

**AUDIT COMMITTEE
MINUTES OF MEETING 8 HELD ON 17 OCTOBER 2016**

Present: Philip Wright (Chair), John Gilleard, Jane Price, John Shipley

In attendance: Lesley Hill (E. Coast Audit Consortium, internal auditors), Anna Lamplough (Director of Finance), Jay Trivedy (Principal)

Clerk: Fiona Bagchi

89.1 Apologies for absence

There were no apologies from Committee members. Apologies were received from Richard Lewis (RSM, external auditors).

89.2 Declaration of interests

There were no declarations of interest.

89.3 Election of Chair & Vice-Chair

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

John Gilleard nominated Philip Wright as Chair of the Audit Committee for 2016/17. The nomination was seconded by Jane Price.

Philip Wright was elected as Chair of the Audit Committee for 2016/17 unopposed.

Philip Wright nominated John Gilleard as Vice-Chair of the Audit Committee for 2016/17. The nomination was seconded by Jane Price.

John Gilleard was elected as Vice-Chair of the Audit Committee for 2016/17 unopposed.

Minutes

89.4 Minutes of previous meeting

The minutes of the meeting held on 13.6.16 were approved.

(John Shipley joined the meeting).

89.5 Matters arising & 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 Committee's Mar. 2016 meeting had been amended, as agreed (88.3).
- 2 A report on the *Code of Good Governance for English Colleges* was on the agenda (88.4).
- 3 Proposed revisions to the College's Fraud & Bribery Policy were on the agenda

(88.4).

- 4 The updated College assurance map was on the agenda (88.4).
- 5 The internal audit combined Payroll & Anti-Fraud HR report was on the agenda (88.7).
- 6 RSM's external audit plan for the financial year ending 31.7.16 had been approved at the July 2016 Corporation meeting, on the recommendation of the Audit Committee (88.8).
- 7 A recommendation from the Finance & General Purposes (F&GP) Committee on accounting policies changes had been made and approved at the July 2016 Corporation meeting (88.9).
- 8 The College's updated Business Continuity Plan (BCP) and Critical Response Plan (CRP) had been placed on the Corporation section of Moodle under the Key Documents heading (88.10).
- 9 The Audit Committee's revised standing agenda item list had been approved at the Sept. 2016 Corporation meeting, on the recommendation of the Audit Committee (88.11).
- 10 The completed regularity self-assessment questionnaire (SAQ) was on the agenda (88.15).
- 11 2016/17 Audit Committee meeting dates had been e-mailed to members (88.18).

89.6 Annual review of confidential minutes

The Committee undertook its annual review of confidential minutes produced during the previous year, agreeing that the minutes under consideration should not be released from confidentiality as they related either to possible actions arising from the Area Based Review (ABR) process (which was ongoing) or to IT/security matters.

Rolling implementation plan

89.7 Rolling implementation plan of external/financial statements auditors' recommendations

The Committee considered the rolling implementation plan of external auditors' recommendations, noting that the remaining action was shown as having been completed.

89.8 Rolling implementation plan of internal auditors' recommendations

The Committee considered the rolling implantation plan of internal auditors' recommendations arising from the lettings review, noting that all actions were shown as having been completed and agreeing that the College should report on whether public liability insurance of £5 million was required for lettings.

Action: AL/AW

Internal audit matters

89.9 Payroll Report

Lesley Hill of the East Coast Audit Consortium (ECAC) presented an internal audit report

which incorporated 2 planned reviews from the College's 2015/2016 internal audit plan i.e. Payroll & HR Anti-Fraud Controls.

Members noted that:

- The objective of the payroll review had been to ensure that staff were paid on an accurate and timely basis for duties performed;
- The HR Anti-Fraud Controls review had sought to confirm that controls within the Human Resources function were such that the risk of a fraud being perpetrated against the College was minimised;
- Appointment processes had been reviewed as part of the HR audit e.g. ID checks, checks on the right to work in the UK, Disclosure & Barring Service (DBS) checks;
- The College's payroll service was provided by East Riding of Yorkshire Council under a service level agreement;
- The report recorded a grade of Substantial Assurance that staff were paid on an accurate and timely basis for duties performed and controls within the Human Resources function were such that the risk of a fraud being perpetrated against the organisation was minimised.;
- There were 4 recommendations arising from the reviews, with 2 at grade 2 (Significant) and 2 at grade 3 (Requires attention) and no grade 1 (Fundamental) recommendations.

It was noted in response to members' questions that:

- With reference to payroll expenditure, the reference in the report to income generating activities related to catering staff;
- There was appropriate segregation of duties in relation to the notification of staff changes and the addition of new staff to the payroll;
- Pre-employment checks on staff included the provision of 2 references (including one from a current employer) and a review of original qualifications, together with the provision of a DBS letter following a DBS check;
- The internal audit report arising from the reviews had been completed during summer term 2016 but had not been presented to the June 2016 meeting of the Audit Committee, pending the finalisation of management responses to recommendations;
- All recommendations had been agreed by the College's management.

The value of undertaking random checks on the authenticity of qualifications as part of employment checks was discussed, with it being noted that documents were currently checked if there was any issue of concern.

The Committee received the Payroll & HR Anti-Fraud Controls report.

89.10 Annual internal audit report 2015/16

Lesley Hill of the ECAC presented the internal audit report for 2015/16, which was considered.

(Jane Price left the meeting).

Members noted that:

- While assurance could never be absolute, the ECAC were satisfied that sufficient internal audit 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 ECAC had concluded that, based on the work carried out at the College in 2015/16, their overall opinion on the adequacy and effectiveness of the College's risk management, control and governance processes was Substantial assurance;

- 4 reviews had been undertaken as part of the 2015/16 review i.e. Key Financial Controls (Substantial assurance), Payroll & HR Anti-Fraud Controls I (Substantial assurance), Lettings (Limited assurance), Follow Ups (assurance level not applicable);
- The 2015/16 Follow Ups exercise had shown 14/16 recommendations implemented at the date of the review, with 2 partially implemented (2014/2015 Follow Ups: 6/10 implemented, 4 outstanding. 2013/2014 Follow Ups: 8/10 implemented, 1 partially implemented, 1 no longer applicable);
- In 2015/16, 6/15 recommendations had been graded 2 (significant), with 9/15 graded 3 (merits attention) and no grade 1 (fundamental) recommendations (2014/15: 4/12 at grade 2, 8/12 at grade 3. 2013/2014: 4/9 at grade 2, 5/9 at grade 3);
- The increase in the number of recommendations reflected the move to a more risk-based approach in determining areas included in the annual internal audit plan to ensure reviews added value.

The section in the report on ECAC's quality assurance processes was noted.

The Committee received the ECAC's annual internal audit report 2015/16, noting the overall opinion of Substantial assurance and agreeing that the report should be presented to the Corporation as an annex to the Committee's annual report.

Action: Chair/Clerk

(Jane Price re-joined the meeting. Lesley Hill left the meeting).

89.11 Annual performance review of the internal auditors & consideration of re-appointment

(i) Review the cost of the IAS arrangements for 2015/16

The Committee noted that the total cost of the 2015/16 internal audit provided by the East Coast Audit Consortium (ECAC) was within budget.

(ii) Review of additional work undertaken by internal auditors

Members noted that, under the Joint Audit Code of Practice (JACOP) the Audit Committee must "inform the corporation of any additional services provided by the external auditor, reporting accountant and other assurance providers (if applicable) and explain how independence and objectivity were safeguarded". It was noted that the Audit Committee reviewed any additional services (e.g. consultancy work) undertaken by the auditors' annually as part of their performance review of the auditors' work.

The Committee noted that the internal audit service had undertaken no work in 2015/16 which was additional to the agreed internal audit plan.

(iii) Performance review 2015/16

The Committee reviewed the performance of the internal audit service (IAS) using its agreed performance checklist.

It was noted in response to members' questions that:

- Richard Lewis of the College's external auditors, RSM, had confirmed that RSM took account of ECAC's work, where appropriate.

The Committee completed a positive review of the internal audit service (IAS), the East Coast Audit Consortium, during 2015/16. The Chair of the Audit Committee signed the completed internal audit service performance checklist at the meeting.

(iv) Consideration of re-appointment of IAS auditors and agreement of their fees for recommendation to Corporation

Members discussed the benefits of using an internal audit service provider which was familiar with the College against the possible disadvantages arising from familiarity (e.g. a possible loss of independence), noting that appropriate independence was maintained through the ECAC using different auditors for audit reviews, including specialists for specific reviews where appropriate.

The Committee agreed to recommend to the Corporation the re-appointment of the East Coast Audit Consortium as internal auditors for 2016/17, subject to agreement of their fees.

Action: Chair

(Lesley Hill re-joined the meeting).

89.12 Proposed annual internal audit plan

89.13 College assurance map

Lesley Hill presented a proposed internal audit plan 2016/17 of 15 days. The Committee considered the plan, together with the College's updated assurance map.

Members noted that the proposed internal audit plan, which had resulted from discussions between the College's Director of Finance and Benita Jones and Lesley Hill of the ECAC, included the following reviews:

- A governance best practice health check (to assess the College's application of best practice in respect of its governance arrangements, including an interactive workshop session with the College's Senior Management Team and Heads of Faculty), 19 year old & non-EU learners, staff training & development, cyber security and Follow Ups.

