with reference to designated senior post-holders, a brief handover period from the former to the new Principal in September 2011.

In response to members' questions in relation to the current ratio on the balance sheet of 1.39 (2011: 1.23) and whether it was possible for the auditors to provide comparative information relating to other colleges, it was noted that:

- The auditors considered the College's position to be good.
- It had received an LSC grant of 86% towards the construction of the Oak and Ash Buildings, which compared favourably with higher rates of borrowing which had had to be undertaken by some other colleges to fund large building projects and which had resulted in significant debts on their balance sheets nor, unlike some other colleges, did it have debts on the balance sheet relating to clawback of adult funding by the SFA which would also affect current ratios.

The Committee congratulated the Director of Finance on the outcome of the 2011/12 financial year, noting that he attributed this to the College staff generally and the responsibility shown by budget-holders in particular.

The Committee reviewed the draft Annual report and Financial Statements for the year ended 31.7.12 to inform the Committee's review of the financial statements auditors' audit findings report and to consider the final regularity audit opinion, the statements on corporate governance, responsibilities of members of the Corporation and the system of internal control.

The Committee agreed that it was content to recommend to Corporation the statements on corporate governance, responsibilities of members of the Corporation and the system of internal control as stated in College's Report and Annual Financial Statements.

Members noted that financial statements auditors, Baker Tilly, anticipated issuing an unqualified audit opinion and that their opinion as expressed in the independent auditors' report of the College's Report and Financial Statements for the year ended 31.7.12 was that the financial statements:

- ***gave a true and fair view of the state of the College's affairs as at 31 July 2012 and of the College's surplus of income over expenditure for the year then ended; and***
- ***had been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.***

Members considered Baker Tilly's regularity management report for the financial year ended 31.7.11, noting that Baker Tilly anticipated issuing an unqualified audit opinion and had stated in the report appended to the College's Report and Financial Statements that:

- ***In all material respects the expenditure disbursed and income received during the year ended 31 July 2012 had been applied to purposes intended by Parliament and the financial transactions conformed to the authorities which governed them.***

It was agreed that the Director of Finance should amend minor typographical errors, notified at the meeting, before the draft Annual Report & Financial Statements for the y.e. 31.7.12 were presented to Corporation.

Action: SR

(ii) Financial Statements Audit Findings

Richard Lewis of Baker Tilly, the financial statements and regularity auditors, spoke to their audit findings report for the year ended 31.7.12.

Members noted that the audit findings report stated that:

- Baker Tilly had completed their financial statements audit for the year ended 31 July 2012 subject to the following outstanding information: final reconciliation statements / returns for 2011/12 (Adult Skills Budget), matters connected with the post balance sheet events review and the final review of the financial statements.
- The College's accounting treatment of a Devolved Formula Capital grant of £32,445 from the Young People's Learning Agency (YPLA) for maintenance, was appropriate.
- Going concern disclosures were appropriate.
- There were no breaches of bank covenants and the College was compliant with FRS 25 disclosures.
- The College's management had checked the data and considered the assumptions used by the actuary in preparing the FRS 17 valuation and Baker Tilly had reviewed a copy of the FRS 17 actuarial valuation to support the disclosures in the financial statements.
- No issues had arisen from the regularity review, including the review of redundancy payments made to employees. There were no adjustments to the draft financial statements prepared for audit which affected the results for the year.
- Baker Tilly considered the accounting policies adopted by the College were appropriate for the circumstances of the College and consistent with the sector;
- Baker Tilly's fees were consistent with the Audit Plan.
- Baker Tilly's independence was in line with International Standard on Auditing (UK and Ireland) 260.

Members noted that:

- While there were no internal control issues arising that Baker Tilly considered should be brought to the attention of the Audit Committee and no recommendations had been made by Baker Tilly as a result of the audit, the Director of Finance would undertake some work in 2013 to ensure that the fixed assets register was linked to the accounts through the trial balance.

Action: SR

Members considered the audit findings report for the year ended 31.7.12 from Baker Tilly, the financial statements and regularity auditors, noting that the auditors anticipated issuing an unqualified audit opinion in the standard format on the financial statements.

The Committee thanked Baker Tilly for their conduct of the financial statements and regularity audit.

It was noted that Baker Tilly would produce a briefing for Corporation members on emerging issues in due course.

Action: RL, Baker Tilly

(iii) Financial statements and regularity audit: letters of representation for recommendation to Corporation

Richard Lewis of Baker Tilly presented the letters of representation relating to the financial statements and regularity audits for the year ended 31.7.12 which were considered.

Members noted that:

- The letters required the Corporation to confirm that the representations given to Baker Tilly in connection with the above audits and to acknowledge their responsibility for the financial statements.
- The letters remained unchanged from the previous year.
- The letters of representation should be signed before Corporation approved the financial statements.
- On receipt of the signed letters, Baker Tilly would sign off the financial statements.

The Committee agreed to recommend that Corporation should approve the letters of representation relating to the financial statements and regularity audits for the year ended 31.7.12 for signing by the Chair of Corporation and the Principal before the approval of the financial statements for the year ended 31.7.12.

Action: Clerk/Chair

(iv) Review the need to commission an interim regularity audit in 2013

Members received a report from the Clerk which noted that:

- The College had been dispensed by the Learning & Skills Council (LSC) the College in perpetuity from an annual interim regularity audit from March 2006.
- It had, however, been agreed in March 2007 that the Audit Committee would, following receipt of the final management report on the regularity audit at its December meeting, voluntarily review annually at that meeting the need to commission an interim regularity audit during the following spring term.
- The Clerk was recommending that the Committee should consider whether an annual review of the need for an interim regularity audit was still necessary, given that the Committee would consider appropriate actions to be taken should the College receive an adverse regularity report.

The Committee noted that:

- The regularity auditors' regularity audit opinion as expressed in the Financial Statements and Annual report for the year ended 31.7.12 was positive and the auditors anticipated issuing an unqualified opinion on the financial statements.
- No issues relating to the regularity audit were stated in Baker Tilly's audit findings report for the year ended 31.7.12.

The Committee agreed that as the College had received a positive regularity audit report from the regularity auditors, Baker Tilly, it was not necessary to commission an interim regularity audit in 2012.

It was agreed that the requirement for the Committee to review the need for an interim regularity audit annually should be removed from the Committee's standing agenda item list.

Action: Clerk

(v) Determine which documents should be sent to the Education Funding Agency

It was noted that:

- The financial statements auditors' audit findings report and the internal audit report for 2011/12 would also be sent to the EFA with the signed Annual Report and Financial Statements for the year ended 31 July 2012 by 31 December 2012.
- As some sixth form colleges might decide not to appoint internal auditors for 2012/13 or to commission an internal audit whose scope would not allow an overall opinion to be produced, it was unlikely that the EFA would require sixth form colleges to submit an annual internal audit report for 2012/13.

It was agreed that the internal audit report 2011/12 and the financial statements auditors' audit findings report would be sent to the EFA, together with the signed Annual Report and Financial Statements for the year ended 31 July 2012 by 31 December 2012.

Action: SR/Baker Tilly

74.9 To receive the final signed version of the SAQ, for information

The Committee noted that this item had been considered earlier on the agenda.

74.10 Determine that the signed summary FMCE is presented to Corporation for information

The Committee noted that:

- Sixth form colleges were no longer required to submit a completed Financial Management Control Evaluation (FMCE) to the College's funding body annually.
- Voluntary completion of the FMCE was, however, still regarded as an example of best practice as the FMCE questionnaire provided useful guidance against which to assess college operations.
- The completed FMCE also provided the Principal with a review of evidence relating to internal control and contributed to the statement on interval control.
- The SFCF would, in future, update the FMCE questionnaire for use by sixth form colleges.

The Committee agreed that in future the full Financial Management Control Evaluation (FMCE) should be presented to the Audit Committee for annual review, with the summary FMCE presented to Corporation for information.

Action: Clerk

74.11 Annual review any fraud, irregularities and "Whistle-blowing" events

The Committee noted that:

- There had been no fraud, irregularity or "whistle-blowing" events reported in the College in 2011/12 or to the date of the current meeting.
- A number of cases of fraud had, however, been discovered in the health service and education sectors recently and highlighted the importance of retaining an internal audit service.

The Committee noted that there had been no fraud, irregularities or "Whistle-blowing" events at the College reported in 2011/12 or to the date of the current meeting.

74.12 Annual Audit Committee Report to the Corporation and the Principal

The Committee considered the draft of its 2011/12 annual report to Corporation and the Principal as chief accounting officer.

Members noted that:

- The report was comprehensive and recorded the Audit Committee's opinion that, based on the reports of and discussions with both the internal, financial statements and regularity, auditors, together with their own enquiries:
 - reliance could be placed upon the adequacy and effectiveness of the College's systems of internal control and its arrangements for risk management, control and governance and securing economy, efficiency and effectiveness,
 - Corporation's responsibilities, included in the annual financial statements, had been satisfactorily discharged.

It was noted that the following documents would be attached to the report to be presented to Corporation:

- The IAS Annual Report 2011/12
The Financial Statements and Regularity Auditors' Audit Findings Report for the year ended 31 July 2012
- The College's risk management report 2011/12

The Committee approved its annual report 2011/12 for presentation to Corporation before Corporation considered the annual report and financial statements for the year ended 31 July 2012.

Action: Clerk/Chair

74.13 Revised internal audit plan for recommendation to Corporation

The Chair of the Audit Committee noted that the October 2012 meeting of the Committee had discussed in detail the removal, from 1 August 2012, of the mandatory requirement for sixth form colleges (SFCs) to appoint an internal audit service and to submit an annual internal audit report to the EFA.

Members noted that:

- EFA and Sixth Form Colleges Forum (SFCF) guidance advised that the core role of the Audit Committees, as set out in the Audit Code of Practice (ACOP), remains *'to advise the governing body on the adequacy and effectiveness of the . . . college's systems of internal control and its arrangements for risk management, control and governance processes'*, which should be extended to include advising the Corporation on what assurance framework it should put in place to ensure that adequate assurances over the effective operation of the College's systems of control could be obtained so that appropriate declarations could be made in the Members' Report and Annual Financial Statements.
- The October 2012 meeting of the Audit Committee had agreed that Corporation could most effectively obtain the assurance that it needed to make its annual Statement of Internal Control by appointing an internal auditor and agreed that a draft internal audit plan for 2012/13 should be presented to the November 2012 meeting of the Committee for review.
- The ECAC's view, as expressed at the October 2012 meeting, was that 17-18 audit days appeared to be the minimum that would be required for a full audit opinion to be given. The draft plan had, however, been reduced to 15 days, following discussion with the College's Director of Finance, who had discussed the matter with the Director of Network and Information Systems and the Vice-Principal (Performance Improvement), to ensure that reviews were aligned to the College's strategic risks. The revised draft had also been discussed by the senior management team (SMT).
- The draft 2012/13 being presented to the Committee was drawn from year 1 of a 3-year strategic audit plan.
- The reduction in days could result in reviews being more testing driven than systems driven, although a longer review could be commissioned where the initial audit indicated that there were further areas requiring review. Audit reports could also be abbreviated.

- The revised plan would allow an annual internal audit report and opinion to be produced but the opinion would be limited to the work undertaken during the year.
- The cost of delivering the plan was £336 plus VAT per day i.e. £5,040 plus VAT for 15 days.

The Committee noted and commended the fact that the draft internal audit plan would continue to be discussed by the SMT annually in future.

The Director of Finance reported that:

- The NorVlc Finance Directors' group had discussed future internal audit arrangements and it appeared that most were intending to reduce the number of annual audit days but there was a wide variation in actual days proposed, ranging from 15 - 25 days annually.
- The possibility of NorVlc colleges agreeing in the future to schedule an agreed review in a particular year to allow for benchmarking across the NorVlc group of colleges had also been considered.

The Committee considered whether an internal audit plan of 15 days was sufficient to allow the financial statements/regularity auditors to rely on it, noting, however, that the latter did not "rely" on the work of the former but instead "took account" of it and, on that basis, Baker Tilly did not consider that the proposed internal audit plan would have an impact on their work.

With reference to value for money, the Committee noted that a benchmarking exercise which had included both General FE Colleges and sixth form colleges, had shown the ECAC to be the most competitively priced.

The Committee noted that an annual review of risk management was no longer a mandatory requirement but that an annual review of 1 day had been included in each year of the 3-year draft plan.

