Minutes of a meeting of the Audit Committee held on Wednesday, 16th November 2011 at 5.00 p.m.

Present: Mr S Blaney, Ms K Woods (Vice-Chair), Mrs C Wright

In attendance: Mrs F Bagchi (Clerk to the Corporation), Ms S Bailey (Director of Finance), Mr S Clark and Mr N Adams (KPMG, Financial Statements auditors), Mr I Wallace, (RSM Tenon, Internal Auditors), Ms S Wonnacott (Principal).

Governors in attendance as observers: Ms J Eugene, Ms I Kemp, Mr T Woodland

1. Apologies for absence. Apologies were received from Mr C Clements (Chair). In Mr Clements’ absence, the meeting was chaired by the Vice-Chair, Ms Woods.

2. Declarations of interest. There were no declarations of interest.

PART I – Items for discussion & decision

3. Appointment of Chair and Vice-Chair. The Committee noted that Mr Clements and Ms Woods had been confirmed as Chair and Vice-Chair of the Audit Committee respectively by the Board of Governors of the HE Corporation at its meeting on 1.8.11.

4. Minutes of the previous meeting. The minutes of the meeting of the Audit Committee of the FE Corporation held on 26th June 2011 were approved.

5. Action plan update and matters arising from the minutes, not elsewhere on the agenda. It was noted that all actions had been completed, with the exception of the action to further review the implications of the Bribery Act 2010, which was due to take place in July 2011.

6. Matters arising from the minutes, not elsewhere on the agenda There were no other matters arising.

   It was agreed that the order of the agenda should be varied to allow Mr Wallace to leave the meeting early.

7. Item 12: Internal audit implementation progress report. It was agree to consider the internal audit reports at this point on the agenda. It was noted, in particular, with reference to the College’s internal audit implementation progress report that:
   - Staff Retention and absence monitoring review: appraisal documentation had been approved and appraisals had taken place
   - Staff Retention and absence monitoring review: The Continuing Professional Development (CPD) policy, which had been designed to meet FE requirements, would need to be re-written following the College’s transfer to the HE sector. The revised implementation date was therefore December 2011.
   - The assessed costs and administrative effort of maintaining an estates log had been considered to outweigh the benefits of implementing such a system. In response to
members’ questions, it was noted that the internal auditors were aware and were content that the College would therefore not be implementing this recommendation.

8. **Item 13: Internal Audit Report 2010/11.** Mr Wallace presented the report. It was noted that the 2010/11 internal audit plan had been designed to meet the requirements of the Audit Code of Practice relevant to the FE sector and that the report recorded substantial assurance in all key areas.

9. **Item 14: Internal Audit Strategy 2011/12 & Audit Charter.** Mr Wallace presented the internal audit strategy and the internal audit Charter.

   It was noted in discussion that the strategy included a 3-year strategy and a more detailed plan for 2011/12. The strategy would be reviewed annually to confirm priorities for internal audit coverage and to develop a detailed internal audit plan for the relevant year. It had been formulated following discussions between the internal auditors and the Director of Finance on the College’s current activities, strategic objectives and changes in risk profile and took into account the College’s transfer to the HE sector, including the requirements of HEFCE’s Audit Code of Practice. It included reviews which would enable the internal audit service to provide an annual opinion on risk management, governance, value for money (VfM) and internal control and also included reviews around data quality and management. It was noted that under HEFCE’s Audit Code of Practice, the Audit Committee had to include in their annual opinion, an opinion on both VfM and the management and quality assurance of data submitted to HESA and to HEFCE and other funding bodies.

   It was agreed to recommend the internal audit strategy to Corporation for approval, proposed Ms Woods, seconded Mr Blaney.

   **ACTION: Chair**

   The internal audit charter was considered and it was noted that this was in line with best professional standards. It was agreed that the Vice-Chair, Ms Woods, should sign the Charter on behalf of the Chair, Mr Clements.

   **ACTION: Vice-Chair**

10. **Item 10: Risk register.** The Committee reviewed the risk register, noting in discussion that the register showed inherent risk and that it would also be useful for the Committee to see the risk scores after mitigating actions.