Members noted in discussion that:

- The purpose of the internal audit was to contribute to the annual assurances received by the Audit Committee which enabled it to give an opinion in its annual report to the Corporation, which enabled the Corporation to sign off the assurances in the statement of corporate governance and internal control in the College's annual report and financial statements;
- The annual internal audit plan was formulated with reference to the College's strategic risk register, although the risks tended to be broad-based;
- As a 3-5 year strategic internal plan was no longer required, the annual plan was also formulated with reference to assurance gaps indicated in the College's assurance map;
- The draft plan did, however, include a table showing previous internal audit reviews undertaken, to help the Audit Committee determine that there was appropriate coverage of key areas over a number of years.

Members noted with reference to the table showing previous internal audit reviews undertaken that a few of the categories appeared to over-lap slightly. The value of agreeing a 3-5 year strategic internal plan was discussed.

The Committee undertook a robust and detailed discussion of the proposed internal audit review areas for 2016/17 with representatives of the College's senior management team and the ECAC.

Members discussed the purpose of the governance best practice health check, noting that it would be designed to review governance below Corporation level e.g. reviewing the clarity of decision-making such as whether managers were aware of the provisions of the College's Financial Regulations.

The Committee discussed a proposal that a review of the effectiveness/value for money of learning support should replace the proposed review of 19 year old and non-EU learners, with areas considered including:

- Internal assurances and external assurances available in relation to learning impact (e.g. through the College's review of the performance of bursary-holders, the ALPs value-added system, inspection by Ofsted);
- The difficulty of measuring learning support impact through an internal audit review other than in terms of systems and processes e.g. whether the support proposed was delivered, whether student support was adapted as required;
- It might be difficult to judge the overall effect of the learning support system without a control e.g. comparing student who had received support with one who had not.

Members considered, with reference to the assurance map; a recent Tier 4 compliance issue (which had subsequently been resolved); the fact that the College did not have an agreed policy on international student recruitment; 2 internal audit recommendations (which had been shown as only partially implemented in the 2016 Follow Ups review) relating to evidence to support students' eligibility to full funding, fee remission and/or liability for fee payment. Members noted that, while the amount of income generated from international students and Home students liable to pay fees was small, the areas previously reviewed related to compliance with the requirements of external bodies (e.g. the EFA, UK Visas & Immigration) and could be subject to audit by such bodies. It was noted in response to members' questions that the internal auditors considered it would be difficult to re-test the issues relating to student fees comprehensively, if they were only considered as part of the 2017 Follows Ups review.

The Committee discussed the value of including a review of staff sickness absence management, noting, however, that the Corporation's Personnel Committee already received assurances through an annual report. It was noted with reference to the mean number of days of sickness absence per College employee, that this was below both the national and the public sector averages.

Members noted that the review of HR Anti-Fraud Controls review as part of the 2015/16 internal audit plan had been timely and discussed examples of external fraud which targeted colleges. The controls that the College had in place in this area (e.g. through the Financial Regulations, through staff training and the dissemination of anti fraud briefing from auditors and bankers) was discussed.

The Committee noted that the assurance map showed that staff development was an area which had not been subject to external review in recent years. Members discussed how staff training and development would be reviewed if included in the 2016/17 internal audit plan, noting that this could be undertaken, for example, through a review of the College's Performance Development Review (PDR) process and how training was identified as part of that process, together with a review of what training was available for staff changing roles within the College.

Members discussed the inclusion of a budgetary control review as part of the 2016/17 internal audit, noting that the ECAC had undertaken a short budgetary control survey in 2013/14. It was noted in discussion of the risk register that a number of significant risks (e.g. in relation to student numbers, financial volatility) were connected to budgetary control.

The Committee discussed increasing the number of audit days, noting that the College had reduced the number of annual days from around 23 days annually to 15 days (i.e. the minimum number of days which would result in an overall audit opinion) for cost

reasons. It was noted that 15 audit days appeared to be around the average for sixth form colleges.

The Committee agreed that the East Coast Audit Consortium should draft, for presentation to the Nov. 2016 meeting of the Committee, a revised internal audit plan for 2016/17 of 15 days including the following reviews: budgetary control, 19 year old & non-EU learners, staff training & development, cyber security and Follow Ups. It was agreed that the assurance map should be updated for presentation to the Nov. 2016 Audit Committee meeting.

Action: LH, ECAC/AL/Clerk

Committee & governance matters

89.14 Committee checklist & PIs 2015/16

The Committee reviewed its 2015/16 performance checklist, noting it was fully compliant. Members noted that all performance indicators (PIs) or 2015/16 had been met or exceeded with the following exceptions: standing agenda items considered at the relevant meeting (95% against a target of 100%); dispatch of papers 7 days before the meeting (not achieved).

The Committee completed its 2015/16 performance checklist, which was signed by the Chair of the Audit Committee at the meeting, and reviewed its 2015-16 performance indicators.

89.15 Code of Good Governance: proposal from the Clerk

The Committee noted that:

- It had agreed at its Mar. 2016 meeting that a review of the appropriateness of the Corporation adopting the *Code of Good Governance for English Colleges* (which was primarily designed with reference to the FE sector) should be deferred, given that the College was now reviewing strategic options in preparation for the Area Based Review (ABR) process, including academy conversion;
- HM Government *Reviewing post-16 education & training institutions* (Mar. 2016) stated at Annex F (The use of benchmarks), with reference to the ABR process, that: "Governance & financial management – we would expect to see properly audited accounts. We expect to see that Governing boards comply with the requirements of the Governor's Code and adopt a financial strategy and funding plans which are compatible with the duty to ensure sustainability and solvency of the college. We would expect to see a statement contained in the corporate governance section of the audited financial statements on internal controls explaining the risk management arrangements that are in operation";
- As the College had not adopted the *Code of Good Governance for English Colleges*, it reported against the *UK Corporate Governance Code* in the Statement of Corporate Governance and internal control included in the College's annual report & financial statements;
- The 2016 financial statements pro forma supplied by RSM included a section on Corporation performance with the rubric "Include here the annual self-assessment of the Corporation's performance which should be available in the relevant meeting papers at that time".

The Committee considered the Clerk's recommendation that, while the Corporation had not formally adopted the *Code of Good Governance for English Colleges*, it could nevertheless be of value to benchmark the College's performance against the *Code* e.g. as an additional example of governance self-assessment.

Members considered a sample draft table monitoring progress against the 10 responsibilities of the Code and section 1 of its underlying "must" & "should" statements

The Committee agreed that a summary, high level report comparing the College's performance against the 10 responsibilities in the Code of Good Governance for English Colleges should be presented to the Nov. 2016 meeting of the Audit Committee for information.

Action: Clerk

89.16 Fraud & Bribery Policy: appendix & revisions

The Committee noted that:

- The College's Fraud & Bribery Policy had been approved by the Corporation in 2011 and revised and approved in July 2014;
- The Audit Committee received an annual report on fraud & irregularity (including bribery) and whistleblowing events at its Nov. meeting;
- The Audit Committee had considered, at its Oct. 2015 meeting, Transparency International/Baker Tilly/Mishcon de Reya's *Anti-Bribery Principles for Not-for-Profit Organisations* (Jan. 2014), noting that the risk to the College arising from the implementation of the Bribery Act 2010 appeared to be low e.g. overseas activities had mainly related to established educational trips and visits, the College had made use of a single agent in relation to the recruitment of overseas students, there had been no associated persons who undertook work for the College, there had been no donations/ gifting, the College had financial regulations and policies that covered fraud, irregularities, gifts and hospitality, bribery, whistleblowing;
- The Committee noted that, where a college had assessed itself as at lower risk, the above report had recommended that periodic reviews should be carried out to check that bribery risks remained low and that the College's existing anti-bribery programme remained adequate;
- The Nov. 2015 meeting of the Committee had reviewed Eversheds' model Anti-Corruption & Bribery Policy and had agreed that the Clerk should draft an appendix to the College's Fraud & Bribery Policy which further defined bribery and was cross referenced to the College's Financial Regulations.

The Committee considered the following recommendations from the Clerk:

- Standardising and updating revisions to the College's Fraud & Bribery Policy e.g. the standardisation of references to fraud, bribery, corruption & irregularity throughout the document, removing outdated references to funding bodies and replacing them with "the appropriate funding body" (as used in the new SFA/EFA Joint Audit Code of Practice (JACOP)), removing the reference to reporting to a funding body prior to commissioning an investigation (which was no longer a requirement in the JACOP);
- The addition of a cross-reference to the Financial Regulations in the related documents list attached to the College's Fraud & Bribery Policy;
- The addition of appendices A-D to the policy which set out anti-bribery principles and further defined bribery and which were derived from the Eversheds and Transparency International/Baker Tilly/Mishcon de Reya briefings and models considered by the Committee in 2015/16.

It was noted in response to members' questions that:

- With reference to risk assessment and reporting as included in the anti-bribery principles at Appendix B to the policy, the Clerk had also attached (at Annex 1), for information only, a sample bribery risk assessment for a low risk educational institution which had been derived from the example in the Transparency International/Baker Tilly/Mishcon de Reya report.

The Committee considered the usefulness of the above checklist in the context of the College's annual report to the Audit Committee on fraud & irregularity, bribery, and whistleblowing events and/or for use as a quick start checklist when relevant new activities were undertaken.