Members noted that the draft 2012/13 plan did not include a review of governance processes, which had previously been a mandatory annual review, and considered whether sufficient assurance on governance could be obtained from the annual regularity audit, agreeing that a biennial review of governance by the internal audit service was also desirable as the work on governance undertaken as a part of the regularity audit was not detailed.

It was noted that the regularity audit framework was currently being reviewed by the EFA and the SFA and that coverage of the level of assurance on governance processes under the revised framework could be considered when this was available to determine whether this would affect coverage in the internal audit plan.

The lack of a financial planning and budgetary control review in the 3-year plan was discussed and it was noted that it would be appropriate to include a review, given that the College funding would be reduced under the new funding methodology which would be implemented during the 3 years of the plan.

Action: Clerk

It was agreed that Appendix A of the 3 year strategic audit plan should be amended as follows:

- ***The addition of a 1-day audit of governance processes in 2013/14.***
- ***The addition of a 2-day audit of financial planning and budgetary control in 2014/15. The reduction of the College determined reviews in 2013/14 from 6 to 5 days and in 2014/15 from 5 to 3 days.***

Action: LH, ECAC

The Committee agreed to recommend to Corporation that, to help obtain the assurance that it needed to make its annual Statement of Internal Control, it should re-appoint the East Coast Audit Consortium as internal auditors. The Committee also agreed to recommend to Corporation the approval of a draft 2012/13 internal audit plan of 15 days, presented as the first year of a draft 3-year strategic audit plan, amended as agreed above.

Action: Chair/Clerk

74.14 Revised Audit Committee's terms of reference & standing agenda item list

The Clerk reported that the Education Funding Agency (EFA)/Sixth Form Colleges' Forum (SFCF) *Guidance on the Implications Following Rationalisation of Audit Arrangements for Sixth Form Colleges* (September 2012) recommended that:

- The Audit Committee's current role should be extended to include advising the Corporation on what assurance framework to have in place, and from where the assurances over the effective operation of the systems of control would come; and
- A review of the design and effectiveness of the College's assurance should form part of the annual cycle of business of the Audit Committee, ideally in the spring term to inform planning for the following academic / financial year.

The Committee agreed to recommend to the Corporation that the Committee's terms of reference and standing agenda item list should be revised, as advised by the Clerk, to take account of the EFA/SFCF recommendations on the Committee's role and annual cycle of business and to include revisions at standing agenda items 36 and 45 which had been agreed at the Committee's June 2012 meeting but omitted in error from the version of the Committee's standing agenda item list presented to the Corporation's September 2012 meeting.

Action: Clerk/Chair

74.15 Review of LSC Circulars, new regulations, reports and/or documents from other outside bodies

It was noted that there were no documents to receive under this item.

74.16 Any other business

It was noted that there was no other business.

74.17 Risk management – items identified at the meeting

It was noted that no new items of risk had been identified at the meeting.

74.18 Date of next meeting

It was noted that the Committee was next scheduled to meet on Monday 11 March 2013 at 4.30pm but that the Vice-Chair could no longer attend on Mondays, due to work commitments, and it was also possible that John Shipley, a Committee member, would be unable to attend on the scheduled date.

It was agreed that the Clerk would contact members concerning an alternative date for the Committee's spring term meeting.

Action: Clerk

74.19 Meeting of Committee with auditors without the presence of senior management

It was noted that there was nothing to be considered under this item.

Lesley Hill of ECAC and Richard Lewis of Baker Tilly left the meeting.

74.20 Meeting of the Committee without the presence of auditors: future audit arrangements – confidential minutes from the meeting on 8.10.12

The Committee approved the confidential minutes arising from the meeting held on 8 October 2012 and agreed that the discussion arising from the minutes should be kept in a confidential minute.

Action: Clerk

Fiona Bagchi
Clerk to the Corporation

CORPORATION AUDIT COMMITTEE
Minutes of Meeting 75 held on 11.3.13

Present: Grace Richardson (Vice-Chair), Councillor, John Shipley, Philip Wright (Chair), Andrew Carrick and Martin Longbottom.
In attendance: Lesley Hill (E. Coast Audit Consortium, Internal Audit Service Auditors), Steve Rogers (Director of Finance)
Clerk: Fiona Bagchi

75.1 Apologies

Apologies were received from Richard Lewis (Baker Tilly, financial statements and regularity auditors) and Bill Jackson (Director of Network and Information Systems).

75.2 Declaration of interests

There following standing declarations of interest were noted: Martin Longbottom (employee, Hull College); John Shipley (Councillor, Kingston upon Hull City Council).

75.3 Minutes of Meeting 74 held on 26 November 2012

The minutes of meeting 74 held on 26 November 2012 were approved.

75.4 Matters arising and actions

(Matters arising below are numbered according to their position in the Action Points table appended to the end of the minutes of the previous meeting. The reference to where the action can be found in the minutes is given in brackets at the end of each item).

- 1 A separate Red-Green-Amber rated column had been added to the top 10 key risk report, as agreed (74.4).
- 2 With reference to the College's IT replacement strategy, it was agreed that this should be considered when the Director of Network & Information Systems was in attendance (74.4).

Action: WGJ
- 3 A report on the development of the College's Disaster Recovery Plan/Business Continuity Plan had been deferred to the June 2013 meeting of the Committee (74.4).

Action: AW
- 4 The Committee's terms of reference and standing agenda item list would be reviewed again, if necessary, after the Joint Audit Code of Practice Part 2 was

issued by the Education Funding Agency (EFA) (74.4).

Action: Clerk

5 The College's course costing model had been presented to the December 2012 meeting of Corporation, as agreed (74.4).

6 The summary Financial Management Control Evaluation document had been presented to the December 2012 meeting of Corporation, as agreed (74.4).

7 Completed items had been removed from the rolling plan of auditors' recommendations, as agreed (74.5).

8 A report on progress on recommendations in the rolling plan in relation to the College's cash flow report and amendment of the list of bank signatories was on the agenda (74.5).

9 The draft treasury management policy had been considered by the Finance & General Purposes (F&GP) Committee (74.5).

10 Typographical errors in the Annual Report & Financial Statements for the year ended (y.e.) 31.7.12 had been amended before presentation to Corporation in December 2012, as agreed (74.8).

11 The fixed asset register would be linked to the accounts through the trial balance with reference to the accounts for y.e 31.7.13. This was therefore a long-term action (74.8).

Action: SR

12 Baker Tilly's briefing on emerging issues would be presented to Corporation members, when available (74.8).

Action: Clerk

13 Letters of representation to Baker Tilly as financial statements/regularity auditors had been signed at Corporation in December 2012 (74.8).

14 The Clerk would remove the requirement for an annual review of the need for an interim regularity audit from the Committee's standing agenda item list in the draft list to be presented to the Committee in June 2013, when the annual review of the list was undertaken by the Committee (74.8).

Action: Clerk

15 The annual internal audit report and the financial statements auditors' audit findings report had been sent to the Education Funding Agency (EFA), together with the signed Annual Report and Financial Statements, as agreed (74.8).

16 In future, the full Financial Management Control Evaluation (FMCE) would be presented to the Audit Committee and the summary FMCE to Corp annually. The Committee's standing agenda item list would be amended accordingly (74.10).

Action: Clerk

17 The Committee's annual report 2011/12 had been presented to Corporation before Corporation considered the financial statements for the y.e. 31.7.12 at its December 2012 meeting, as agreed (74.12).

18 Coverage of governance processes in the internal audit plan would be reviewed in June 2013, when any revisions to the regularity audit framework were known (74.13).

Action: Clerk

19 Appendix A of the internal audit plan had been amended, as agreed, before it was presented to Corporation in December 2012(74.13). .

20 The December 2012 meeting of Corporation had approved the re-appointment of the ECAC as internal auditors and the 2012/13 internal audit plan (74.13)..

21 The December 2012 meeting of Corporation had approved the Committee's revised terms of reference and standing agenda item list (74.14).

22 After consultation on the Committee's spring term meeting date, it had been agreed that the Committee should meet on 11.3.13, as originally scheduled (74.18).

23 Discussion of the Reserved Business section of the agenda had been kept in a confidential minute, as agreed (74.19).

75.5 Internal Audit Reports

Lesley Hill of the East Coast Audit Consortium (ECAC) presented a progress report on the 2012/13 internal audit plan and reports arising from the first block of audit work.

(i) The internal audit progress report

Members noted that:

- The first block of internal audit work from the College's 2012/2013 internal audit plan had been undertaken in February 2013, when 3 reviews were completed.
- The second block of fieldwork was due to be completed week commencing 29th April 2013, with reports presented to the June 2013 meeting of the Audit Committee.

It was noted that the new public sector internal audit standards would be in force from April 2013 and would be followed by the ECAC.

It was noted in response to members' questions that all colleges in NorVlc, the association of sixth form colleges in Yorkshire, the Humber and the NE, had decided to retain an internal service (although with a varying number of days in the annual plan) to help them make an appropriate statement on internal control and risk management in their annual report and financial statements, although this was no longer a funding agency requirement.

Members noted that the first block of audit work in the 2012/13 internal audit plan had been completed as scheduled.

(ii) Learner numbers systems report

Members noted that:

- The learner number systems review was undertaken annually, with the focus of the 2013 review being the recording and monitoring of student attendance.
- Within the limited time available for the review, it was confirmed that registers were (for the most part) taken on a timely basis; that leavers/withdrawals/transfers were recorded

accurately and sufficient information was generated from the registers to enable the attendance of individual students/groups/cohorts to be monitored.

- The attendance of all students was recorded through the Corero student database, which was user-friendly for staff and the incidence of untaken registers was very low.
- As the results of the review were positive, the report recorded that ECAC were able to offer substantial assurance.
- Only one recommendation at the lowest grade of 3 (requires attention) had been identified relating to a student who had been recorded as medically absent/absent from the start of term until withdrawn in October 2013 after the 6-week census date. As there was no actual attendance recorded, the last date of attendance was manually entered as the date of notification of withdrawal although there had been no actual attendance during the relevant term. The Director of Network & Information Systems had agreed that a report would be added to the College's suite of data cleansing reports to identify such students in future.

In answer to members' questions, it was noted that:

- In terms of the generated funding, the error had occurred at a time when the College was significantly exceeding its EFA funded allocation and, as funding was determined on a lagged funding basis, the error if left uncorrected, would have resulted in an incorrect funding allocation in 2013/14. The error had, however, been manually corrected by the Director of Network & Information Systems and the subsequent ILR was therefore correct.
- As a safeguard, manual overrides could only be carried out by MIS staff.

The Committee considered the report arising from the Learner Numbers Systems review, noting that a grade of substantial assurance had been awarded and only one recommendation, at the lowest grade, had been made.

(iii) IT helpdesk report

Members noted that:

- This IT Helpdesk review had reviewed whether effective IT helpdesk support was being provided to students and staff.
- The College had more than 700 computers and around 170 staff and 1,370 students receiving IT support through the helpdesk.
- At the end of January 2013, the College had changed its helpdesk job logging system from *Track It* to *Spiceworks*, with jobs logged onto the latter from portal entries via the staff intranet or from emails received by the helpdesk inbox. Staff were more likely to make IT requests by e-mail, with students often approaching the helpdesk in person, in which case requests were not logged.
- The new system had the facility to provide a suite of reports previously unavailable (e.g. identifying turnaround times of calls from being logged to closure) and also offered functionality which was not currently being used (e.g. assigning a priority level to each call).
- The ECAC report noted that they were able to offer substantial assurance that effective IT helpdesk support was provided.
- While no formal recommendations had been made, the ECAC had suggested that the College should continue to review how it utilised *Spiceworks* to ensure that it provided the most effective service to staff and students e.g. through a user survey.

In response to members' questions, it was noted that:

- There were currently 3 IT staff.
- The IT staff did not consider that using *Spiceworks* to assign a priority level to each call would be useful at the present time, as all calls were currently able to be dealt with in a timely manner, but that this additional function might become useful should the College

continue to grow

The Committee considered the report arising from the IT Helpdesk review, noting that a grade of substantial assurance had been awarded and that no recommendations had been made.

(iv) Payroll report

Members noted that:

- This review of the College's payroll arrangements had focussed on the controls surrounding starters and leavers.
- The College's payroll service was provided through East Riding of Yorkshire Council, with information on new starters and on leavers completed by the College's Personnel Office and forwarded to the College's Finance Department to be entered onto East Riding of Yorkshire Council's payroll portal by the Finance Assistant (authorised by the Finance Manager).
- The results of this review were positive and the report therefore recorded that the ECAC were able to offer substantial assurance that the College exercised adequate control over starters and leavers.