   Mr Wallace confirmed that he had no issues to raise under item 24 (the annual meeting of auditors and the Audit Committee without the presence of management) and left the meeting.

11. **Items 7 & 8: Members’ Report & Financial Statements and External Auditors’ Management Letter for y.e. 31.7.11.** Mr Clark spoke to the Members’ Report and Financial Statements and to the external auditors’ management letter for the year ended 31.7.11.

   It was noted in discussion that the annual financial statements showed that the College had maintained control of its staff costs and continued to be in good position financially.

   Members noted that the management letter recorded that HE institutions (HEIs) would be going through a period of unprecedented change in the next few years and that, in order to ensure financial sustainability, it would be important for HEIs to ensure that they understood their cost base and student demand. The operational impact of changes to the Student
Loans Company fees payment profile, which was in future to be 25%/25%/50%, was also discussed.

It was noted with reference to the management letter, that the auditors anticipated issuing an unqualified audit opinion. One recommendation, graded low, had been made relating to redundancy payments.

It was noted that KPMG would provide the College with information on their HE benchmarking review in 2012.

Members considered the Members’ Report & Financial Statements for the y.e. 31.11.11, and agreed to recommend their approval by the Board of Governors at its meeting on 23rd November 2011, subject to minor typographical amendments: proposed Ms Woods, seconded Mrs Wright.

**ACTION: Director of Finance & Chair**

Tom Woodland joined the meeting as an observer.

12. **Item 9: Financial statements representation letter.** It was agreed to recommend the letter to Corporation for approval and signing: proposed Ms Woods, seconded Mr Blaney. **ACTION: Chair**

It was agreed to consider the Reserved Matters agenda at this point on the agenda to allow Mr Clark and Mr Adams to leave the meeting early.

13. **Item 22: Exclusions.** The Principal and Director of Finance left the meeting.

14. **Item 24: Annual meeting of the Committee with the auditors without the presence of management.** It was noted discussion that, while the next few years would be challenging for all HEIs, the College was considered to be financially well-placed to meet the challenges, providing it kept good control of costs, including staff costs.

Mr Clark and Mr Adams left the meeting. The Principal and Director of Finance returned to the meeting.

15. **Item 11: HEFCE’s annual risk assessment letter.** HEFCE’s annual risk assessment letter was received for information, noting that it had already been considered by the October 2011 meeting of the Board of Governors.

16. **Item 15: Annual review of fraud, bribery, irregularity and “whistle-blowing” events.**

The Committee received the CUC’s guidance for Audit Committees on this area and noted that no fraud bribery, irregularity or “whistle-blowing” events had been notified to the Committee in 2010/11 or to date.

17. **Item 16: Audit Committee’s Annual Report.** The Committee considered and approved the Committee’s draft Annual Report 2010/11 for presentation to the Board of Governors and the Principal. It was agreed that it should include a full opinion as required by HEFCE’s Audit Code of Practice but should also include a statement that the Committee wished to draw attention to the fact that, as the College was in the FE sector until 1 August 2011, the scope of any review upon which the Committee had relied in forming its opinion was undertaken with reference to the requirements of the Audit Code of Practice applicable to the FE sector or to the data quality requirements for FE institutions with HE provision and was not undertaken with reference to the requirements of HEFCE’s Audit Code of Practice for HE institutions.
18. **Item 17: Audit Committee checklist 2010/11.** The Committee received the checklist of the Audit Committee of the FE Corporation for 2010/11. It was agreed that the Committee would consider the further development of the checklist for use in 2012 at its March 2012 meeting.

19. **Item 18: Annual performance review of auditors.** The Committee agreed to use the performance checklists for the internal and external auditors recommended in the CUC Handbook for members of Audit Committees in HEIs for the review of auditors’ performance in 2010/11, agreeing that this should take place at the Committee’s March 2012 meeting.