The Committee approved, for recommendation to the Corporation, standardising and updating revisions to the College's Fraud & Bribery Policy, including the addition of appendices A-D.

Action: Chair

Risk Management

89.17 Annual review of full risk register

It was noted that the Committee reviewed the strategic risk register at each meeting, with the full risk register at its Oct. meeting annually.

Members considered the updated risk register noting the following key changes:

- The Area Based Review (ABR) had been added as a new, External risk;
- With reference to the Financial risk register, additional controls had been added to the Controls column e.g. 5 year financial forecasting, revised financial modelling for 2018/19 and beyond;
- With reference to the Premises risk register, the College's new visitor registration system had been added to the Controls column with reference to security issues.

It was noted in response to members' questions concerning the gas outage which had occurred in 2016 and IT security issues that the College was confident these were already covered by the section in the Premises risk register relating to business continuity planning and the section in the IT risk register concerning IT disaster recovery and business continuity planning.

The Committee received the College's updated full risk register.

Financial statements & regularity audit matters

89.18 Regularity & propriety: self-assessment questionnaire (SAQ) 2015/16

The Committee considered the completed 2015/16 SAQ. It was noted that, under the SFA/EFA's new Joint Audit Code of Practice (JACOP) (June 2016), the questionnaire now had to be signed by the Chair of the Corporation and the Principal at a committee meeting and would therefore be signed at the Nov. 2016 Finance & General Purposes (F&GP) Committee meeting.

The Committee received the 2015/16 SAQ, noting that the signed version would be presented to the Nov. 2016 meeting of the Audit Committee.

Action: Clerk

Appendix A: Funding body circulars & new regulations &/or documents from other external bodies

89.19 Review of funding body circulars and new regulations and/or documents from other external bodies: revised SFA/EFA JACOP (June 2016)

The Committee noted that the Skills Funding Agency (SFA) and the Education Funding Agency (EFA) had issued, in June 2016, a revised Joint Audit Code of Practice (JACOP) in force from 1 Aug. 2016 which was designed to set "a common standard for the provision of assurance in relation to funding of post-16 providers", including sixth form colleges' corporations. Members note that the SFA/EFA had stated that the document was substantially unchanged from the previous version and contained only minor editorial changes and clarifications.

The Committee received for information the revised Joint Audit Code of Practice (JACOP).

89.20 Appendix B

(i) Rolling implementation plan of internal auditors' recommendations

The Committee noted that the above item had been considered at agenda item 8

earlier on the agenda.

(ii) Fraud & Bribery Policy: appendix & revisions

The Committee noted that the above item had been considered at agenda item 16 earlier on the agenda.

(iii) Engagement letter: RSM UK Tax & Accounting Limited

The Clerk reported that Audit Committee's responsibilities under its terms of reference included the following: "to advise the Corporation on the appointment, reappointment, dismissal and remuneration of the external auditor, reporting accountant and other audit & assurance providers, including an internal audit service (IAS), and, where the appointment/re-appointment of such auditors has been approved by Corporation and any relevant auditors' letters of engagement have been considered by the Audit Committee, for any letters of engagement so considered to be signed by the Chair of the Audit Committee on behalf of Corporation".

Members noted that:

- The Corporation had approved at its July 2016 meeting, on the recommendation of the Audit Committee, RSM UK Audit LLP's external audit plan for the financial year ending 31.7.16;
- The Corporation had noted when approving the plan that, in addition to the annual financial statements audit work and work undertaken in relation to the annual Teachers' Pension Scheme (TPS) certificate, additional one-off audit work would be undertaken in 2016 as a result of implementation of the *Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015* (SORP) and for services to assist the College with its transition to the SORP 2015;
- The proposed letter of engagement between RSM UK Tax & Accounting Limited and the College related to accounting services to assist the College with its transition to the SORP 2015 e.g. including the production of unaudited pro forma financial statements.

The Committee agreed that the Chair of the Audit Committee should sign the engagement letter from RSM UK Tax & Accounting Limited.

Action: Chair

Final matters

89.21 Any other business

There was no other business [confidential minute].

89.22 Risk management – items identified at the meeting

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

89.23 Date of next meeting

It was noted that the Committee was next scheduled to meeting Mon. 28 Nov. 2016 at 4.30pm.

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

The Committee agreed that there was nothing to be discussed under this item.

Fiona Bagchi
Clerk to the Corporation

**AUDIT COMMITTEE
MINUTES OF MEETING 90 HELD ON 28 NOVEMBER 2016**

Present: Philip Wright (Chair), John Gilleard, Jane Price, John Shipley

In attendance: Lesley Hill (E. Coast Audit Consortium, internal auditors), Bill Jackson (Director of Network & Information Systems), Anna Lamplough (Director of Finance), Richard Lewis (RSM, external auditors), Jay Trivedy (Principal)

Clerk: Fiona Bagchi (from agenda item 90.13)

90.1 Apologies for absence

It was noted that the Clerk would join the meeting later on the agenda. In the absence of the Clerk, it was agreed that John Gilleard would take minutes of the meeting.

90.2 Declaration of interests

Jane Price declared an interest as an employee of Hull City Council.

Minutes & matters arising

90.3 Minutes of meeting held on 17 Oct. 2016

The minutes of meeting held on 17 Oct. 2016 were approved.

90.4 Matters arising and action table

(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 It was noted that it had been agreed at the Committee's Mar. 2016 meeting that the appropriateness of adopting the Code of Good Governance for English Colleges (which had been designed with reference to the FE sector) for use by the College should be deferred, given that the College was now reviewing strategic options in preparation for the Area Based Review process (89.5).
- 2 It was noted that at least £5M employer's liability insurance was required (see <https://www.gov.uk/employers-liability-insurance> or <http://www.hse.gov.uk/pubns/hse40.pdf>) but there was no specified amount for public liability insurance. The College had £2M public liability insurance and, required under its Conditions of Hire, hirers to also have £2M public liability insurance (89.8).
- 3 The 2015/16 internal audit report would be presented to the Corporation as an annex to the Audit Committee's annual report (89.10).
- 4 The Oct. 2016 meeting of the Committee had agreed to recommend to the Corporation the re-appointment of ECAC as internal auditors, subject to agreement of fees i.e. in the internal audit plan to be considered later on the agenda (89.11).

- 5 The revised internal audit plan 2016/17 was on the agenda (89.12).
- 6 The assurance map was on the agenda (89.13).
- 7 A summary, high-level report against the 10 responsibilities in the *Code of Good Governance for English Colleges* was on the agenda (89.13).
- 8 Standardising and updating revisions to the College's Fraud & Bribery Policy, including the addition of appendices A-D, would be recommended to the Dec. 2016 meeting of the Corporation (89.16).
- 9 The signed version of the 2015/16 regularity & propriety self-assessment questionnaire (SAQ) s on the agenda (89.18).
- 10 The Chair of the Audit Committee signed, on 17 Oct. 2016, 2 copies of the engagement letter between RSM UK Tax & Accounting Limited and the College relating to accounting services to assist the College with its transition to the SORP 2015. One signed copy was on file and the other copy had been sent to RSM UK Tax & Accounting Limited (89.20).

90.5 Amendment to Oct 2015 minutes

The Committee approved, on the recommendation of the Clerk, the amendment of a typing error in the approved Audit Committee minutes of 20 Oct. 2105.

Action: Clerk

90.19 Annual report on data protection & freedom of information

The Committee agreed that the agenda item 90.19 should be considered at this point on the agenda.

Bill Jackson, Head of Network & Information Systems, presented the College's annual data protection and freedom of information report for 2015/16

Members noted that the data protection report included details of a network security breach in Jan. 2016, which had been previously reported [*confidential minute*]. It was noted that new staff were informed of their obligations under the Data Protection Act as part of the induction process.

Members noted that the College had received 3 Freedom of Information (FOI) requests during 2015/16 i.e. relating to IT infrastructure, print contracts, staff recruitment. It was noted in response to members' questions that the College was not permitted to ask why the information was being requested but it would appear that requests made in 2015/16 were seeking commercial intelligence. Members considered whether colleges could reduce time spent on FOI requests by routinely publishing information of the type most often requested.

The Committee received the College's annual data protection and freedom of information report for 2015/16.

(Bill Jackson left the meeting).

Rolling implementation plan

90.6 Rolling implementation plan of internal audit recommendations

The Committee considered the rolling implementation plan of internal audit recommendations, noting that all recommendations had been implemented with the following exception: the updated Disclosure & Disclosure Information Policy would

be presented to the Jan. 2017 Personnel Committee meeting for approval.

Risk management

90.7 Review of strategic risk register

The Committee received the College's strategic risk register, noting that it was unchanged from the version considered at the Committee's Oct. 2016 meeting.

Annual Reports: fraud bribery, irregularities & whistleblowing

90.8 Annual report on fraud, bribery, irregularities & whistleblowing

The Committee received the College's annual report on fraud, bribery, irregularities and whistleblowing events, noting that the Director of Finance had reported that there were no incidences of fraud, bribery or irregularities during the period under review (i.e. during 2015/16 or to the date of the current meeting) and that there had been no whistleblowing events during 2015/16 or to the date of the current meeting.