It was noted in response to members' questions that:

- The East Riding of Yorkshire Council provided payroll services through a 3-year contract with Avarto, which was currently in its second year.
- A comparison of overall payroll costs through the NorVlc Finance Directors' group indicated that the College was in the lowest quartile for expenditure on payroll, although a detailed comparison would have to consider costs on a like-for-like basis e.g. it was possible that some colleges undertook more year-end work in-house than was the case at Wyke.

The Committee considered the report arising from the Payroll review, noting that a grade of substantial assurance had been awarded and that no recommendations had been made.

Members commended the ECAC on their new reporting format, which included a Red-Amber-Green rating system corresponding to the 3 possible assurance grades i.e. No assurance, Limited assurance, Substantial assurance.

75.6 Review of rolling implementation plan of auditors' recommendations

The Committee reviewed the rolling implementation plan of auditors' recommendations, noting:

- With reference to actions relating to the cashflow report arising from the Treasury Management review, that the Director of Finance was confident that all major items were now included in the cashflow in the management accounts (e.g. catering was now included). There were some minor items where inclusion would ensure that the cashflow report reflected the actual balance in the bank account more closely but timings were difficult to predict in a number of cases, which could distort the cashflow report e.g. when income would be received from students in relation to trips and visits or when, during the year, staff would purchase capital items.

Action: SR

- The bank mandate would be amended to include the Principal, the second Assistant Principal and the HR Manager, when the Vice-Principal (Staff & Students) and the Director of Resources were removed from the mandate later in the year.

Action: SR

- The Treasury Management policy had been presented to the January 2013 meeting of the F&GP Committee and would be recommended for approval at the March 2013 meeting of Corporation.

The rolling implementation plan of auditors' recommendation was reviewed, and it was agreed that the recommendation relating to the Treasury Management policy could be removed from the list.

Action: Clerk

75.7 Financial Statements/Regularity Auditors

- (i) Review the cost of the financial statements, regularity and other audit arrangements undertaken by the financial statements/regularity auditors from the previous year

The Clerk reported that the Committee reviewed the cost of the financial statements and regularity audit for the previous financial year annually at its March meeting.

Members noted that:

- Fees of £11,500 (excl. VAT) for the financial, regularity audits for the y.e. 31.7.12 and the Teachers' Pension Scheme (TPS) certificate had been notified in the audit strategy approved at the July 2012 meeting of Corporation, on the recommendation of the Committee.
- The final bill for the year was £12,100 (excl. VAT) and included £600 for additional time amending and reviewing the revised financial statements, which had been agreed by the Director of Finance in advance of the work being undertaken.

Members noted that:

- In order to ensure auditor independence, paragraph 2.3 of the College's Financial Regulations required that any additional, non-audit work undertaken by the internal audit service or financial statements auditors, at the request of the Corporation, should not amount to a sum greater than the cost of the annual audit, or the sum of £20,000 (excluding VAT), whichever was the lower.
- No work of the above type had been undertaken during the period under review other than the Teachers' Pension Scheme (TPS) certificate work at a cost of £600 (excl. VAT), which had been agreed by Corporation at its July 2012 meeting.

The Committee reviewed the cost of the financial statements and regularity audit for the year ended 31.7.12, noting that the actual cost was £12,100 (excl. VAT), which included an additional £600 (excl. VAT) for additional work on the financial statements.

- (ii) Performance review of financial statements/regularity auditor

The Clerk's report noted that:

- The Committee reviewed the financial statements auditor's performance annually at its March meeting, following receipt of the financial statements management letter at its December meeting. The review also incorporated the auditor's work as regularity auditor.
- It had been agreed at the October 2008 meeting of the Audit Committee that the Committee would in future use the performance indicators (PIs) from Baker Tilly's annual plan, which were based on the non-mandatory model PIs issued in November 2003 by the LSC/AoC/ACRA in their *Guidance on the LSC's Interim Audit Code of Practice* (later replaced by the LSC Audit Code of Practice).

The Committee completed its review of Baker Tilly UK Audit LLP's performance as financial statements/regularity auditors for the audit for the year ended 31.7.12, agreeing that all answers to the performance questions should be Yes (i.e. that the satisfaction rating was high), with the exception of Questions 9 and 16, where the appropriate response was "Not applicable".

The Clerk would present the completed checklist for signing at the Committee's June 2013 meeting.

Action: Clerk

- (iii) Consideration of re-appointment of the financial statements/regularity auditors and agreement of their fees for recommendation to Corporation

The Committee agreed to recommend to Corporation the re-appointment of Baker Tilly as financial statements/regularity auditors for the audit for the financial year ended 31.7.13, subject to agreement of fees by Corporation following review of the annual audit strategy at the Committee's June 2013 meeting.

Action: Chair/Clerk

75.8 Risk management update report: top 10 key risks

The Director of Finance presented the top 10 key risks report.

Members noted that the:

- The top 10 risks in the College's risk register remained as previously notified.
- The College was, however, proposing that some classrooms in the Ash and Wilson Building should be re-modelled and a new modular building constructed to accommodate forecast growth in student numbers, particularly in the sciences and in BTEC PE, and the need for an improved space for performing arts students.
- The project was expected to cost around £1.7million.
- A bid had been made to the EFA's Building Condition Improvement Fund (BCIF) for a 100% intervention rate, although the process was a competitive one and the outcome of the bid would not be known before late March 2013, with any project for which it was awarded required to be completed by March 2014. Given this uncertainty, the Director of Finance had also been in discussion with banks concerning the likely terms should the College need to take out a loan to finance the project.
- An application for planning permission for the proposed new building had been made. The planning department had defined the project as "major", based on floor size, including canopy. This meant that consideration of the application would be delayed and the building, if approved, would not be completed before half-term during autumn term 2013.
- A consultation had been held with local residents and local councillors informed of the project.
- Corporation had been sent details of the project and was due to consider it for formal approval at its March 2013 meeting.
- Risks arising from the above issues would vary, depending on the outcome of the Corporation's consideration of the project, the College's application for planning permission and its bid to the EFA for grant support. The College's risks register would therefore be updated with relevant risks at its annual review and updating in April and the revised register.
- Under the Committee's standing agenda item list, the updated risk register would be considered at the June 2013 meeting of the Audit Committee.

It was noted in response to members' questions that the proposed building:

- would have 2 storeys and a lift;
- was not due to be built on an area liable to flooding; and

- environmental issues had been considered in relation to the type of building proposed (modular, built off-site and finished with block work to resemble the rest of the campus buildings).

It was noted that there would be an opportunity to discuss the above issues in more detail at the March 2013 meeting of Corporation.

Members considered the College's top 10 key risks, noting that, should the building/re-modelling project be approved by Corporation in March 2013, risks arising would be added to the College's updated risk register in April 2013.

Action: AW/SR

75.9 Annual review of the design and effectiveness of the assurance framework to inform planning for the following academic/financial year

The Clerk reported that:

- The Education Funding Agency (EFA)/Sixth Form Colleges' Forum (SFCF) *Guidance on the Implications Following Rationalisation of Audit Arrangements for Sixth Form Colleges* (September 2012) had recommended that the audit committees' current role should be extended to include advising the Corporation on what assurance framework to have in place, and from where the assurances over the effective operation of the systems of control will come. It had also recommended that a review of the design and effectiveness of the College's assurance framework should form part of the annual cycle of business of the Audit Committee, ideally in the spring term to inform planning for the following academic / financial year.
- Corporation had approved amendments to the Audit Committee's terms of reference and standing agenda item list to reflect the above recommendation at its December 2012 meeting on the recommendation of the Committee.
- Following the removal of the mandatory requirement for an internal audit service from 1 August 2012, the Audit Committee had considered sources of assurance during autumn term 2012 and had agreed to recommend to Corporation that an internal audit service should be retained to provide assurances over the College's systems of control but with a reduced annual internal audit plan.
- The December 2012 meeting of the Corporation had approved the ECAC's internal audit plan for 2012/13 on the recommendation of the Audit Committee. The 3 year strategic plan of which the 2012/13 plan formed part, included an internal audit of 15 days per annum, which was a reduction from the 25 days required by the previous strategic plan. The plan for 2012/2013 was year 1 of the 3 year strategic plan and should enable the ECAC to produce an annual report and overall opinion but with the opinion limited to the work performed during the year.
- Under the Audit Committee's revised terms of reference and standing agenda item list, the March 2013 meeting would therefore be the first year that the Committee was due to formally review the design and effectiveness of the College's assurance framework in order to advise Corporation.

The Committee considered:

- Extracts from the Education Funding Agency (EFA)/Sixth Form Colleges' Forum (SFCF) *Guidance*, with particular reference to sections relating to Corporation assurance;
- Whether, as part of its advice to the Corporation, it would be useful to develop some form of assurance map which showed how assurance was currently obtained in particular areas;
- The fact that changes were expected to be made to the regularity audit and the corporate governance statement later in the year and would affect the development of an appropriate assurance framework.

Members noted in discussion that:

- An assurance map would need to include assurance gained over particular areas by committees other than the Audit Committee e.g. assurance concerning safeguarding issues obtained by the Personnel Committee.
- The fact that the ECAC annual opinion would be limited to work undertaken during the year would need to be taken into account.
- The core role of the Audit Committee, as set out in the Audit Code of Practice (i.e. 'to advise the governing body on the adequacy and effectiveness of the FE college's systems of internal control and its arrangements for risk management, control and governance processes...'), which was reflected in the Audit Committee's terms of reference and its opinion in its annual report to Corporation, was a useful reminder of the areas on which the Committee was mandated to advise the Corporation on assurance matters.

The Committee considered relevant extracts from the Education Funding Agency (EFA)/Sixth Form Colleges' Forum (SFCF) Guidance and agreed that a simple assurance map should be developed for presentation to the June 2013 meeting of the Committee.

Action: Clerk

75.10 Review of funding body circulars, new regulations, reports

(i) LSIS Governance Training Materials - Module 11: The Audit Committee

The Committee noted that:

- The Learning & Skills improvement Service (LSIS) had produced Governance Training Materials (GTM), which were available on-line and consisted of 12 self-study modules aimed at new and experienced Corporation members of General FE Colleges, updating the Governor Training Materials originally issued by the Learning & Skills Council (LSC).
- The Sixth Form Colleges Forum (SFCF) had produced a Gateway document to enable the materials to be used by Corporation members of sixth form colleges by: providing an executive summary for each module; highlighting sections that were particularly relevant for sixth form colleges; and highlighting sections or guidance that were not relevant for sixth form colleges.
- Module 11 of the GTM on the Audit Committee was a useful reminder of the roles and responsibilities of the Committee.
- The attached accompanying extract from the SFCF Gateway document on the use of Module 11, noted that sixth form colleges were not required to appoint internal auditors. and that sections covering internal audit might not therefore be relevant to colleges that have chosen not to do so. They remained, however, of general relevance to colleges which, like Wyke, had chosen to retain an internal audit service.
- It was likely that the publication of the Joint Audit Code of Practice Part 2 would require Module 11 to be revised. The Department for Business, Innovation & Skills had, however, announced that LSIS would cease delivery of its services for the FE sector at the end of 2012/1 and it was not currently clear who would be responsible for updating the GTM modules in future.

In response to members' questions arising from issues covered by Module 11, it was noted that:

- The Chair, as a former auditor with the Audit Commission, was the Audit Committee member with experience in audit/accountancy.
- The Committee currently used an annual self-assessment performance checklist but this could be reviewed with reference to the examples in Module 11. **Action: Clerk**
- The College's fraud policy could be attached to the annual report on fraud, irregularity, bribery and whistleblowing, as a reminder. **Action: Clerk**

- The staff appointment process was audited on a cyclical basis.
- The Clerk would put the Audit Committee handbook on the Corporation section of Moodle, the College's virtual learning environment (VLE), and would send members login details.

Action: Clerk

The Committee considered Module 11 (The Audit Committee) of the Governance Training Materials (attached) and the accompanying extract from the Sixth Form College's Forum Gateway document, which explained how it related to the sixth form college sector.

(ii) FRC Corporate Governance Code 2012: "comply or explain" criteria

(iii) FE Foundation Code & sixth form colleges: progress report

The Clerk reported that:

- In the Statement of Corporate Governance & Internal Control in the College's Annual Report & Financial Statements, included a section on the extent to which the College had complied with the Financial Reporting Council (FRC) Corporate Governance Code in so far as it applied to the sixth form college sector. Any explanations on non-compliance were provided in the text of the Report.
- The FRC revised its Corporate Governance Code in September 2012, with changes which were most likely to be of relevance to the work of the Corporation including: guidance on explanations to be provided in cases of non-compliance with the FRC Code's provisions; the inclusion, in the section in the Annual Report on the work of the Search Committee, of reference to the Corporation's policy on diversity, including gender, which would be referred to Corporation's Search & Governance Committee for review.