20. **Item 19: Any other urgent items of business.** It was noted that HEFCE’s Assurance Service had notified the College that it would undertake an institutional review in 2012.

21. **Item 20: Date of next meeting:** Wednesday 21st March 2012 at 5.00pm.

22. **Item 23: Review of confidential Reserved Matters minutes.** The Reserved Matters minutes of the Audit Committee meeting held on 22nd June 2011 were approved.
Minutes of a meeting of the Audit Committee held on Wednesday, 21st March 2012 at 5.00 p.m.

Present: Mr S Blaney, Mr C Clements (Chair), Ms K Woods (Vice-Chair)

In attendance: Mrs F Bagchi (Clerk to the Corporation), Ms S Bailey (Director of Finance), Mr C Parkin (Agresso Project Manager), Ms A Yates (RSM Tenon, Internal Auditors), Ms S Wonnacott (Principal).

3. Apologies for absence. Apologies were received and accepted from Mrs C Wright, an Audit Committee member, and from Mr N Adams of KPMG, the College’s external auditors.

4. Declarations of interest. There were no declarations of interest.

PART I – Items for discussion & decision

5. Minutes of the previous meeting. The minutes of the meeting of the Audit Committee held on 16th November 2011 were approved.

6. Action plan update and matters arising from the minutes, not elsewhere on the agenda. It was noted that all actions had been completed or were on the agenda, with the exception of the action to further review the implications of the Bribery Act 2010, which was due to take place in July 2012. ACTION: Director of Finance

There were no other matters arising. The Principal, Ms Wonnacott, joined the meeting.

7. Agresso student records system. The Committee received a verbal update from Mr C Parkin, Project Manager of the College’s new student records system.

Members noted that the College had procured the Agresso student records system, following an OJEU procurement exercise. It was noted that the College’s current students record system, EBS4, was primarily an FE system and was not able to provide the statistical returns required by the Higher Education Funding Council for England (HEFCE) following the College’s transfer to the HE sector e.g. the Higher Education Statistics Agency (HESA) student return. Many larger HE institutions (HEIs) used the SITS student record system, which provided the flexibility required by larger institutions but which was not so relevant to a smaller college. Agresso had been chosen by the College on the grounds of cost, the significant benefits it offered to students (e.g. on-line enrolments) and its ability to deal with HE and FE student returns that the College required. The College had procured a student records system, a Customer Relationship Management (CRM) system, a web portal and consultancy from software company Unit4.

The Committee noted that installation had begun in December 2011. Work was underway to change to the new system by autumn 2012 and would involve IT, Finance, Admissions, Student Advice and administrative staff. Many staff had been involved in the initial consultancy and UNIT4’s proposed timetable for running consultancy days concurrently had been amended and extended to late October 2012, to allow for the fact that the College’s size meant that a number of staff were involved in more than one area of work. 71
consultancy days had been used to date with a further 91 days scheduled. The workload of relevant staff involved in the project was being monitored by managers.

The majority of the work to date related to the migration of curriculum course data and biographical student data from EBS to the test server of the new system. In addition, the new CRM system had also been implemented in test mode. As the CRM and student records system would be integrated, the College would be able to capture the student journey from initial enquiry to alumni status. In response to members’ questions, it was noted that the CRM system was a customisable Microsoft product and consultancy days had been included to allow customisation e.g. by the departments responsible for marketing and student recruitment.

It was intended that both the CRM system and the student records system would be live from August 2012, in time for FE enrolments, although there would still be some functionality to be implemented after that date. The main focus of the project was producing the HESA student record return, which required a first draft to be produced by September 2012 and the final return in October 2012. The EBS system licence would expire in early September 2012 and from September 2012 all records would be produced through Agresso. An assessment model for course administrators would be built up in the next few months but would not need to go live until October 2012.

Members discussed the report, with particular reference to segregation of duties, data migration, the link between Agresso and the College’s on-line enrolment and web payment system through the Corero finance system, and access to archived data. It was noted that the College had produced a data migration strategy document, which had been reviewed by the College’s external auditors, and, to check data accuracy, Individualised Learner Record (ILR) returns previously produced through EBS would be produced in Agresso and compared in detail. Replication and comparison could also be made with the Higher Education Students Early Statistics (HESES) return produced by the College in autumn 2011. Members noted that data not being moved across to Agresso would be archived and available in EBS.