Annual reports: financial controls

90.9 Signed Statement of Internal Financial Control Checklist

Members considered the signed checklist, noting that it related to the financial year ended 31.7.16, with actions identified relating to 2015/16 (i.e. as a result of the previous year's review) and to 2016/17. It was noted that the checklist remained unchanged from the 2014/15 version, with the physical verification of assets with a net book value of more than £5k was ongoing.

The Committee received the College's 2015/16 Statement of Internal Financial Control checklist, for information, noting that it was one of the College documents which the Committee reviewed annually and which contributed to its annual opinion on controls

90.10 Financial Management Control Evaluation 2015/16

The Committee considered the College's 2015/16 FMCE. It was noted that completion of the FMCE was now optional for sixth form colleges but completion was considered best practice and the Committee had decided that it should continue to be completed annually as it contributed to the Committee's annual opinion on internal controls.

The Committee received the College's FMCE 2015/16, agreeing the contributing and overall grades of Good and noting this was one of the College documents which the Committee reviewed annually and which contributed to its annual opinion on controls.

90.11 Signed regularity/propriety Self-Assessment Questionnaire

The Committee considered the College's 2015/16 self-assessment of compliance questionnaire relating to regularity and propriety requirements, which had been signed by the Chair of the Corporation and the Principal, noting that:

- A revised questionnaire had been introduced as part of the Skills Funding Agency (SFA)/Education Funding Agency (EFA) Joint Audit Code of Practice in June 2016;
- The questionnaire was used by RSM when carrying out the annual regularity engagement.

Members reviewed the completed questionnaire, noting, in particular, responses relating to the following areas: termination payments, overseas expenses, insurance cover, conditions of use of the College purchasing card.

The Committee received the College's completed 2015/16 self-assessment of compliance questionnaire relating to regularity and propriety requirements.

90.13 The College's annual report & financial statements

(The Clerk arrived during this item).

The Committee agreed that agenda item 90.13 should be considered at this point on the agenda.

It was noted that, under its terms of reference, the Committee received the College's annual report and financial statements for the year ended 31.7.16 to inform its review of the financial statements auditors' audit findings report and to consider the regularity assurance engagement conclusion, the statements on corporate governance, responsibilities of members of the Corporation and the system of internal control. It was noted that the F&GP Committee would also consider the annual report and financial statements at its Dec. 2016 meeting, for recommendation to the Corporation.

The Committee reviewed the report of the Corporation, the statement of corporate governance and internal control, the Corporation's statement on the College's regularity, propriety and compliance with funding body terms and conditions of funding, the statement of the responsibilities of the members of the Corporation, the independent auditors' report to the Corporation, the statement of comprehensive income (SOCl), the balance sheet as at 31 July, the statement of changes in reserves, the statement of cash flows, and the Notes to the financial statements.

Members noted that the College had declared an operating surplus of £58,000 (2014/2015 deficit £74,000) after charging depreciation of £723,000 (2014/15 £717,000). It was noted that the financial statements recorded that the College continued to adopt the going concern basis in preparing the financial statements and would continue to monitor any changes that might occur as a result of the Area Based Review and adjust its strategic plan accordingly to maintain its improving financial position.

It was noted that the financial statements had been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the SORP), the College Accounts Direction for 2015 to 2016, and in accordance with Financial Reporting Standard (FRS) 102. It was noted that, as a result of the implementation of the new SORP and FRS 102, the 2014/15 accounts had been re-stated in the 2015/16 financial statements. Members also note that, following approval at the July 2016 meeting of the Corporation, the following accounting policies had been adopted: the accruals model had been adopted in respect of deferred capital grants; non-government grants had been accounted for under the performance model i.e. moved to the Income & Expenditure (I&E) reserve at 1 August 2014; the College had recognised land at fair value at transition (i.e. 1 August 2014) as deemed cost (with the College having opted to revalue land at the date of transition); holiday pay had been accrued. It was noted that Note 21 to the financial statements referred to the first time adoption of the SORP and FRS 102.

It was noted, in response to members' questions concerning the effect of FRS 102 on bank covenants that: the Barclays Bank covenants were unaffected by the implementation of FRS 102: the Director of Finance had sent Lloyds accounts pre- and post-FRS 102 showing that covenants would have been met under the former, with Lloyds agreeing to waive the breach under the latter and with an appropriate form of wording indicating this currently being agreed with Lloyds.

Members noted the section on retirement benefits at Note 16 to the financial statements, noting that the forthcoming triennial valuation of the East Yorkshire Pension Fund could result in increased employer contributions from April 2017.

The Committee noted RSM's statement as regularity reporting accountant that in the course of their work, nothing had come to their attention which suggested that in all material respects the expenditure disbursed and income received during the period 1

August 2015 to 31 July 2016 had not been applied to purposes intended by Parliament and that the financial transactions did not conform to the authorities which governed them.

It was agreed that the Director of Finance would discuss further with Richard Lewis of RSM members' query regarding the wording of the statement on cash reserves mentioned in the cash flow and liquidity paragraph on page 3 of the financial statements.

Having completed its review of the College's annual report and financial statements for the year ended 31.7.16 and taking into account the positive outcome of the 2015/16 internal audit report and of the financial statements audit findings report to be considered at agenda item 12, the Committee agreed to recommend that it would be appropriate for the Chair of Corporation and the Principal to sign the statement of corporate governance and internal control, and the statement on regularity, propriety and compliance with funding body terms and conditions of funding and for the Chair of Corporation to sign the statement of responsibilities of members of the Corporation.

Action: Chair

90.12 Financial Statements Audit Findings Report

Richard Lewis of financial statements/external auditors RSM UK Audit LLP presented the Final Audit Findings Report for the year ended 31 July 2016.

Members considered the report and noted that RSM anticipated issuing an unqualified opinion on the financial statements and no modifications to the regularity assurance report, following satisfactory clearance of outstanding matters.

The Committee reviewed RSM's audit findings report, noting in particular that:

- RSM had confirmed that in all material respects the accounting treatment adopted by the College, including the transitional and comparative adjustments together with the disclosures made in the financial statements were in accordance with the requirements of FRS 102 and the SORP;
- With reference to the pension scheme liability valuation and the bespoke salary growth assumption adopted by the College which reflected expected future salary growth, that the accounting treatment adopted and the disclosures made by the College were appropriate;
- Appropriate disclosures regarding going concern and borrowing arrangements had been made in the College's financial statements and that Lloyds had provided written confirmation that borrowing covenant breached (due to FRS 102 accounting treatments) at 31 July 2016 had been waived;
- The report noted that the College had prepared its two-year financial forecast to 31 July 2018 in July 2016 against a background of funding and cost pressures together with the uncertainty due to the Area Based Review and on the basis of this forecast had concluded that the College was a going concern;
- No issues had come to RSM's attention during the regularity review;
- No adjustments had been made that affected the results in the draft financial statements presented for audit;
- There were no significant deficiencies in internal control which came to RSM's attention during the course of the audit and regularity work;
- The accounting policies adopted by the College were appropriate for the circumstances of the College and consistent with the FE sector;
- The recommendations arising from the 2015 audit had been completed.

Members discussed fees to be charged for the 2015/16 financial statements/external audit and the regularity engagement by RSM UK Audit LLP and for work by RSM UK Tax & Accounting Limited relating to accounting services to assist the College with its transition to the new SORP, noting that these should be consistent with the fees outlined in the audit plan approved by the Corporation in July 2016. It was noted that a statement of fees would be sent to the Director of Finance shortly.

The Committee congratulated the Director of Finance on no adjustments having been made to the draft financial statements and no recommendations arising from the 2016 audit.

The Committee thanked RSM for their work on the 2016 financial statements/external audit and regularity engagement.

The Committee received the audit findings report from financial statements/external auditors and regularity reporting accountant, RSM, noting that the auditors anticipated issuing an unqualified audit opinion, and agreeing that the report should be presented to the Corporation as an appendix to the Committee's Annual Report.

Action: Chair

90.13 The College's annual report & financial statements

It was noted that this item had been considered earlier on the agenda.

90.14 Letters of representation to RSM

The Committee agreed to recommend to Corporation, for approval and signing, the financial statements audit and regularity assurance engagement letters of representation from the Corporation to RSM.

Action: Chair

90.15 Determine documents to be sent to the EFA

The Committee noted that, following presentation to and/or approval by the Corporation as appropriate, the following would be submitted electronically to the EFA by 31.12.16: the College's annual report & financial statements, RSM's audit findings report, the Audit Committee's annual report.

Action: Director of Finance/Clerk

Internal audit matters

90.16 Draft updated internal audit plan

90.17 College assurance map

Agenda items 90.16 (draft updated internal audit plan) and 90.17 (College assurance map) were considered together, noting that the latter, which had been considered at the Committee's Oct. 2016 meeting was designed to highlight areas where there were assurance gaps.

Lesley Hill, of the East Coast Audit Consortium (ECAC) presented the revised draft internal audit plan 2016/17, which had been updated to take account of the discussions at the Committee's Oct. 2016 meeting of the initial draft plan.

Members noted that:

- The internal audit reviews undertaken in the last 4 years had been mapped at Appendix A, which also indicated the assurance level given in the resulting reports;
- The updated plan for 2016/2017 was detailed within Appendix A and was shown in more detail at Appendix B;
- At the request of Audit Committee members, Appendix C had been produced to provide more information on what would be reviewed under various audit headings, subject to discussions concerning specific client needs;
- The cost of delivering the plan was £5,640 plus VAT (15 days at £376 plus VAT per day).