The Clerk reported that:

- The Association of Colleges' (AoC) had produced in 2011 the English Colleges' Foundation Code of Governance for colleges in the FE sector.
- The SFCF recently reported that that it had agreed a form of wording to allow all sixth form colleges, including Trust and Catholic sixth form colleges, to adopt the Code if they wished to do so. A decision as to whether to adopt the Foundation Code rested with each corporation.
- A corporation adopting the Foundation Code and not complying with all its provisions would be expected to provide explanations in the Statement of Corporate Governance & Internal Control in the College's Annual Report & Financial Statements.
- The Foundation Code would be presented to the March 2013 meeting of Corporation for consideration on adoption.

The Committee noted briefings on changes to the Financial Reporting Council's (FRC's) Corporation Governance Code and the Association of Colleges' (AOC's) English Colleges' Foundation Code of Governance.

(iv) School governing body resigns following financial irregularities (Dec. 2012)

The Committee received, for information, a report on an example of financial irregularity in a maintained school (i.e. the spending of £6K of public funds on a leaving party for the head teacher) and noted, with reference to how the Committee gained assurance on the regularity and propriety of the College's expenditure of public funds, that:

- Corporation was responsible, under the Further & Higher Education Act 1992, subsequent legislation and related regulations, for ensuring that expenditure disbursed and income received were applied for the purposes intended by Parliament and that financial transactions conformed to the authorities which governed them.
- The College's regularity auditors, Baker Tilly, undertook a review of the regularity and propriety of the College's spending annually and provided a report which was attached at the end of the College's Annual Report and Financial Statements.

- The Audit Committee reviewed the College's draft Self-Assessment Questionnaire (SAQ) at its June meeting annually. Baker Tilly undertook the regularity audit during August with reference to the responses in the final version of the SAQ, which was signed by the Principal.
- The Audit Committee reviewed Baker Tilly report as regularity auditors when reviewing the College's Annual Report and Financial Statements at its November meeting

The Committee considered a press report on an instance of financial irregularity in a maintained school and considered the ways in which the Audit Committee gained assurance on the regularity and propriety of the College's expenditure of public funds.

75.11 Any other business

It was noted that there was no other business.

75.12 Risk management – items identified at the meeting

As noted above, if the proposed building/remodelling project were to be approved by Corporation at its March 2013 meeting, risks arising from the project would be added to the updated College risk register in April 2013.

75.13 Date of next meeting

It was noted that the Committee was next scheduled to meet on Monday 10 June 2013 at 4.30pm.

75.14 Meeting of Committee with auditors without the presence of senior management

It was noted that there was nothing to be considered under this item.

Lesley Hill of the internal auditors, the ECAC, left the meeting.

75.15 Reserved Business: confidential minutes of the meeting held on 26.11.12

The confidential minutes of the meeting held on 26.11.12 were approved.

It was agreed that discussion of actions arising from this item should be kept in a confidential minute.

Action: Clerk

Fiona Bagchi
Clerk to the Corporation

CORPORATION AUDIT COMMITTEE
Minutes of Meeting 76 held on 10.6.13

Present: Grace Richardson (Vice-Chair), Philip Wright (Chair), Andrew Carrick, Martin Longbottom.
In attendance: Lesley Hill (E. Coast Audit Consortium, Internal Audit Service Auditors), Bill Jackson (Director of Network and Information Systems), Richard Lewis (Baker Tilly, financial statements and regularity auditors), Steve Rogers (Director of Finance)
Clerk: Fiona Bagchi

76.1 Apologies

Apologies were received from Councillor John Shipley, a Committee member.

76.2 Declaration of interests

There following standing declarations of interest were noted: Martin Longbottom (employee, Hull College); John Shipley (Councillor, Kingston upon Hull City Council).

76.3 Minutes of Meeting 75 held on 11 March 2013

The minutes of meeting 75 held on 11 March 2013 were approved.

76.4 Matters arising and actions

(Matters arising below are numbered according to their position in the Action Points table appended to the end of the minutes of the previous meeting. The reference to where the action can be found in the minutes is given in brackets at the end of each item).

- 1 The Director of NIS would give an update on the College's IT replacement strategy later on the agenda.
- 2 Development of the DRP/BCP was still a work in progress and it was agreed that a report should therefore be deferred to the October 2013 meeting of the Committee. **Action: AW**
- 3 The Committee's draft revised terms of reference and standing agenda item list were on the agenda.
- 4 With reference to actions arising from the internal audit plan, it was noted that the fixed asset register would be linked to the accounts through the trial balance with reference to the accounts for y.e. 31.7.13. It was noted that this should be accomplished by November 2013. **Action: SR**
- 5 A report on Baker Tilly's briefing on emerging issues would be considered later on

the agenda when Baker Tilly's audit strategy was considered.

6 The interim regularity audit had been removed from the Committee's draft standing agenda item list, as agreed.

7 The full Financial Management Control Evaluation (FMCE) had been added to the Committee's draft standing agenda item list, as agreed.

8 It had been agreed that coverage of governance processes in the internal audit plan would be reviewed in June 2013, when any revisions to the regularity audit framework were known. It was noted that information on any revisions to the regularity audit framework was still awaited.

Action: Clerk

9 The rolling plan of auditors' recommendations was on the agenda and outstanding actions relating to the development of the cashflow report further and the amendment of the list of bank signatories would also be considered under the internal audit Follow Ups report.

10 The College's Treasury Management policy was approved by the March 2013 meeting of Corporation, on the recommendation of the Finance & General Purposes (F&GP) Committee.

11 The action relating to the Treasury Management policy had been removed from the rolling plan of auditors' recommendations, as agreed.

12 The completed financial statements/regularity performance checklist would be presented to the Chair of the Audit Committee for signing after the meeting.

Action: Clerk

13 Corporation had approved, at its March 2013 meeting, the re-appointment of Baker Tilly as financial statements/ regularity auditors for the audit for the financial y.e. 31.7.13, subject to agreement of fees by Corporation following review of the annual audit strategy at the Committee's June 2013 meeting. Baker Tilly's annual audit strategy was on the agenda.

14 Risks arising from rebuilding/refurbishment project had been added to the updated risk register.

15 The development of a draft risk assurance map had been deferred to the October 2013 meeting of the Committee.

Action: Clerk

16 The Committee currently used an annual self-assessment performance checklist but it was agreed that this could be reviewed with reference to the examples in Module 11 of the LSIS Governance Training Materials on the work of the Audit Committee. The Clerk would therefore review the checklist with reference to the Module before presenting it to the Committee in October 2013.

Action: Clerk

17 In response to members' questions arising from issues covered by Module 11, it was noted that the College's fraud policy could be attached to the annual report on fraud, irregularity, bribery and whistleblowing, as a reminder, when it was received in October 2013.

Action: Clerk

18 In response to members' questions arising from issues covered by Module 11, it had been noted that the Clerk would put the Audit Committee handbook on the Corporation section of Moodle, the College's virtual learning environment (VLE), and would send members login details.

Action: Clerk

19 Discussion of item 76.15 at the Committee's March 2013 meeting had been kept in a confidential minute, as agreed.

76.5 Review risk management priorities & controls documents for recommendation to Corporation

The Director of Finance presented the College's updated risk management priorities & controls documents (the College's "risk register") for review by the Committee.

The Committee considered in detail the following 3 key risks which were graded High:

- Risk category: Finance. Objective: Ensure sufficient funding to cover all expenditure identified risk: Changes to Funding formula which disadvantage College. Action: Monitor funding methodology year on year and lobby EFA when required.
- Risk category: Recruitment. Objective: To increase the number of full time student enrolments at the college. Identified risk: Any decrease in student numbers has a negative effect on the college funding situation. Action: Regular check of student applications, report made every two weeks to SMT and liaison staff.
- Risk category: Quality monitoring. Objective: Ensure external quality reviews are positive Identified risk: Adverse assessment from Ofsted. Action: All the quality assurance processes in the College are aimed at ensuring a good service to learners, and therefore provide the College's best preparation for inspection. Key staff keep in touch with the demands of Ofsted, and keep up to date with latest thinking about inspections. Self-assessment is an ongoing process, and the self-assessment report has developed into a sound document to support inspection and provider review. Review latest expectations of Ofsted and prepare procedures and staff for likely approach under new guidance.

It was noted in response to members' questions concerning the above risks that:

- The College would lose funding under the EFA's new funding methodology but this was mitigated in part by growth in student numbers.
- Application rates and increased applications for Wyke Start appeared to indicate that there would be further growth in student numbers in autumn 2013. It was, however, important to convert applications to enrolments.
- The College was refurbishing the Ash and Wilson Buildings and constructing a new modular building during the summer holidays which should accommodate an additional 250 students from November 2013. It was hoped that this would provide sufficient accommodation to meet growth in student numbers over the next 1-3 years.
- The Oak Building had been designed with capacity for expansion, which could be considered should the College reach capacity earlier than anticipated.
- With reference to other risks associated with the building project, it was noted that the design was a modular one, rather than the traditional brick construction used for the other buildings, and was therefore being built off-site. A risk arising from whether the College had sufficient electrical capacity for the new building had been addressed.
- While the College's success rates and self-assessment processes were good and it should therefore do well at inspection, the High risk rating for quality monitoring resulted from the fact that some sixth form colleges had had disappointing results under Ofsted's new Common Inspection Framework and a poor Ofsted result had the potential to affect student recruitment for the following academic year.

Possible risks associated with breach of bank covenants attached to long-term loans were discussed and it was noted that:

- Breach of bank covenants resulting in banks re-negotiating long-term loans at less favourable rates was already included in the College's risk register and was currently graded as a Medium risk, although risk ratings could increase and/or decrease over time.
- A breach could be triggered where there were deficits over 2 consecutive years. The Director of Finance did not, however, anticipate that interest rates on College loans would be re-negotiated, given that interest rates on new loans were currently lower than the fixed rates being paid by the College on existing loans.
- The College was using consultants Finalysis to help them obtain a favourable interest rate for the loan to finance the refurbishment and building project.

The Committee considered the College's updated risk management priorities & controls documents (the College's "risk register") and agreed to recommend them to Corporation for approval.

Action: Clerk/Chair

76.6 Report on business continuity & disaster-planning & annual review of procedures

It was agreed that the above report should be deferred to the Committee's October 2013 meeting.

Action: Clerk

76.7 Verbal report on IT replacement strategy

Bill Jackson (Director of Network and Information Systems), reported on the College's IT replacement strategy.

Members noted in discussion that:

- The College was in the second year of replacing about 250 PCs which had been bought when the Ash/Oak Buildings opened.
- Typically the College wrote PCs off after 4/5 years, although they were currently planning to run about 100 for 6 years.
- The new building, when constructed, would have about 50 new PCs.
- The College was considering moving to a VDI (Virtual Desktop Infrastructure), which would use large servers ensuring that PCs were not worked so hard and would also offer greater flexibility e.g. making College software available to students at home (although there would be licensing issues to overcome) and to students who wished to use their own laptops in College, which was an increasing trend.
- The earliest that a move to VDI could be considered would be summer 2014.
- The College had considered the possibility of leasing rather than buying IT equipment, noting that a number of institutions which had done so had had problems with leases.

The Committee received a report on the College's IT replacement strategy.

76.8 Review the rolling implementation plan of auditors' recommendations

The Committee reviewed the rolling implementation plan of auditors' recommendations, noting that there had been no change since the plan had been reviewed in March 2013. It was noted that outstanding actions relating to changes to the bank mandate and the cashflow report would be considered under the Follow Ups report to be considered as part of agenda item 76.9.

76.9 Review IAS progress & Block 2 reports

Lesley Hill of the East Coast Audit Consortium (ECAC) presented a progress report on the 2012/13 internal audit plan and reports arising from the second block of audit work.