Members discussed the number of days allocated to the 19+ and non-EU learners review , noting that the Committee had agreed at its Oct. 2016 meeting that this area should be included as a specific review within the 2016/17 plan to ensure that the Committee had

assurance that systems were working correctly.

The Committee agreed to recommend to the Corporation approval of the draft internal audit plan 2016/17, including fees.

Action: Chair

Funding body circulars & new regulations &/or documents from other external bodies

90.18 Documents from external bodies

The Committee noted the link to the following document, noting also the related briefing at Appendix B (updated regulatory update) of RSM's Financial Statements Audit Findings Report:

- ***DfE: developing a FE & 6th form college insolvency regime consultation report (Oct. 2016) at: <https://www.gov.uk/government/consultations/developing-an-insolvency-regime-for-the-further-education-and-sixth-form-sector>***

Appendix A: FOI, data protection, governance annual reports

90.19 Annual report on data protection & freedom of information

It was noted that the above reports had been considered earlier on the agenda.

90.20 Audit Committee's annual report to Corporation, the Principal & the EFA

The Audit Committee considered its draft Annual Report to the Corporation and the Principal, noting that it conformed to the requirements of the EFA/SFA Joint Audit Code of Practice (JACOP) (June 2016) i.e. that the Audit Committee should "produce an annual report for the corporation, summarising the committee's activities relating to the financial year under review, including:

- a summary of the work undertaken by the committee during the year
- any significant issues arising up to the date of preparation of the report
- any significant matters of internal control included in the reports of audit and assurance providers
- the committee's view of its own effectiveness and how it has fulfilled its terms of reference
- the committee's opinion on the adequacy and effectiveness of the college corporation's audit arrangements, its framework of governance, risk management and control, and its processes for securing economy, efficiency and effectiveness
- submit the annual report to the corporation before the statement of corporate governance and internal control in the annual accounts is signed".

The Committee noted that the following documents would be attached as appendices to the report:

- Internal Audit: Annual Report 2015/16
- Financial Statements: Final Audit Findings, year ended 31.7.16
- Independent Reporting Accountant's Report on Regularity for the year ended 31.7.16
- College's Strategic Risk Register (Oct. 2016)

The Committee approved the Audit Committee's Annual Report 2015/16 to the Corporation and the Principal, including the following positive opinion on the final page of the report i.e. that "Based on the reports of and discussions with both the internal auditors and the financial statements and regularity auditors, together with our own enquiries, the Audit Committee's opinion is: that reliance can be placed upon the adequacy and effectiveness of Wyke Sixth Form College Corporation's audit arrangements, its framework of governance, risk management and control and its processes for securing economy, efficiency and effectiveness; that the Corporation's responsibilities, included in the annual financial statements, have been satisfactorily discharged".

The Committee agreed that the report should be presented to the Corporation's Dec. 2016 meeting, before the Corporation considered the Annual Report and Financial Statements for the year ended 31.7.16.

Action: Chair

It was noted that, following submission to the Corporation, the report would be submitted to the Education Funding Agency (EFA) by the required deadline of 31.12.16, as noted above at agenda item 90.15.

90.21 Summary report against Governance Code

It was noted that adoption of the Association of Colleges (AOC) *English Colleges' Code of Good Governance* (Mar. 2015) (the Code) was voluntary and that, in common with a number of other sixth form college corporations, the Corporation had not adopted the Code. The Oct. 2016 meeting of the Audit Committee had, however, agreed that the Clerk should map the College's practice against the Code's 10 principles, for review and information.

Members noted that the Code included: an initial statement of the core values and expectations that provided the context for the way in which college governance was conducted; a list of the 10 key governance principles that supported the values and were vital to successful implementation; more detailed consideration of each responsibility.

The Committee considered the Clerk's summary report against the Code, noting that the table showed that the College either complied with the principles in full or complied but further enhancement was possible, with one exception: principle 5 (Ensure that the college is responsive to workforce trends by adopting a range of strategies for engaging with employers and other stakeholders) which was shown as complying in part with further action in progress. It was noted in discussion that principle 5 appeared to reflect the fact that the Code had been primarily designed for use by General FE colleges which were vocationally-orientated e.g. none of the 10 principles specifically referred to the preparation of students for progression to HE and graduate careers.

The Committee received a summary report mapping the College's practice against the Association of Colleges (AOC) English Colleges' Code of Good Governance.

Final matters

90.22 Any other business

There was no other business not already on the agenda.

90.23 Risk management – items identified at the meeting

There were no new items of risk identified at the meeting.

90.24 Date of next meeting

It was noted that the Committee was next scheduled to meet on Mon. 13 Mar. 2017 at 4.30pm.

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

It was noted that the Committee met at least annually with the auditors without the presence of senior management.

(The Principal, Jay Trivedy, and the Director of Finance, Anna Lamplough, left the meeting).

Members noted that the financial statements/external auditors considered that the Director of Finance had appropriate expertise and that financial information provided during the

audit had been good.

The Committee considered the importance of finance department staff being appropriately trained and discussed with the College's auditors' the College's plans to appoint 2 additional part-time staff members to the finance department, including a part-qualified accountant, noting that the latter appointment would allow the Director of Finance to focus more on her strategic role.

The Committee completed its meeting with the auditors without the presence of senior management.

Fiona Bagchi
Clerk to the Corporation

**AUDIT COMMITTEE
MINUTES OF MEETING 91 HELD ON 21 MARCH 2017**

Present: Philip Wright (Chair), John Gilleard, Jane Price, John Shipley

In attendance: Lesley Hill (E. Coast Audit Consortium, internal auditors), Bill Jackson (Director of Network & Information Systems), Anna Lamplough (Director of Finance), Jay Trivedy (Principal)

Clerk: Fiona Bagchi

91.1 Apologies for absence

Apologies were received from Richard Lewis (RSM, external auditors).

91.2 Declaration of interests

There were no declarations of interest.

Minutes & matters arising

91.3 Minutes of meeting held on 28 Nov. 2016

The minutes of the meeting held on 28 Nov. 2016 were approved.

91.4 Matters arising and action table

(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 Committee noted that it had been agreed at the Committee's Mar. 2016 meeting that the appropriateness of adopting the Association of College's (AoC) *Code of Good Governance for English Colleges* for use by the College should be deferred, given that the College was now reviewing strategic options in preparation for the Area Based Review process, including academy conversion. The above decision was due to be reviewed at the Committee's June 2017 meeting (90.4).

Action: Clerk
- 2 2015/16 internal audit report had been presented to the Dec. 2016 Corporation meeting as an annex to the Audit Committee's annual report (90.4).
- 3 The ECAC had been re-appointed as internal auditors at the Dec. 2016 Corporation meeting, on the recommendation of the Audit Committee (90.4).
- 4 The College's revised Fraud & Bribery Policy had been approved at the Dec. 2016 Corporation meeting (90.4).
- 5 The Audit Committee minutes of 20 Oct. 2105 had been amended, as agreed (90.5).
- 6 It had been agreed at the Committee's Nov. 2016 meeting that the Director of Finance would discuss further with Richard Lewis, of external auditors' RSM, members' query regarding the wording of the statement on the cash reserves mentioned in the cash flow and liquidity paragraph on page 3 of the financial

statements. It was noted that, following discussion with Richard Lewis of RSM, the Director of Finance had confirmed that, as the statement was that the College 'aims to keep cash reserves sufficient to cover two months' pay costs' and it was not a policy, it should remain as stated on page 3 of the financial statements (90.13).

- 7 The Chair of the Corporation and the Principal had signed the statement of corporate governance and internal control, and the statement on regularity, propriety and compliance with funding body terms and conditions of funding at the Dec. 2016 Corporation meeting. The Chair of the Corporation had also signed the statement of responsibilities of members of the Corporation at the Dec. 2016 Corporation meeting (90.13).
- 8 RSM's audit findings report had been presented to the Corporation as an appendix to the Committee's Annual Report (90.12).
- 9 The letters of representation to RSM had been approved and signed at the Dec. 2016 Corporation meeting (90.14).
- 10 The following had been submitted electronically to the Education Funding Agency (EFA) by the deadline of 31.12.16: the College's annual report & financial statements (signed by the Chair of Corporation, the Principal and the external auditors), RSM's audit findings report, the Audit Committee's annual report (90.15).
- 11 The internal audit plan 2016/17, including fees, had been approved at the Dec. 2016 Corporation meeting (90.16).
- 12 The Committee's annual report had been presented to the Corporation's Dec. 2016 meeting, before the Corporation considered the Annual Report and Financial Statements for the year ended 31.7.16 (90.20).

Rolling implementation plan

91.5 Rolling implementation plan of internal audit recommendations

The Committee noted that one action was outstanding from the HR Anti-fraud controls/payroll report (Sept. 2016) i.e. the updated Disclosure & Disclosure Information Policy was due to be presented to the May 2017 Personnel Committee meeting for approval.

Action: Personnel Manager

Risk management & assurance map

91.6 Review of College's strategic risk register

The Director of Finance, Anna Lamplough, presented the College's updated strategic risk register (March 2017), which was considered.

Members noted that the following changes had been made to the strategic risk register since it had been reviewed at the Committee's Nov. 2016 meeting:

- A new risk, G06 (Governance & Leadership: staff utilisation) had been added;
- Risks E1(External factors: reputational issues including new performance league tables), E2 (External factors: competition for students including from the University Technical College), E5 (External factors: staff recruitment), REC01 (Recruitment: student recruitment risks associated with marketing and liaison work) had increased;
- Risk E6 (External factors: risk of significant organisational change caused by the Area Based Review (ABR) resulting in falling student outcomes) had reduced and was no longer on the strategic risk register.

It was noted in response to members' questions concerning the risk arising from the ABR

process, including the formation of the proposed federation of Humber sixth form colleges, that:

- Organisational change arising from the ABR process remained on the risk register but, as the risk score had reduced, it was no longer included in the higher level strategic risk register.

The Committee received the updated strategic risk register.

91.7 College's assurance map

It was noted that the revised assurance map would be presented to the Committee's summer term meeting.

Action: AL/Clerk

Internal audit

91.8 Internal audit 2016/17

Lesley Hill of the internal auditors, ECAC, presented the following reports.

(i) Progress report

The Committee received a report on progress to date against the 2016/17 internal audit plan, noting that the plan was 43% complete, with the first two reviews undertaken in Jan. 2017 and the remaining three reviews scheduled to be undertaken week commencing 24 April 2017.

(ii) Cyber security

(Jane Price arrived during this item).

Lesley Hill reported that:

- The review sought to assess the College against key elements of the Government's '10 steps to cyber security' framework;
- Information systems and data were increasingly facing cyber threats, which were continuously evolving;
- The College had first-hand experience of its systems being inappropriately accessed and had subsequently revisited various systems and changed processes following this breach;
- The auditor met with the Director of Network & Information Systems and the Digital Technologies Manager to establish the systems in place in the College and ongoing work to protect the College from cyber security threats;
- The report noted areas of good practice already in place and included (non-exhaustive) suggestions to further strengthen controls and reduce the risk or impact of a cyber attack;
- Due to the nature of the review, the report did not contain an assurance level.

Members noted in discussion that:

- The Government's '10 steps to cyber security' framework was primarily designed for larger public organisations such as the NHS, and not all aspects [*confidential minute*], were therefore applicable to the College, which was reflected in the management comments;
- Actions taken were assessed with reference to risk management and resources;
- The College's practice was continuously developing in response to and/or in anticipation of evolving Cyber security risks;
- [*Confidential minute*];
- Recovery from an incident would be undertaken with reference to the College's Business Continuity Plan;
- Intelligence on cyber security risks came from various sources e.g. the trade press, online, the JANET (Joint Academic Network) Incident & Security Response Team.

Members discussed whether it would be valuable for the IT/MIS teams at the 4 colleges in the proposed Humber federation of sixth form colleges to discuss their experiences of and actions taken in response to cyber security threats.

The respective merits and disadvantages of Linux and Windows were discussed.

The Committee received the report on cyber security.

(iii) 19+ & non- EU learners

Lesley Hill reported that the objectives of the above review were:

- To ensure that the College had mechanisms in place to correctly identify and record its 19 year old learners as EFA or SFA funded students and to collect tuition fees from those adult students who were not eligible for full funding; and
- To ensure that the College had mechanisms in place to ensure that tuition fees were charged to non-funded students and that these students had the required leave to remain in the UK to complete their course (whether this be through Tier 4 visa sponsorship by the College or otherwise).

It was noted that:

- Students who started their course aged 16-18 (and continuing learners aged 19+) were funded by the EFA;
- Learners who were aged 19 or over on 31 Aug. in the funding year in which they started their course would normally be funded by the SFA (Skills Funding Agency);
- Learners who had not lived in the UK or EU for 3 years before starting their course were not funded by the EFA or SFA, unless they met other residency criteria, and were therefore charged tuition fees for their course;
- A sample of student files and ILR records relating to 19 year old learners and potential overseas students had therefore formed an integral part of the review.

Members noted that:

- As a result of the work undertaken, the ECAC were able to offer only Limited Assurance;
- A number of weaknesses had been identified and a total of 5 recommendations had been made to strengthen the processes in place *[confidential minute]*;
- 4 of the recommendation were Grade 2 (significant) and 1 was Grade 3 (requires attention);
- Management responses had an implementation date of Aug. 2017.

Action: BJ

Members noted in discussion of recommendations concerning the need for the timely invoicing of students and/or the obtaining of evidence that they were exempt from payment of fees that:

- The College had very few UK students who were required to pay fees, noting that students aged 19+ would, for example, be SFA funded if they were undertaking a first Level 3 study programme;
- The College, as a Tier 4 sponsor, could sponsor 6 overseas students annually, with 4 sponsored in 2015/16 and none in 2016/17 by the date of the review;
- All (i.e. home and overseas) students had to provide evidence of nationality at or before enrolment e.g. passport, birth certificate;
- *[Confidential minute]*;
- Where students did not have evidence of nationality, the College provided advice on how to obtain e.g. how to obtain a birth certificate.

It was noted in response to members' questions that:

- The College tried to ensure that evidence of nationality was provided as early in the application process as possible *[confidential minute]*;
- Implementation of recommendations would be reviewed by the ECAC as part of the 2017/18 Follow Ups review, in addition to the review undertaken by the Committee through the rolling plan of auditors' recommendations.

The Committee received the report arising from the 19+ & non- EU learners review, noting that the internal auditors, the ECAC, had been able to offer only Limited

Assurance.

Financial statements & regularity assurance audit

91.9 Performance review of regularity assurance & financial statements/external auditor incl. review of cost of the 2015/16 audit

(i) Cost of the audit for the year ended 31 July 2016

The Committee noted that financial statements/external audit, regularity engagement work and work in relation to the Teachers' Pension Scheme (TPS) certificate had been undertaken by RSM UK Audit LLP, with work by RSM UK Tax & Accounting Limited relating to accounting services to assist the College with its transition to the new SORP also being undertaken.

Members noted the cost of the /external audit and the regularity engagement work and in relation to the Teachers' Pension Scheme (TPS) certificate, which had been undertaken by RSM UK Audit LLP in relation to the audit for the year ended 31 July 2016.

The Committee also considered the proposed cost of the work undertaken by RSM UK Tax & Accounting Limited in relation to the audit for the year ended 31 July 2016 and agreed that the Director of Finance should discuss the final sum to be paid with RSM.

Action: Director of Finance

(ii) Auditor independence

Para.13.4 (Auditor independence) of the College's Financial Regulations stated that: 'As required under the Joint Audit Code of Practice, the Audit Committee must inform the Corporation of any additional services provided by the external or internal auditors and explain how independence and objectivity have been safeguarded. 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 is the lower'.

The Committee noted that no additional work had been undertaken by RSM in 2015/16 other than the work notified in the 2016 audit plan.

(iii) Performance review

The Committee completed its review of RSM's performance in relation to the external audit and regularity engagement for the financial year ended 31 July 2016, noting a positive performance.

The Committee completed its review the cost of the external audit and regularity engagement work for the year ended 31.7.16 and reviewed the performance of the auditors, noting a positive performance and agreeing that the Chair should sign the performance checklist.

Action: Chair

91.10 Consideration of re-appointment of RSM as regularity assurance & external auditor, subject to agreement of 2017 audit plan & fees

The Committee considered the re-appointment of RSM as external auditor and for the regularity engagement, subject to agreement of the 2017 audit plan and fees.

Members discussed whether the proposed Humber federation of sixth form colleges might consider going out to tender jointly for external auditors on value for money grounds, noting that:

- The Audit Code of Practice did not require colleges to go out to tender for auditors at set intervals but individual colleges might have such a requirement in their financial regulations e.g. a requirement to go out to tender every 5 or 7 years;
- Firms tendering for an external audit contract with all 4 colleges in the proposed federation would need to be local but large enough to be able to carry out the external audit of all 4 colleges at the same time;

- The College's current external auditor, RSM, appeared to have particular expertise in the audit of sixth form colleges;
- If following discussion, the colleges in the proposed federation decided to go out to tender jointly for external auditors, this could not be before 2018.

Following a positive review of RSM's performance as external auditors for the audit for the year ending 31 July 2016, the Committee agreed to recommend to the Corporation the re-appointment of RSM as external auditors for the audit for the year ending 31 July 2017 and to undertake for the regularity engagement, subject to agreement of the audit plan and fees.

Action: Chair

Appendix A: funding body circulars & new regulations &/or documents from other external bodies

91.11 Documents from external bodies

(i) RSM: FE high priority management actions report (Jan. 2017)

It was noted that:

- RSM had undertaken an analysis of all high priority management actions agreed with their internal audit FE clients in 2015/16, with their report highlighting key themes arising from the reviews undertaken e.g. 27% of the high priority management actions raised during 2015/16 related to learner data and the eligibility of learners for funding.