(i) Progress report on the 2012/13 internal audit plan, including report on ECAC's compliance with internal audit standards

The Committee reviewed the internal audit progress report, noting that:

- The 5 reviews in the second block of internal audit work had been completed in April/May 2013.
- A positive peer review of the East Coast Audit Consortium's compliance with Internal Audit Standards had recently been completed by Mersey Internal Audit Agency.
- With reference to reviews by other external agencies, it was noted that the ECAC's work had been reviewed by the Learning & Skills Council but not by its successor agencies.
- The Public Sector Internal Audit Standards had been introduced with effect from 1 April 2013 and the ECAC, which had previously worked to the Government Internal Audit Standards and NHS Internal Audit Standards, had adopted the new standards from that date.
- The ECAC was therefore complaint with the standards required for sixth form college auditors.

The Committee reviewed the progress report on the 2012/13 internal audit plan, noting that it was 97% complete and that the overall summary report arising from the plan would be presented to the October 2013 meeting of the Committee.

(ii) Risk management processes

- The risk management review had been undertake to examine whether the College had adequate risk management arrangements in place.
- As a result of the work carried out, the ECAC were able to provide substantial assurance that the College will be able to make a statement of full compliance with the Combined Code on Corporate Governance, in so far as it applied to the sixth form college sector, in the financial statements for the year ended 31st July 2013, provided that the College's risks were adequately managed for the remainder of the year and an annual report on risk management was prepared.
- "Substantial assurance was the highest rating in the rating system used by ECAC.

The Committee considered the report arising from the Risk Management review, noting that a grade of substantial assurance had been awarded and no recommendations had been made.

(iii) Catering

Members noted that:

- The Catering review had been undertaken to examine how the College minimised the financial risks of operating the College's in-house catering service.
- The house catering function consisted of the main refectory area, a separate bistro and a number of vending machines, overseen by the Catering Manager, who reported to the Director of Resources.
- Catering income, stock and expenditure were controlled via the 'Total Control' EPOS system.
- At the time of the review, the Catering Monthly Report for March 2013 reported a positive variance.

- The results of the audit work undertaken were generally positive and the ECAC were able to offer substantial assurance that adequate procedures were in place in respect of the operating the catering service.
- Two Grade 3 recommendations (the lowest grade) had been made as a result of the review, both of which had been agreed by management.
- With reference to the first recommendation, procedures had now been introduced which allowed amounts recorded onto the Catering Request Forms to be cross-checked for accuracy before they were entered on the "Budget 2012/13 – Income Cross Check - Cash Control Sheet Summary' spreadsheet.
- With reference to the second recommendation, a number of catering income transactions recorded onto the Catering - Cash Control Sheet had not been posted onto the 'Resources' financial system nominal ledger. It had been agreed that catering income would in future be reconciled on a monthly basis to ensure that all income collected was recorded on the nominal ledger.

In answer to members' questions, it was noted that:

- The catering service had broken even at the end of 2011/12 and the College hoped that it might make a small profit in 2012/13.
- The College was seeking to provide a profitable catering service which also encouraged healthy eating.
- With reference to the second recommendation arising from the review, it was noted that the income in question had been banked but had not been posted to the nominal ledge due to a Daily Receipts Banking Sheet not being completed by the Finance Department. The un-posted catering income had now been posted to the nominal ledger.
- Vending machine income was reconciled.
- Stock control reviews were undertaken every month, had been reviewed as part of the audit and were appropriately detailed. The Catering Manager ensured that wastage was minimal.

The Committee considered the report arising from the Catering review, that a grade of substantial assurance had been awarded and 2 recommendations, at grade 3 (the lowest grade), had been made.

(iv) Key financial controls

Members noted that:

- The Key Financial Controls review had been undertaken to examine whether key financial controls continued to be effectively applied.
- The audit focussed on the areas of purchase ledger and asset register, as reviews of the sales ledger, general ledger and treasury management had been carried out in 2010/2011 and 2011/2012.
- The results of the audit testing had been positive and ECAC had been able to offer substantial assurance that key financial controls continued to be applied in respect of the purchase ledger and asset register.
- The following recommendation at Grade 3 had been made as a result of the review i.e. that payroll and other control account reconciliations should be performed on a monthly basis.
- The Director of Finance reported that failure to carry such reconciliations monthly during 2012/13 was due to staffing change in the Finance Department and that reconciliations would be re-introduced at the start of financial year 2013/14.
- It was noted that ECAC recommendation was that reconciliations were of particular importance when there have been staffing or other major changes to systems, as errors are more likely to occur at these times, which require investigation and correction.

Members discussed the above recommendation, noting that the ECA were also recommending that, given staffing changes in the Finance Department, that a further review of systems controls could profitably be undertaken as part of the 2013/14 internal audit plan.

The Committee considered the report arising from the Key Financial Controls review noting that a grade of substantial assurance had been awarded and 1 recommendation, at grade 3 (the lowest grade), had been made.

(v) Equality & diversity

Members noted that:

- The Equality and Diversity review had been undertaken to examine whether equality and diversity has been adequately promoted throughout the College.
- The College has an approved Single Equality Scheme Policy, which was last reviewed by the Personnel Committee in February 2013, and subsequently by the Corporation in March 2013.
- A comprehensive system of monitoring of students attendance, retention, achievement and success was in place across the applicable protected characteristics identified within the Equality Act 2010.
- The February 2008 Ofsted report had confirmed that the promotion of equality and diversity was good within the College.
- The results of the audit work undertaken were generally positive and the ECAC were therefore able to offer substantial assurance that adequate procedures were in place in respect of the promotion of equality and diversity throughout the College.
- Three recommendations at Grade 3 had, however, been made.

Members noted, with reference to the 3 recommendations made, that:

- The first recommendation recorded that the College Mission Statement and six strategic aims made no reference to Equality or Diversity to which the senior management team had responded that, while this was the case, they considered that it was implicit in the statement, which stated that all students should be supported to succeed and treated as individuals.
- The second recommendation noted that only 7 of the 14 Corporation members recorded on the training schedule as having completed the necessary Equality and Diversity Training. It was noted that Corporation members had been reminded of the need to complete the on-line training and been re-sent log-in details.
- The third recommendation stated that evidence to confirm the embedding of Equality and Diversity (E&D) throughout the College was not routinely collated.
- The following existing sources of evidence for the embedding of E&D were noted: E&D considerations for subject areas were collated annually within the College's Self-Assessment Report (SAR); the College's Opportunities Group minutes captured college-wide E&D issues raised by students or members of staff and the agreed actions; reference to E&D was included in the minutes of a number of other meetings including the Senior Management Team; E&D profiles for staff and students were produced annually and reported to the Personnel & Student Committees and to Corporation; E&D statistics relating to staff recruitment were reported to the Personnel Committee.
- The Personnel manager had agreed that consideration would, however, be given to holding a reference list of potential evidence sources centrally on the College system.

The Committee considered the report arising from the Equality & Diversity review, noting that a grade of substantial assurance had been awarded and 3 recommendations, at grade 3 (the lowest grade), had been made.

(vi) Follow ups

Members considered the Follow Ups report, noting that:

- A positive position had been found, with the College having implemented 17 of the 20 recommendations examined.

- One recommendation arising from the Treasury Management review (April 2012) had been found to be outstanding i.e. the recommendation that the Cardnet account be countersigned by the Director of Finance, as was the case for the main account, had not been implemented. This was because, as noted above, following staff changes in the Finance Department, month end reconciliations had not been carried out during 2012/13.
- A further 2 recommendations from the Treasury Management review (April 2012) had been partially implemented i.e.
 - It had been recommended that the Director of Finance should review the way in which the actual cash flow was calculated with effect from 2012/2013, with the aim of showing the same balance on the month's cash flow as on the balance sheet, to give the most accurate picture of the College's cash position. It was noted that this would be a more significant issue if the College had only minimal cash reserves. Some amendments had been made to the cash flow workings during 2012/13 and the Director of Finance was proposing a further review during the 2013 summer holidays.
 - It had been recommended that the College's Lloyds bank account signatories should be updated to include the Principal and Assistant Principal and to remove the previous Principal. The Director of Finance had confirmed that the former Principal had been removed but the new signatories had not been added during 2012/13. The following additions to the authorised bank signatories list would be made during the 2013 summer holidays: addition of the current Principal, the second Assistant Principal, the Personnel Manager.

The Committee completed its review of the internal audit plan Follow Ups report, noting that all except 3 recommendations had been fully implemented.

76.10 Review financial statements & regularity audit plan for y.e. 31.7.13 for recommendation to Corporation

Richard Lewis of Baker Tilly spoke in detail to the audit plan for the financial and regularity audits for the year ending 31.7.13.

Members noted in discussion that:

- Baker Tilly's primary responsibility as financial auditor was to form and express an opinion as to whether the financial statements of the College prepared under UK GAAP show a true and fair view.
- As regularity auditor, Baker Tilly was required to form an opinion on whether, in all material respects, the expenditure disbursed and income received during the year ended 31 July 2013 had been applied to purposes intended by Parliament and the financial transactions conformed to the authorities which govern them. Baker Tilly based their regularity audit work on the final version of the College's Self-Assessment Questionnaire (SAQ).
- Baker Tilly's financial statements and regularity audit plan covered the engagement objectives, timetable and scope of the audit and the proposed audit approach.
- The plan also highlighted the key risks that would be focussed on during the audit i.e. income recognition, college estate, Financial Report Standard (FRS17) and retirement benefits, going concern/financial health, bank covenants, and the regularity review.
- With reference to risks relating to income recognition, it was expected that the College would achieve its target for learner responsive provision for students aged 16-18, which was its core area of provision, and would over-deliver in relation to adult provision, with no guarantee that any over-delivery in relation to the latter would be funded by the Skills Funding Agency (SFA).
- With reference to risks relating to the college estate, Baker Tilly would review risks associated with the College modular building project, including an assessment of the impact of project costs on the College's cashflow over time to ensure that the College remained a going concern.

- With reference to risks relating to going concern, that it was Corporation's responsibility to assess the ability of the College to continue as a going concern for a period of not less than 12 months following the signing date for the College's annual financial statements. Given the continued economic climate and in particular the pressures on Government spending, Baker Tilly's opinion was that there was an increased risk of financial failure in the sector generally and, whilst they had no specific concerns regarding the College, financial stability would be a key focus of their audit. Growth in student numbers was expected to protect the College from some of the effects of funding reductions.
- With reference to FRS17, the East Riding Pension Fund deficit had increased as a result of increased lifespan and the effect of the recession on the stock market. In line with past practice, the Director of Finance would work with Baker Tilly to ensure that actuarial assumptions were accurate e.g. in relation to salary increase assumptions.
- With reference to bank covenants, that there was a loan on the balance sheet and the auditors would review whether there had been any breaches of bank covenants without a bank waiver being obtained prior to the year end, which could result in the loan being re-classified as a current liability under FRS 25.

The Committee considered proposed fees for audit for the year ending 31.7.13, noting in discussion that:

- Proposed audit fees for the financial, regularity and Teachers' Pension Scheme (TPS) audits were £11,750 (2012: £11,550) and that, in addition, there should be a one-off audit costs related to testing in relation to the modular building project.
- Proposed TPA certificate costs had increased from £600 in 2012 to £850 in 2013, as result of the need for new tiered calculations to be undertaken, but the proposed cost of the financial statements and regularity audit remained unchanged from 2012.

Members noted that the Appendices to the plan included details of the audit engagement team, including auditor independence, and reports on relevant developments in financial reporting e.g. changes to the Financial Reporting Council (FRC) UK Corporate Governance Code, updated audit committee guidance from the FRC, The Sharman Panel of Inquiry's final report and recommendations to the FRC, FRC guidance on reporting under its "comply-or-explain" principle, the Financial Reporting Review Panel's press notice on the challenges in the reporting of principal risks and uncertainties, and amendments to the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) (Amendment) Regulations.

It was noted in relation to emerging issues that:

- The EFA and SFA were working together to update the regularity audit requirements.
- The FE/HE Statement of Recommended Practice (SORP) was being re-written to reflect the UK GAAP and Baker Tilly would present a report on relevant changes to the Audit Committee following publication of the draft revised SORP.

Action: RL, Baker Tilly

The Committee received from Richard Lewis, for information, a map showing the College's relationship to funders, regulators and other educational bodies, detailing the environment in which the College was currently working.

Richard Lewis received from the Committee an assurance that there had been no instances of fraud which had been brought to the attention of the Corporation or its committees during the 2012/13 year to date. It was noted that Baker Tilly would also require, as usual, a written representation that the Corporation had disclosed to them the results of its assessment of the risk that the financial statements might be materially mis-stated as a result of fraud.

The Committee agreed to recommend Baker Tilly's financial statements and regularity audit

plan for the audit for the year ending 31.7.13, including fees, to Corporation for approval.