(ii) SFA/EFA: Post-16 Audit Code of Practice 2016 to 2017 (Mar. 2017)

It was noted that:

- The Skills Funding Agency (SFA) and Education Funding Agency (EFA) had issued an updated post-16 audit code of practice for 2016 to 2017 (previously the Joint Audit Code of Practice (JACOP)), which set out a common standard for the provision of assurance in relation to funding of post-16 providers;
- The new Code, issued in Mar. 2017, was considered to have been in force from 1 Aug. 2016, replacing the JACOP issued in June 2016;
- Changes from the previous version of the Code included updates to reflect Machinery of Government changes, including the transfer of the Skills Funding Agency (SFA) into the Department for Education, and a summary of regularity assurance work findings at Annex C;
- A regularity self-assessment questionnaire would be published by the SFA/EFA as a separate document in due course.

(iii) SFA/EFA: College Accounts Direction 2016 to 2017

It was noted that the SFA and EFA had updated their college accounts direction for 2016 to 2017 for sixth-form and further education colleges.

The Committee received the above documents.

Final matters

91.12 Any other business

[Confidential minute].

The Committee received details of a confidential item of any other business from the Director of Finance.

91.13 Risk management – items identified at the meeting

No new items of risk had been identified at the meeting.

91.14 Date of next meeting

The Committee was next due to meet on Tues. 13 June at 4.30pm.

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

The Committee agreed that no meeting was required.

Fiona Bagchi
Clerk to the Corporation

**AUDIT COMMITTEE
MINUTES OF MEETING 92 HELD ON 13 JUNE 2017**

Present: Philip Wright (Chair), John Gilleard, Jane Price, John Shipley

In attendance: Sue Kendall (AuditOne, internal auditors), Ashley Hepton (RSM, external auditors), Bill Jackson (Director of Network & Information Systems), Anna Lamplough (Director of Finance)

Clerk: Fiona Bagchi

92.1 Apologies for absence

Apologies were received from Jay Trivedy (Principal) and Richard Lewis (RSM, external auditors).

92.2 Declaration of interests

There were no declarations of interest.

Minutes & matters arising

92.3 Minutes of meeting held on 21 Mar. 2017

The minutes of meeting held on 21 Mar. 2017 were approved subject to an amendment under the Any Other Business heading [confidential minute].

Action: Clerk

92.4 Matters arising and action table

(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 Committee had agreed to defer its review of whether the Corporation should adopt the Association of Colleges' *Code of Good Governance for English Colleges* (the *Code*) to June 2017 i.e. after the outcome of the Area Based Review (ABR) process was known, as some of the ABR options would have made adoption of the *Code* redundant (e.g. if the College had become an academy). The Audit Committee had received a report from the Clerk at its Nov. 2016 meeting which mapped the College's practice against the *Code*'s 10 principles.

The Committee agreed that the Audit Committee should in future receive such a report annually during the autumn term, for information, and that, on receipt of the report annually, the Committee should review whether the Corporation should continue with its policy of not adopting the *Code*, which was primarily designed with reference to the FE sector.

Action: Clerk

It was noted that the College continued to report against the Financial Reporting Council's *UK Corporate Governance Code* (in so far as it applies) in its annual financial statements (91.4).

- 2 It was noted, with reference to internal audit recommendations, that one action in the rolling plan was outstanding from the HR Anti-fraud controls/payroll report (Sept. 2016) i.e. the updated Disclosure &

Disclosure Information Policy which had been due to be presented to the May 2017 Personnel Committee meeting for approval. It was noted that the May 2017 Personnel Committee meeting has been moved to 26 June 2017 so this action was currently still outstanding (91.5).

Action: Personnel Manager

- 3 It was noted that the updated assurance map would be presented to the Oct. 2017 meeting of the Committee for consideration with the internal audit plan (91.7).

Action: Clerk/AL

- 4 It was noted, with reference to internal audit recommendations, that: recommendations arising from the 19+ & non-EU learners review had an Aug. 2017 implementation date (91.8).

Action: Director of Network & Information Systems

- 5 The Committee noted the final cost of the work undertaken by RSM UK Tax & Accounting Limited in relation to the audit for the year ended 31 July 2016 [*confidential minute*] (91.9).

- 6 The Committee had reviewed the performance of the auditors at its Mar. 2017 meeting using the agreed performance checklist, noting a positive performance (91.9).

- 7 The Mar. 2017 meeting of the Corp. approved the re-appointment of RSM as /external auditors for the audit for the year ending 31 July 2017 and for the regularity engagement, subject to agreement of the audit plan and fees (91.10).

Risk management

92.5 Review of College's strategic risk register

The Committee received the College's strategic risk register, noting that it was unchanged from the version considered at the Committee's March 2017 meeting and was due to be updated shortly.

Rolling implementation plan

92.6 Rolling implementation plan of internal audit recommendations

The Committee noted that an update on internal audit recommendations had been provided at actions 2 and 4 at minute 92.4 above.

Internal audit

92.7 Internal audit 2016/17: progress & Block 2 reports

Sue Kendall of AuditOne presented the reports, which were considered.

(i) Progress report

The Committee received a report on progress to date against the 2016/17 internal audit plan, noting that all planned reviews had been undertaken, with the management responses to the Budgetary Control review remaining to be finalised.

Action: AL

(ii) Staff Training & Development

Members noted that:

- The review had considered whether that the College has adequate systems and procedures in place to maximise staff potential through the identification and delivery of training and development needs.

- As a result of the work undertaken, the ECAC were able to offer Substantial Assurance;
- 4 of the recommendations arising from the review were Grade 2 (significant) and 2 were Grade 3 (requires attention);
- Management responses had been agreed with an implementation date from the 2017/18 year for 3 recommendations and an implementation date not being applicable with reference to one recommendation.

(iii) Follow Ups

Members noted that:

- The reports followed up during this review were Enrolment and Tuition Fees/Fee remission (May 2014), Key Financial Controls (Feb. 2016), Lettings (May 2016), HR Anti-Fraud Controls/Payroll (May 2016);
- All recommendations reviewed had been implemented with the exception of 2 recommendations arising from the HR Anti-Fraud Controls/Payroll review which had been implemented in part;
- The 2 partly outstanding recommendations were noted as due to be implemented in full at the June 2017 Personnel Committee meeting.

The Committee received the internal audit progress & Block 2 reports.

92.8 Merger of ECAC with AuditOne

Sue Kendall, Head of Internal Audit (East), at AuditOne presented an AuditOne Client Briefing (May 2017), which was discussed.

Members noted that:

- The ECAC had been established in 1989 and provided audit services to the NHS and other clients e.g. colleges;
- The ECAC had merged with AuditOne (an NHS hosted organisation providing 'not for profit' services to the public sector) from 1 June 2017, with the aim of 'retaining a successful local internal audit and counter fraud service within a larger entity thereby offering expanded services and specialisms and operational resilience to its clients';
- The new organisation had a turnover of c. £3 million;
- Sue Kendall had taken over from Benita Boyes at ECAC's Beverley office from 1 June 2017.

It was noted in response to members' questions that:

- There should be limited change to the delivery of the internal audit service to the College e.g. the College's Audit Manager remained Lesley Hill;
- The aim was to deliver continuity but with a refreshed methodology and tools and with greater access to specialist support (e.g. IT, fraud, governance specialist etc) and events;
- The templates for reports would change and would include 4 levels of assurance (Substantial, Good, Reasonable, Limited) which would be "RAG" rated, but reviews would still be risk-based and look at key controls.

Members considered AuditOne's management structure, noting that:

- The Senior Leadership Team comprised the Managing Director (Ian Wallace) and two Directors of Internal Audit (North and South);
- The Corporate Leadership Team, in addition to the above, included the Head of Technology Risk Assurance, the Head of Counter Fraud, the Head of Internal Audit (Yorkshire) and the Quality and Performance Manager.

Members noted that AuditOne's Management Board was exclusively NHS based and queried whether it should include some members with educational experience. It was noted that Ian Wallace had extensive experience of working in internal audit in FE and HE, having previously worked for Bentley Jennison/RSM (before they merged with Baker Tilly) and with TIAA Ltd.

Members noted the list of AuditOne's priorities for 2017/18 (e.g. integration of the ECAC team

ensuring a smooth and seamless transition for clients, introduction of a standard methodology and computerised working paper system), noting that individual elements of internal plans would still be discussed with clients as previously.

It was noted in response to members' questions that: the advantage of the larger organisation for clients would be access to greater specialist support; staffing needs for the Beverley office (e.g. as staff retired) were expected to be considered locally; the cost of staff travel was included in the overall fee (i.e. it would not cost more if a specialist based in the NE were to be used for a Yorkshire audit).

Members discussed whether the 4 colleges in the Humber federation of sixth form colleges might consider jointly going out to tender for internal auditors, although noting that the federation's priority was the improvement of academic quality rather than cost-saving. It was noted in discussion that, while an internal audit service remained mandatory for HE institutions, it was now discretionary for FE and sixth form college corporations i.e. based on the advice received from a corporation's Audit Committees on the corporation's assurance arrangements. Members noted that the Audit Committee was, however, required, under the Post-16 Audit Code of Practice, 'to assess and provide the corporation with an opinion on the adequacy and effectiveness of the corporation's assurance arrangements, framework of governance, risk management and control processes for the effective and efficient use of resources, solvency of the institution and the safeguarding of its assets'. While it was understood, that not all the colleges in the federation had an internal audit service, colleges remained independent corporations and it was noted that this was therefore a decision which had to be taken at individual corporation level.

The Committee agreed that the most effective way to provide the assurances it was required to give to the Corporation under the Post-16 Audit Code of Practice was to continue to employ an internal audit service.

The Committee received AuditOne Client Briefing for May 2017.

92.9 Update assurance map

It was noted that updated assurance map would be presented to the Oct. 2017 meeting for consideration with the internal audit plan - see also action table above.

Financial statements audit & regularity assurance

92.10 RSM: external audit plan for y.e. 31.7.17

Ashley Hepton of RSM UK Audit LLP presented the external audit plan for the financial year ending 31 July 2017, which was discussed.

Members noted that:

- The purpose of the plan was to explain the scope of the audit of the financial statements and the regularity assurance engagement, RSM's approach, and the key risks on which the work would be focussed;
- The plan also formed part of RSM's ongoing communication with the College under International Standard on Auditing (UK and Ireland) 260 in respect of the financial statements audit of the College;
- This audit plan was based on RSM's discussions with the College to date and was being presented prior to the completion of all planning processes, and would be updated on completion of detailed planning, prior to commencement of the audit and regularity assurance to take into account any material events which occurred or additional risks or areas of material irregularity identified between the initial discussions with the College and the completion of the planning processes;
- RSM's primary responsibility was to form and express an opinion as to whether the College's financial statements, prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (F&HE SORP 2015) and UK GAAP, showed a true and fair view;
- RSM's other responsibilities comprised reporting on going concern matters and

reporting in accordance with the Post 16 ACOP if, in RSM's opinion adequate accounting records had not been kept, the financial statements were not in agreement with the accounting records or RSM had not received all the information and explanations required for the audit;

- RSM was also responsible for providing a regularity assurance conclusion, addressed jointly to the College and the Secretary of State for Education acting through the Department for Education;
- RSM was no longer required to look at propriety but would report to the Corporation if there were any issues;
- RSM would also provide an independent reasonable assurance report in connection with the Teachers' Pensions (TPS) Contributions for the year ended 31.3.17;
- The engagement letter of 16 Nov. 2015 remained in force and set out in detail RSM's and the College's respective responsibilities but, given recent changes to auditing standards and sector changes, RSM would be issuing an updated engagement letter in due course.

Action: RSM

The Committee noted the timetable for the audit and that the key areas of proposed audit focus/risk included the following: income recognition, pension scheme liabilities, going concern (including review of bank covenants); management override of controls; the regularity review. It was noted that the Education & Skills Funding Agency (ESFA) would in future fund Free Meals for students through a payment similar to bursary funding rather than as a grant to the College recognised in the accounts but this was not considered likely to affect the College, which spent its Free Meals allocation in full. RSM would review relevant federation developments, if any.

Members noted the need to ensure that actuarial assumptions on the level of staff pay awards were realistic. It was noted in response to members' questions that actuarial costs were expected to be in the region of £800. With reference to actuarial assumptions, the Director of Finance confirmed that it was proposed in the draft financial plan that the staff pay award would be 1% for the next 2 years.

Members considered proposed fees of £13,125 (which included a 3% inflationary increase), noting that this was lower than the fees charged in 2016/17 which had included additional work arising from the implementation of the F&HE SORP 2015 and FRS 102. It was noted, with reference to the proposed fees, that the Director of Finance would discuss with RSM whether this included review of one or more versions of the draft financial statements.

The Committee considered the appendices to the plan, including confirmation of auditor independence, confirmation of the engagement team (which was unchanged), non-audit services i.e. work on the Teachers' Pension End of Year Certificate, accounting assistance relating to the SORP 2015 transition, which was provided following review of safeguards. It was also noted that Richard Lewis, the audit principal, had acted as audit principal or senior audit manager for a period of ten years or more which could lead to a threat to his objectivity and independence, and that, in accordance with the RSM UK Audit LLP policy, he had been allowed to continue to act as audit principal subject to the safeguards that an internal review, which considered the objectivity and independence of the audit principal, would be conducted by an independent principal e.g. a secondary review of Richard Lewis' files by a partner in RSM's Newcastle office.

It was noted that the model opinion on page 16 of the plan should refer to 'Wyke Sixth Form College'.

It was noted in response to members' questions that "Related entities" of RSM UK Audit LLP included entities within the Baker Tilly UK Holdings Limited group.

It was noted that a briefing on emerging issues had been included under the 'Documents from external bodies' later on the agenda, noting in particular briefings on: the introduction of a statutory insolvency framework for the further education and sixth form college sector,

including the introduction of a Special Administration Regime (SAR) from the 2018/19 academic year; the new Post-16 Audit Code of Practice (ACOP) issued in Mar. 2017, including guidance on areas of governance and management weakness; a new regularity self-assessment questionnaire (SAQ) to be issued separately from the Post-16 ACOP. It was noted, in response to members' questions concerning the briefing on IR35, that from April 2017, all public authorities would need to consider whether to withhold income tax and national insurance contributions (NICs) under PAYE on payments to personal service companies (PSCs) or their intermediary agents. The Director of Finance reported that this had been brought to the attention of the College's senior management team (SMT), including the Personnel Manager, but that it appeared that most of the College's contractors were engaged through agencies.

It was noted that Ashley Hepton would forward an RSM briefing on the FE sector in 2020 to the Clerk.

Action: AH

The Committee completed its review of RSM UK Audit LLP's external audit plan for the financial year ending 31.7.17, agreeing to recommend it to Corporation, including a recommendation on agreement of the proposed fees.

Action: Chair

92.11 Self-assessment questionnaire (SAQ)

It was noted that the ESFA had yet to issue the 2017 self-assessment questionnaire.

BCP & CRP

92.12 Business Continuity Plan and Critical Response Plan

The Committee reviewed the College's Business Continuity Plan (BCP) and Critical Response Plan (CRP).

It was noted in response to members' questions on staff knowledge of the BCP and CRP and access to these documents that:

- The BCP and CRP could be accessed by staff online, including by remote access;
- The BCP and CRP had been subject to 2 recent live tests (i.e. following a bomb threat and a gas outage) and had been refined as a result;
- Staff were aware of the BCP and CRP generally and staff with specific responsibilities were aware of these;
- When the BCP was amended in 2016 to include an updated security section, this was introduced at a staff meeting, the security alarm was demonstrated and a Home Office video was shown.

Members queried whether Kelvin Hall School would be a suitable alternative control centre in the case of fire or flood, given that the School and College shared a site.

The Committee completed its review of the BCP and CRP and agreed that they should be updated for 2017/18 as follows, with confirmation that this had taken place being presented to the Audit Committee during autumn 2017:

- To reflect new job titles and responsibilities e.g. the removal of reference to the Deputy Principal and Director of Resources, the addition of references to the Premises Manager role and to the 2 new Assistant Principals, and to the fact that the 2 Vice-Principals deputised for the Principal according to an agreed rota;
- To include a reference to the Principal having discretion to agree a different alternative control centre, should Kelvin Hall School not be suitable;
- To amend the review date shown on the front of the BCP and CRP from annual to sixth monthly, to ensure references were kept up to date;
- To amend, at Appendix E to the BCP, the address of the Citizens' Advice Bureau i.e. to refer to the Wilson Centre, Alfred Gelder Street, Hull HU1 2AG;
- To review, at Appendix B to the CRP, the category applicable to an incident involving a person in possession of a weapon;

- To add contact details for the Humber Emergency Planning Service to the BCP.

Action: AL

Committee matters

92.13 Review standing agenda items and terms of reference

The Committee undertook its annual review of its standing agenda item list and terms of reference and agreed to recommend the following revisions to the Corporation:

- *The removal of a reference to '2015' under the 'At each meeting heading' of the Committee's standing agenda item list;*
- *Minor updating changes to the Committee's terms of reference i.e. the addition of an updated logo and reference to the EFA and SFA Audit Code of Practice issued in Mar. 2017.*

Action: Clerk/Chair

92.14 Audit Committee members' length of office and skills

The Committee received the annual report on members' length of office and skills, noting that: the Chair of the Audit Committee, Philip Wright, was the longest serving member (having been a member of the Committee for just over 13 years); the Vice-Chair, John Gilleard had been a member of the Committee for just under 3 years; John Shipley had been a member of the Committee for just under 5 years; Jane Price had been a member of the Committee for under a year. Members noted that the Audit Code of Practice (issued Mar. 2017) stated that 'Collectively, members of the committee should have recent, relevant experience in risk management, finance and assurance', noting also that the Committee fulfilled this requirement collectively and that the Chair and Vice-Chair were qualified accountants.

Members discussed the vacancy for a fifth member of the Committee, noting that this would be reviewed by the Corporation's Search & Governance Committee.

Action: Clerk

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

Funding body circulars & new regulations &/or documents from other external bodies

92.15 Documents from external bodies

The Committee received the following document, for information: RSM's Emerging Issues document (spring 2017).

Final matters

92.16 Any other business

There was no other business not already on the agenda.

92.17 Risk management – items identified at the meeting

The following new risk was noted during the meeting: the possibility of Kelvin Hall School not being a suitable alternative control centre for the College in the case of fire or flood (see minute 92.12 above).

92.18 Date of next year's meetings

It was noted that the Clerk would e-mail members and auditors concerning meeting dates for 2017/18.

Action: Clerk

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

The Committee agreed that no meeting was required.

Fiona Bagchi
Clerk to the Corporation