Action: Chair/Clerk

76.11 Review updated letter of engagement, if any

The Committee noted that a revised letter of engagement for the annual Teachers' Pension Certificate review by Baker Tilly had been issued and had been signed by the Chair of the Audit Committee but that the letter of engagement for the financial statement and regularity audit for the year ended 31.7.12 would remain in force for the audit for the year ending 31.7.13.

76.12 Review the College's draft Self-Assessment Questionnaire (SAQ) for the regularity audit for y.e. 31.7.13

The Committee reviewed the draft Self-Assessment Questionnaire (SAQ) for the regularity audit for the year ending 31.7.13, noting, in particular, changes from the previous year's version. It was noted that a final version, on a pro forma to be supplied by Baker Tilly and signed by the Principal, would be presented to Baker Tilly in connection with their regularity audit visit in August 2013.

Action: SR

76.13 Review of EFA/SFA's draft JACOP Part 2

The Committee noted that:

- The Education Funding Agency (EFA) and Skills Funding Agency (SFA) had issued a draft *Joint Audit Code of Practice Part 2* (JACOP Part 2).
- The draft set out the minimum requirements of the funding bodies for colleges' audit, accountability and assurance arrangements and the broad framework in which they should operate.
- The draft reflected the introduction of freedoms and flexibilities for sixth form colleges from 2012.
- The draft had been e-mailed to Audit Committee members in advance of the current meeting to allow any comments to be sent to the Sixth Form Colleges' Association (SFCA) by 7.6.13, noting that comments relating to the revised paragraph on Audit Committee members' skills had been forwarded to the SFCA.
- It was proposed that the JACOP Part 2 would apply from 1 August 2013 and would replace the Learning & Skills Council's (LSC) *Audit Code of Practice (2004) - Circular 04/07*, supplementing Part 1 of the JACOP Part 1 (effective from 1 April 2010) which addressed the relationship between the funding bodies and which had also been updated for use from 1 August 2013.

The Committee noted in discussion of key areas and of the main differences between the LSC's *Audit Code of Practice* (2004) and the JACOP Part 2 for Audit Committee members that:

- The draft JACOP Part 2 stated that the relationship between the funding bodies and colleges was one of "grant-in-aid", which it defined as "a specific form of funding agreement that the government uses" and which was given under a Financial Memorandum.
- While the SFA still used a Financial Memorandum, the EFA had replaced the previous Financial Memorandum with sixth form colleges with a Funding Agreement from 2012/13. The draft JACOP Part 2 stated that the term "Financial Memorandum" covered both documents.
- The draft noted that, notwithstanding corporations' current right to alter their Articles of Government, the establishment of an Audit Committee was a mandatory requirement under the funding bodies Financial Memorandum/Funding Agreements, which was unchanged from the requirements of the LSC's Financial Memorandum.

- The draft set out minimum terms of reference for the Audit Committee. While some of these were broadly similar to the requirements of the LSC's ACOP, there were also differences arising from the freedoms and flexibilities which were brought in under EFA/SFCF's *Guidance on the Implications Following Rationalisation of Audit Arrangements for Sixth Form Colleges* (Sept. 2012) e.g. the need for the Audit Committee to give an opinion on the College's audit arrangements and reflecting the removal of the mandatory requirement for an internal audit service.
- The draft included more detailed guidance on the content of the Audit Committee's annual report e.g. relating to the Committee's own effectiveness and how it has fulfilled its own terms of reference, changes to the Audit Committee opinion as noted above, more detail on the Committee's responsibilities in relation to fraud, irregularities and whistleblowing.
- The draft included a requirement for the Audit Committee's annual report to be submitted to its funding body.
- The draft JACOP Part 2 stated that "Collectively, members of the audit committee, whether full governors or external co-opted members, must have a range of skills and recent experience relevant to risk, governance, finance, audit, assurance and control", in contrast to previous guidance and examples of good practice in the business, and HE sectors where having at least one member with financial or audit expertise remained the norm.
- The draft continued to include a reference to definitions of regularity and propriety, indicating that the regularity audit would remain a requirement for colleges, and included details of paragraphs to be included in the letter of engagement with financial statements and regularity auditors.
- The draft reflected the removal of the mandatory requirement to have an internal audit service and the possibility that, with appropriate safeguards, the same audit firm could act as internal, financial statements and regularity auditors.
- Paragraphs on Fraud & Irregularity were broadly similar to those in the LSC's ACOP, although detailed reporting references relating to the Principal, Chair of Corporation, Chair of the Audit Committee had either been simplified or removed. There were references at to the Corporation having approved policies and procedures agreeing the process to be followed in such cases and a requirement that a relevant policy should state that the Audit Committee should have the authority to conduct a special investigation but should not do so before the relevant officers of the SFA or EFA had been informed and an appropriate course of action agreed.

Action: Clerk

The Committee considered the Education Funding Agency (EFA) and Skills Funding Agency (SFA) draft Joint Audit Code of Practice Part (JACOP Part 2)2, noting key changes from the previous Audit Code of Practice.

76.14 Review of EFA's draft Funding Agreement & SFA's financial memorandum for sixth form colleges

The Committee received the Education Funding Agency's (EFA's) draft revised funding agreement for 2013/14 for sixth form colleges and the Skills Funding Agency's (SFA's) revised financial memorandum for sixth form colleges, noting that the EFA and SFA were consulting on the documents until 14 June 2013 and intended to issue final versions to colleges in late June 2013.

76.15 SFA accountability reviews

The Committee noted that:

- In 2012, both the Educational Funding Agency (EFA), which funded education for those aged 16-18, and the Skills Funding Agency (SFA), which funded FE provision for those

aged 19+, removed the mandatory requirement for providers to complete and submit an annual Financial Management and Control Evaluation (FMCE) return.

- The November 2012 meeting of the Audit Committee had noted that voluntary completion of the FMCE was still regarded as good practice as the FMCE questionnaire provided useful guidance against which to assess college operations, the completed FMCE also provided the Principal with a review of evidence relating to internal control and contributed to the statement on internal control, and that the Sixth Form Colleges' Forum (now the Sixth Form Colleges' Association) would update the FMCE questionnaire for use by sixth form colleges.
- It had therefore been agreed that from 2012/13, the Committee would review the full version of the FMCE completed by the College annually, presenting the summary FMCE to Corporation for information.
- When removing the mandatory requirement for 19+ providers to complete the FMCE, the SFA stated that, it was still their intention to undertake Accountability Reviews, in order to ensure that colleges had effective systems in place to manage and monitor the funds given to them and that governance and strategic oversight were effective.
- Accountability reviews, which would be separate from the Ofsted inspection process, would be carried out at colleges which the SFA considered had significant risks.
- The SFA had recently issued a guidance document *Accountability Reviews - Guidance for Colleges and Training Organisations and Skills Funding Agency Staff* (April 2013).

The College considered a report guidance on Accountability Reviews issued by the Skills Funding Agency (SFA), noting that while the College's main funding body was the Education Funding Agency (EFA), the sections in the guidance setting out how the SFA would approach its review of governance, strategic oversight, financial management and internal control arrangements contained examples of good practice which could be useful to the Audit Committee's own review of these areas. It was therefore agreed that the SFA's guidance should be reviewed at the Committee's October 2013 meeting.

Action: Clerk

76.16 AoC Foundation Code: Audit & Accountability Annex

The Committee noted that:

- The March 2013 meeting of the Corporation had resolved not to adopt the Association of Colleges' *English Colleges' Foundation Code of Governance* (the *Foundation Code*).
- Adoption of the *Audit and Accountability Annex* (the *Annex*) to the *Foundation Code* was therefore not applicable and the Corporation would continue to report on compliance with the Financial Reporting Council's *UK Corporate Governance Code* (in so far as it applies to the sixth form college sector) in its Annual Report and Financial Statements.
- While the *Annex* might, nevertheless, be useful as a possible source of good practice guidance, some of the issues referred to in the *Annex* might be affected by the final versions of the EFA/SFA's draft Joint Audit Code of Practice Part 2 and/or the revised financial memorandum/funding agreement for 2013/14.

The Committee noted a report on the Association of Colleges' (AoC's) Audit and Accountability Annex to the English Colleges' Foundation Code of Governance. It was noted that while the Corporation had resolved not to adopt the AoC's Foundation Code and would therefore continue to report on compliance with the Financial Reporting Council's UK Corporate Governance Code, the Annex to the AoC's Foundation Code should be reviewed as a possible source of good practice guidance at the Committee's October 2013 meeting.

Action: Clerk

76.17 Verbal report on the development of a draft assurance map

It was noted that a draft assurance map remained to be developed and agreed that a draft map, showing current levels and sources of assurance, should be presented to Committee's October 2013 meeting.

Action: Clerk

76.18 Review standing agenda items and terms of reference

The Committee agreed updating changes to its standing agenda item list and terms of reference for recommendation to the September 2013 meeting of Corporation for approval subject to the relevant references in the final version of the JACOP Part 2 corresponding to those in the draft version which will be considered at the Committee's June 2013 meeting.

Action: Chair/Clerk

76.19 Review of Audit Committee members' length of office

The Committee reviewed members' length of office, noting that:

- The terms of office of Corporation and Audit Committee members Andrew Carrick and Grace Richardson would end in August and November 2013, which would create vacancies for 2 Audit Committee members.
- The Search & Governance Committee was seeking new Audit Committee members, including advertising using the Governors' One Stop Shop Service.
- The Search & Governance Committee would take into account the skills requirements for new Audit Committee members required under the EFA/SFA's new JACOP Part 2, when the final version was issued.
- With reference to the ease of recruiting governors or co-opted committee members from businesses, that it was possible that the economic climate may have affected companies' previous willingness to encourage staff to undertake voluntary community roles.

The Committee completed its annual review of Audit Committee members' length of office.

76.20 Any other business

It was noted that there was no other business.

76.21 Risk management – items identified at the meeting

Members discussed the insurance of risks associated with the new building/refurbishment project, noting:

- Building contractor, Built-Offsite, was responsible for insuring the new building before delivery;
- The need for the College to take advice from its insurers concerning any re-valuation of the College's estate for insurance purposes arising from the building/re-furbishment project;
- The College's buildings insurance was routinely increased for inflation but its insurers did not carry out a periodic review and re-evaluation.

The Committee considered risks relating to insurance and the College's building project.

76.22 Date of next year's meetings: to be agreed at the July 2013 meeting of Corporation

76.23 Meeting of Committee with auditors without the presence of senior management

It was noted that there was nothing to be considered under this item.

Lesley Hill of the internal auditors, the ECAC, and Richard Lewis of Baker Tilly, financial statements and regularity auditors, left the meeting.

76.24 Reserved Business: confidential minutes of 11 March 2013, for approval

The confidential minutes of the meeting held on 11.3.13 were approved.

It was agreed that discussion of actions arising from this item should be kept in a confidential minute.

Action: Clerk

Fiona Bagchi
Clerk to the Corporation

CORPORATION AUDIT COMMITTEE
Minutes of Meeting 77 held on 7.10.13

Present: Philip Wright (Chair), Adam Jennison, Martin Longbottom (Vice-Chair), John Shipley
In attendance: Lesley Hill (E. Coast Audit Consortium, Internal Audit Service Auditors), Steve Rogers (Director of Finance), Jay Trivedy (Principal)
Clerk: Fiona Bagchi

77.1 Apologies

Apologies were received from Grace Richardson, a Committee member, Richard Lewis of Baker Tilly (financial statements and regularity auditors) and Bill Jackson (Director of Network and Information Systems).

77.2 Declaration of interests

There following standing declarations of interest were noted: Adam Jennison (employee, Kingston upon Hull City Council), Martin Longbottom (employee, Hull College); John Shipley (Councillor, Kingston upon Hull City Council).

The Chair welcomed Adam Jennison to his first meeting.

77.3 Election of Chair and Vice-Chair

The Clerk reported that Committee Chairs and Vice-Chairs were elected annually at the first committee meeting of the academic year

John Shipley nominated Philip Wright as Chair of the Audit Committee. The nomination was seconded by Martin Longbottom.

Philip Wright was elected as Chair of the Audit Committee unopposed.

Philip Wright nominated Martin Longbottom as Vice-Chair of the Audit Committee. The nomination was seconded by John Shipley.

Martin Longbottom was elected as Vice-Chair of the Audit Committee unopposed.

77.4 Minutes of Meeting 76 held on 10 June 2013

The minutes of meeting 76 held on 10 June 2013 were approved.

77.5 Matters arising and actions

(Matters arising below are numbered according to their position in the Action Points table

appended to the end of the minutes of the previous meeting. The reference to where the action can be found in the minutes is given in brackets at the end of each item).

- 1 Responsibility for the development of the College's Disaster Recovery Project/Business Continuity (DRP/BCP) Plan needed to be at senior management team (SMT) level. The Clerk would discuss with the Principal how this should be taken forward now that the Director of Resources was not a member of SMT (76.4).
Action: Clerk
- 2 The fixed asset register would be linked to the accounts through the trial balance with reference to the accounts for the year ended 31.7.13 (76.4).
Action: SR
- 3 It had been agreed that coverage of governance processes in the internal audit strategic plan would be reviewed once any revisions to the regularity audit framework were known but these were still awaited (76.4).
Action: Clerk
- 4 The Chair of the Audit Committee signed the completed financial statements/regularity performance checklist (76.4).
- 5 Development of a draft risk assurance map had not been progressed further and this item had therefore been deferred to the Committee's November 2013 meeting (76.4).
Action: Clerk/SR
- 6 The Clerk had reviewed the Committee's annual self-assessment performance checklist with reference to the examples in Module 11 (Audit Committee) of the Learning & Skills Improvement Service (LSIS) Governance Training Materials (GTM) and reported that all areas noted in the model checklist in the GTM were covered in the Committee's current checklist (76.4).
- 7 In response to members' questions arising from issues covered by Module 11 of the GTM, it had been agreed that that the College's fraud policy would be attached to the annual report on fraud, irregularity, bribery and whistleblowing, which would be presented to the November 2013 meeting of the Committee (76.4).
Action: Clerk
- 8 The Clerk would put the Audit Committee handbook on the Corporation section of Moodle, the College's virtual learning environment (VLE), and would send members login details (76.4).
Action: Clerk
- 9 The College's updated risk management priorities and controls documents (the College's "risk register") were approved by Corporation at its July 2013 meeting, on the recommendation of the Committee (76.5).
- 10 A report on the development of the DRP/BCP had been given at action 1 above (76.6).
- 11 The FE/HE Statement of Recommended Practice (SORP) was being re-written to reflect the UK GAAP and Baker Tilly would present a report on relevant changes to the Audit Committee following publication of the draft revised SORP (76.10).
Action: RL, of BT

The Director of Finance reported that the draft SORP was currently out for consultation and included proposed changes to the way in which capital grants were treated.

- 12 Corporation had approved at its July 2013 meeting, Baker Tilly's financial statements and regularity audit plan and fees for the audit for the year ending 31.7.13, on the recommendation of the Audit Committee (76.10).
- 13 The Committee reviewed the draft Self-Assessment Questionnaire (SAQ) for the regularity audit for the year ending 31.7.13 at its June 2013 meeting, noting, in particular, changes from the previous year's version. It was noted that a final version, on a pro forma to be supplied by Baker Tilly and signed by the Principal, had been presented to Baker Tilly in connection with their regularity audit visit in August 2013 (76.12).
- 14 The requirement in the Education Funding Agency (EFA)/ Skills Funding Agency (SFA) Joint Audit Code of Practice (JACOP) Part 2 for the Corporation have approved policies and procedures relating to fraud had been noted when the draft JACOP had been considered at the Committee's June 2013 meeting. The requirement that a relevant policy should state that the Audit Committee should have the authority to conduct a special investigation, but should not do so before the relevant officers of the Skills Funding Agency (SFA) or Education Funding Agency (EFA) had been informed and an appropriate course of action agreed, would be considered further at the Committee's November 2013 meeting (76.13).
Action: Clerk
- 15 & 16 The further review of the following documents for good practice guidance would take place at the Committee's March 2014 meeting: Skills Funding Agency (SFA) Accountability reviews and the Association of Colleges' (AoC's) Audit and Accountability Annex to the English Colleges' Foundation Code of Governance (76.15 & 16).
Action: Clerk
- 17 A progress report on the development of a draft risk assurance map had been given at action 5 above (76.17).
- 18 The Committee agreed updating changes to its standing agenda item list and terms of reference for recommendation to the September 2013 meeting of Corporation for approval subject to the relevant references in the final version of the JACOP Part 2 corresponding to those in the draft version which was considered at the Committee's June meeting. The September 2013 meeting of Corporation agreed, however, that its annual review of committee terms of reference and standing agenda item lists should be deferred to its December 2013 meeting, to allow more time at its September 2013 meeting for strategic discussion and discussion of the scheduled Ofsted inspection visit (76.18).
Action: Clerk/Chair
- 19 Minutes arising from the Reserved Business section of the agenda had been kept in a confidential minute – see also item 77.6 and 77.27 (76.24).

77.6 Annual review of confidential minutes

It was noted that there were no confidential minutes produced by the Audit Committee during 2012/13 other than the confidential Reserved Business minutes of the meetings held in October 2012, November 2012 and March 2013, which would be considered at item 27 later on the agenda.

77.7 Annual risk management report

The Director of Finance, Steve Rogers, presented the College's annual risk management report.

Members noted that:

- The College's Risk Management Sub-Group met once during 2012/13 to review and moderate the College's risk register;
- The aim of the above group continued to be to address those risks identified as 'High' and to work to maintain risks identified as 'Medium' or to reduce them to 'Low';
- The risk management report summarised key changes to the register made during 2012/13 e.g. in the areas of Finance, IT, Premises, Health and Safety, Personnel, and Marketing;
- With reference to the Finance section of the register, the risk rating in 2 areas had been increased to Medium (i.e. with reference to risks relating to training for new finance staff and to breaches of bank covenants);
- A new Finance risk, as yet ungraded, had also been introduced to reflect the possibility of an overspend on the new classroom block;
- With reference to the IT section of the register, 2 risks had increased to Medium (i.e. in relation to IT staff familiarisation with new, more complex technology and to the impact of financial constraints on the provision of new equipment) and 2 new medium risks had been added relating to delays in the provision of IT classrooms and/or disruption to the network arising from the College's building project;
- 3 new risks had been added to the Premises section of the register i.e. 2 risks graded Medium in relation to technical constraints affecting the design or equipment of the new classroom accommodation and disruption to provision and/or recruitment arising from its construction, and 1 low graded risk relating to delayed completion of the building project;
- 2 low graded risks in the area of compliance issues in relation to the building project had been added to the Health and Safety section of the risk register;
- While remaining Medium, a Personnel risk relating to the loss of key staff through absence had been slightly downgraded, as it was considered that the financial impact could be minimised through the use of part-time staff in cases of absence;
- A risk relating to staffing levels in Marketing had been increased to Medium.

Members discussed the College's risk management processes generally, noting that:

- The College's risk register contained about 300 risks of which 3 had been graded High i.e. risks relating to changes in the funding formula, student recruitment, inspection by Ofsted;
- Risks were scored with reference to finance, reputation and likelihood in the College's risk priorities document, with mitigating actions recorded in the College's risk controls document;
- Risks which had been downgraded to nil were retained on the register to provide a record of mitigating actions taken in relation to historic risk;
- The College's internal auditors considered the number and level of risks in the College's risk register to be in line with practice at other sixth form colleges.

It was noted in response to members' questions as to the frequency with which risks were reviewed and where responsibility for monitoring risk rested within the College that:

- While the Risk Management Sub-group met annually to moderate the scoring of risks in the register, relevant managers were responsible for noting risks which fell within their area of responsibility as they arose and new risks identified at Corporation and its committees were added to the register, as appropriate;
- The Audit Committee reviewed the full risk register (excluding nil risks) at its summer term meeting, recommending it to Corporation, and reviewed the College's top 10 key risks at every other meeting;
- Review of the College's top 10 key risks was not currently a standing agenda item for the College's SMT.

Members noted in discussion the following examples of risk management practice from other colleges and local authorities which the College might wish to consider:

- More frequent review of risks to allow mitigating actions to be taken at an earlier stage when risk could be easier to address;

- The production of a "lessons learnt" log at the end of specific projects;
- The linking of the risk register to business continuity plans.

Action: SR

It was agreed that the College's top 10 key risks should in future be a standing agenda item for the College's SMT e.g. twice termly.

Action: Clerk/SR/JKT

The Committee received the College's 2012/13 risk management report and agreed that it should be presented to the December 2013 meeting of Corporation, as an annex to the Committee's Annual Report.

Action: Clerk/Chair

77.8 Rolling plan of auditors' recommendations

The Committee considered changes to the rolling implementation plan of auditors' recommendations since the Committee's last meeting, noting that:

- The internal auditors had recommended that the Director of Finance should review the way in which the actual cashflow was calculated with the aim of showing the same balance on the month's cash flow as on the balance sheet, to give the most accurate picture of the College's cash position from 2012/13;
- The Director of Finance had reported that the cashflow for 2013/14 would reflect the actual bank account balance more closely, although there would still be some small differences due to the wide nature of income and expenditure items and that the cashflow would continue to show only the major items of both areas;
- With reference to the recommendation that the College's Lloyds bank account authorised signatories list should be updated, it was noted that this remained to be implemented in full;
- *[Confidential minute]*;
- The Principal was an authorised signatory of the College's bank account with Barclays but some other members of SMT remained to be added;
- With reference to the recommendation that the College's Cardnet account bank reconciliation should be countersigned by the Director of Finance, it was noted that this had been implemented from 2013/14;
- With reference to the recommendation that payroll and other reconciliations should be reinstated as soon as possible, the Director of Finance reported that balance sheet reconciliations had been re-introduced at the start of 2013/14;
- With reference to the recommendation that consideration should be given to adding a strategic aim specifically making reference to the promotion of equality and diversity to the College's Vision statement, it was noted that the College's SMT considered that the statement already adequately reflected the fact that all students would be supported to succeed and treated as individuals and the Statement had not therefore been amended;
- Lesley Hill of the ECAC stated that she considered the above management response to be acceptable, as appropriate consideration had been given to the relevant recommendation;
- All Corporation members who had equality and diversity training to complete had either completed the on-line course used by the College or had attended a training session led by the Personnel Manager;
- The Personnel Manager was considering an appropriate format in which to collect equality and diversity evidence sources.

With reference to members' questions about the monitoring of equality and diversity by Corporation committees, it was noted that monitoring of this area fell within the remit of the Corporation's Curriculum & Quality, Personnel and Student Committees.

The Committee completed its review of the College's rolling plan of auditors' recommendations, noting recommendations remaining to be implemented and that actions reported as having been completed would also be reviewed as part of the internal audit service's 2013/14 Follow Ups review.

77.9 Review IAS Annual Report

Lesley Hill of the internal audit service (IAS), the East Coast Audit Consortium (ECAC), gave a report on the internal audit annual report 2012/13.

Members noted that:

- The internal audit work undertaken by the ECAC provided independent third party assurance on the adequacy and effectiveness of the College's risk management, control and governance arrangements, assisted the Corporation in making an informed Statement of Internal Control in the College's Annual Report and Financial Statements and formed an integral part of the College's overall assurance framework;
- The internal audit report for 2012/13 stated that the ECAC were satisfied that sufficient work had been undertaken to allow them to offer a reasonable conclusion as to the adequacy and effectiveness of the College's risk management, control and governance processes;
- The 2012/13 plan had been carried out in 15 days, as agreed, with 8 reviews being undertaken covering risk management processes, learner numbers systems, catering, financial systems key controls testing, IT helpdesk, payroll, equality and diversity, Follow ups;
- Each of the above reviews had resulted in a grade of substantial assurance, with the exception of the Follow Ups review to which an assurance level was not applicable;
- 7 recommendations had arisen from the 2012/13 plan, all graded at the lowest grade of "merits attention compared to 19 recommendations arising from the 2011/12 plan, which had included 4 "significant" recommendations and 15 recommendations graded as meriting attention;
- No recommendations in the 2011/12 and 2012/13 reports had been assessed as being at the highest level of "fundamental";
- The 19 recommendations arising from 2011/12 internal audit plan had been followed up in the 2012/13 Follow Ups review, together with 1 outstanding recommendation from 2010/11, with it being noted that 17 had been fully implemented, 2 (graded as "meriting attention), had been partially implemented and with 1 recommendation (graded as "meriting attention") still being outstanding at the date of the review;
- The 2011/12 Follow Ups review had found that 10 of 11 recommendations arising from the 2010/11 plan had been implemented, with 1 recommendation (graded as "meriting attention") still being outstanding at the date of the review.

The Committee considered the Quality Assurance section of the ECAC's 2012/13 internal audit report, noting that the service provided complied with the Public Sector Internal Audit Standards in force from 1.4.13 and that the ECAC had met its own performance indicators for issuing of drafts reports, use of qualified staff, and attendance at Audit Committee meetings.

The Committee received the Internal Audit Service Annual Report for 2012/13, noting that the internal auditors' overall opinion was that they could offer Green (substantial assurance) on the adequacy and effectiveness of the College's risk management, control and governance arrangements.

The Committee agreed that the Internal Audit Service Annual Report for 2012/13 should be presented to the December 2013 meeting of Corporation as an annex to the Committee's Annual Report.

Action: Clerk/Chair

The Committee congratulated the ECAC on the revised format of the annual internal audit report, which they considered user-friendly and informative, noting that internal audit firms were no longer constrained by the requirements of the Learning and Skills Council's (LSC's) Audit Code of Practice in relation to its wording. It was noted that the comparative report on recommendations and their implementation in relation to the 2011/12 and 2012/13 plans had been particularly useful, noting that future reports would show a 3-year trend.

77.10 Review cost of IAS in previous year

The Committee reviewed the cost of the 2012/13 internal audit, noting that the total cost of the 2012/13 internal audit provided by the East Coast Audit Consortium (ECAC) was on budget at £5,040 excluding VAT i.e. 15 days @ £336. This compared with the cost of the 2011/12 internal audit which was on budget at £6,520 excluding VAT i.e. 20 days @ £326.

The Audit Committee completed its annual review of the cost of the internal audit service, noting that the 2012/13 internal audit had been on budget.

77.11 Review of additional work undertaken by auditors

The Clerk reported that the Financial Regulations approved by Corporation required that, to preserve auditor independence, any work undertaken by the College's auditors in addition to their normal audit duties (e.g. consultancy work) should not amount to a sum greater than the cost of the annual audit or the sum of £20,000, whichever was the lower, and should be approved by Corporation in advance of the work being carried out. The Audit Committee reviewed any such additional work undertaken annually. EFA/SFA's new Joint Audit Code of Practice Part 2 stated that the duties of the Audit Committee included informing the Corporation of any additional services provided by the financial statements, regularity and other audit and assurance providers and explaining how independence and objectivity were safeguarded.

Members noted that the College commissioned no additional work (e.g. consultancy) from its internal audit service auditors, the East Coast Audit Consortium, in 2012/13. The financial statements/regularity auditors, Baker Tilly, had, however, been engaged in July 2013 to assist the College in discussions with existing and potential new bankers at a cost of £6,600 incl. VAT.

The Committee completed its annual review of additional work undertaken by the internal auditors and financial/regularity auditors in 2012/13, noting that the former undertook no additional work in 2012/13 and that consultancy work undertaken by the latter was within the limits agreed by Corporation to preserve auditor independence.

77.12 Performance review of IAS

The Committee reviewed the performance of the internal audit service in 2012/13, using its agreed performance checklist and with reference to the quality assurance section of the ECAC's 2012/13 annual internal audit report.

The Committee agreed the draft internal audit performance checklist for 2012/13, with the following amendment: the total cost of the 2012/13 internal audit was £5,040. It was noted that the outcome of the review was positive.

Action: Clerk

77.13 Recommendation on re-appointment of IAS

Having noted that its annual review of the East Coast Audit Consortium (ECAC) as internal audit service in 2012/13 had been positive, the Committee agreed to recommend to

Corporation the ECAC's re-appointment as internal auditors for 2013/14, subject to agreement of the 2013/14 internal audit plan, including agreement of fees.

Action: Chair

77.14 Recommendation on IAS plan

Lesley Hill of the ECAC presented the draft internal audit plan for 2012/13.

Members noted in discussion that:

- Following the relaxation of the funding body requirement for sixth form colleges to have a mandatory internal audit service with effect from 1st August 2012, the Audit Committee's role had been extended to include advising the Corporation on the assurance framework it should put in place to ensure that adequate assurances over the effective operation of the College's systems of control could be obtained so that appropriate declarations could be made in the Annual Report and Annual Financial Statements;
- This was a significant shift in Audit Committee responsibility i.e. from telling Corporation what it was required to do under the Audit Code of Practice to advising it what it should do to obtain adequate assurance;
- Using an internal audit service to obtain this assurance remained, however, an option for colleges and the Corporation, on the recommendation of the Audit Committee, had agreed to retain an internal audit service at its December 2012 meeting;
- The December 2012 meeting of Corporation had also agreed an audit plan of 15 days for 2012/13, on the recommendation of the Audit Committee, which represented a reduction of 5 days from the 2011/2012 plan (20 days) which in turn had been a reduction of 5 days from previous years' internal audit input of 25 days p.a.;
- The 2012/13 plan had formed part of a draft 3-year strategic plan produced by the ECAC which had assumed an annual audit of 15 days;
- In the experience of the ECAC, retention of an internal audit service, with an annual plan of around 14-16 days, was average for the local sixth form sector;
- The Director of Finance confirmed that 12-15 internal audit days appeared to be average for the NorVlc colleges, with an overall range between 8 and 24 days.

The Principal reported that the College's senior management team (SMT) had reviewed the internal audit provision for 2013/2014 and considered that a reduction in the internal audit plan to 10 days would be appropriate, as a cost-saving measure.

(The Principal left the meeting).

The Committee noted that:

- The proposed 10 day plan included the following reviews and/or management time - a Learner Existence and Eligibility review (2 days), a financial systems key controls testing review (2 days), a remote IT access review (2 days), a Follow Ups review (1 day), plus management of contract time (3 days);
- A 10-day internal audit plan represented a reduction of 60% in the size of the internal audit plan since 2010/2011;
- With the above reduced level of coverage, it would not be possible for the ECAC to draw an overall opinion on the adequacy and effectiveness of the College's risk management, control and governance processes, although it could issue an assurance opinion on the three main reviews.
- The cost of delivering the proposed 10-day internal audit plan would be £3,460 plus VAT i.e. 10 days at £346 plus VAT per day.

Members considered whether the proposed 10-day internal audit plan was sufficient:

- To enable the Committee to provide a full opinion in its annual report to Corporation on the adequacy and effectiveness of the college's audit arrangements, its framework of

governance, risk management and control, and its processes for securing economy, efficiency and effectiveness; and

- To enable Corporation to make the necessary declaration in the College's Annual Report and Financial Statements.

The Committee noted in discussion that:

- While the Corporation now had the flexibility to dispense with an internal audit service or to reduce the number of internal audit days, the Audit Committee and Corporation still had to be able to satisfy themselves that they had received sufficient assurances, from College management, auditors and other external parties, to enable them to make the required declarations on internal controls;
- The assumption in the guidance issued by the EFA and SFCF (now the SFCA) was that the Audit Committee would satisfy itself in this respect by reference to a Risk Assurance Map, which would identify existing sources of assurance and identify any gaps in assurance which could, for example, then be addressed through internal audit reviews;
- The College had not, however, produced a Risk Assurance Map, which made it difficult for the Audit Committee to determine whether the proposed coverage in the 2013/14 internal audit plan was sufficient;
- The Director of Finance's request that the ECAC should produce a 1-year stand-alone internal audit plan, rather than a 3-year strategic plan, also made it difficult for the Committee to make a decision on the adequacy of the proposed coverage for 2013/14 e.g. it was not possible to determine whether it was intended that risk management, which was not included in the 2013/14 plan, would be subject to review on a cyclical basis;
- Corporation's role was a strategic one and it was important to consider internal audit provision in that context;
- The financial statements/ regularity auditors, Baker Tilly, took account of the work of the internal auditors and it was possible that they would need to undertake additional work if no internal audit work was undertaken or if it was reduced significantly;
- Baker Tilly had received a copy of the draft 2013/14 internal audit plan with the papers for the current meeting but had not otherwise been consulted on it.

The Committee noted in discussion that:

- Previous internal audit reports indicated that the College had a good system of internal control, although the 19 recommendations arising from the 2011/12 plan was a relatively high total;
- The higher number of recommendations arising from the 2011/12 plan may have resulted from inclusion of the trips and visits review, which the College had included as an area of higher risk where they already intended to make changes;
- Some colleges routinely concentrated on areas of higher risk when selecting areas for internal audit review;
- Should the Committee decide to expand the internal audit plan for [2013/14](#), the College's current building project might, for example, be considered for inclusion as a possible area of higher risk.

The Committee discussed the production of a Risk Assurance map by the College, noting that:

- Without a College Risk Assurance Map for the Committee to review, the proposal that the internal audit should be reduced to 10 days appeared arbitrary, as the Committee could not be sure whether that they had sufficient assurance to dispense with the need for an overall assurance opinion from the internal audit service;
- The Director of Finance considered that the production of an initial Risk Assurance Map for the College could be resource-intensive and external help might be required;
- A number of colleges had sought help from their internal auditors in producing an initial Risk Assurance Map e.g. the ECAC had undertaken this work for some colleges, charging around £1,400 for 4 days' work;

- The Director of Finance and the Clerk to the Corporation could approach their respective NorVic groups to establish whether any NorVic colleges had already produced Risk Assurance Maps.

Action: SR/Clerk

In response to members' questions concerning whether there were any contingencies in the 2013/14 budget which could be used to finance the production of a Risk Assurance Map, it was noted that the only contingency related to staffing and it would not be known whether this would be needed for staffing purposes until the end of the financial year.

Members noted that, as the Corporation had approved a large deficit budget for 2013/14, the SMT were seeking to establish whether there were any areas where further cost-savings could be made. The Committee noted that seeking to make savings in relation to the assurance provided by the internal audit service could, however, prove to be a high-risk strategy which was not cost-effective.

The Audit Committee concluded that the most appropriate way to obtain the level of assurance required to enable the Corporation to make the necessary declaration on internal controls in its Annual Report and Financial Statements appeared to be to ensure that the internal audit plan included sufficient audit days to enable the internal auditors to continue to give an overall opinion on the adequacy and effectiveness of the College's risk management, control and governance processes and/or for the College to produce a Risk Assurance Map which the Committee could use to make a decision on the appropriate level of internal audit work required.

Members noted that the ECAC usually carried out the internal audit plan in 2 blocks (i.e. in February and May) but could complete it in a single block, if necessary, and it was agreed that the Committee should discuss the 2013/14 internal audit plan further at the Committee's November 2013 meeting.

Action: Clerk

77.15 Receipt of EFA/SFA's JACOP Part 1 & Part 2

The Committee received the final versions of the EFA/SFA's Joint Audit Code of Practice Part 1 and 2, which had been issued in July 2013. It was noted that the Clerk would draw members' attention to the requirements of Part 2 of the Code as they related to the work of the Committee during 2013/14.

Action: Clerk

77.16 - 21 Deferred items

It was noted that consideration of the following items had been deferred to a subsequent meeting of the Committee:

- Annual Data Protection & Freedom of Information report (Nov. 2013) **Action: WGJ**
- Progress report on business continuity & disaster-planning (Nov. 2013) **Action: SMT**
- Annual review of FMCE (Nov. 2013) **Action: SR/Clerk**
- Report on SFA Accountability reviews (Mar. 2014) **Action: SR/Clerk**
- Report on AoC Foundation Code: Audit & Accountability Annex (Mar. 2014) **Action: Clerk**
- Draft assurance map (Nov. 2013) **Action: SR/Clerk**

It was noted with reference to business continuity and disaster recovery planning that this had been the responsibility of the Director of Resources but he was no longer a member of SMT and this was an action which needed to be considered at SMT level.

Action: Clerk/SMT

77.22 Committee matters: Review of Audit Committee checklist & PIs

The Committee completed its performance checklist for 2012/13, noting that it was fully compliant, and that it had met or exceeded its performance indicators for 2012/13 with the following exception: overall Committee attendance had been 74% against a target of 75% set.

77.23 Any other business

It was noted that, while most Corporation committees had opted to receive papers electronically, most Audit Committee members had opted to continue to receive paper copies.

77.24 Risk management – items identified at the meeting

It was noted that no new items of risk had been identified at the meeting.

77.25 Date of next meeting

It was noted that the Committee was next scheduled to meet on 18 November 2013 at 4.30pm.

77.26 Meeting of Committee with auditors without the presence of senior management

Lesley Hill of ECAC confirmed that there was nothing to discuss under this item.

77.27 Reserved Business: annual review of confidential minutes

Lesley Hill left the meeting before consideration of the above item.

Fiona Bagchi, Clerk to the Corporation