It was noted that the project, which had been undertaken at a cost of £250,000, was well underway and was going according to plan. It was noted that data migration would be reviewed in due course by both the internal and external auditors.

It was agreed that a further project update should be presented to the Committee’s July 2012 meeting.

**ACTION: Director of Finance/Project Manager**

Mr Parkin left the meeting.

**Internal audit matters**

6. **Internal Audit reports.** Ms Yates of internal auditors RSM Tenon presented reports arising from the 2011/12 internal audit plan, which were considered.

6.1. **Follow Up.** Members noted that the report concluded that the College had demonstrated good progress in implementing the actions agreed to address internal audit recommendations. All recommendations reviewed had been implemented or superseded following discussions with the internal auditors.

6.2. **Budgetary Control.** Members considered the report on budgetary control (monitoring
and reporting), noting that 5 budget areas and their respective budget holders were interviewed during the review. It was noted that the internal auditors had concluded that Governors could take substantial assurance that the controls upon which the College relied to manage this area were suitably designed, consistently applied and effective. There were no recommendations arising from the review. It was noted that a financial review was normally included as part of the annual internal audit plan.

A Progress Report on the 2011/12 internal audit was received from Ms Yates and it was noted that reports arising from the remaining 4 reviews would be presented to the Committee’s July 2012 meeting.

Members noted the following client briefings issued by RSM Tenon: Fraud Alert (Training Course Scams); Safeguarding in Further Education Colleges; Bursary Fund Alert (Common Weaknesses identified in Internal Audit reviews).

7. **Audit recommendations – implementation report.** Members noted the completion of the final recommendation in the implementation report, which related to the College’s Continuing Professional Development (CPD) policy, noting that the previous policy which had been based on FE requirements had been re-written following the College’s transfer to the HE sector on 1.8.11.

Risk management matters

8. **Risk register and risk map.** Members considered the register and map noting the change to the risk category relating to information to include data quality, reflecting the College’s transfer to the HE sector and the following potential new risk: an inadequate opinion from the HEFCE on data quality. It was noted in response to members’ questions that this could include clawback of funding where an institution breached HEFCE’s rules on HE student completions. New controls to be implemented by the College included the data quality policy and procedures to be considered as the next item on the agenda. Responsibility for this area was shown as residing with the Head of IT, the Principal and the Audit Committee.

Data quality matters

9. **Data quality assurance reports.**

9.1 **Data Quality Assurance: report & recommendation.** The Director of Finance presented a report and recommendation on annual data quality assurance reporting, which were considered. Members noted that HEFCE’s Financial Memorandum and Audit Code of Practice required the Audit Committee to include in its annual report its opinion on the adequacy and effectiveness of the management and quality assurance of data submitted to HESA, HEFCE and other funding bodies. HEFCE guidance stated that the Committee could obtain this assurance from a range of sources of assurance e.g. the Senior Management Team (SMT), internal audit reviews, other reviews, audits or benchmarking.

The Director of Finance had discussed, with the internal auditors and a range of institutions, how the College could best provide the Committee with the required assurance and was proposing that she submit an annual report to the Committee including: reports on the schedule of key data returns; relevant data quality self-assessment questionnaires completed by College managers: reports on high risk areas identified by SMT, auditors or the Committee; internal audit reviews of specific data returns; details of any external reviews of data quality e.g. arising from HEFCE’s
institutional assurance review or data audit.

Members noted that the data quality assurance procedure and pro formas to be considered under this item were based on models provided by Leeds Trinity University College. It was noted that these and the proposed report was considered an example of best practice by the internal auditors and suitable for use by an institution of Leeds College of Art’s size.

9.2 Schedule of Key Data Returns. Members noted the following schedule of 8 key data returns to HEFCE: the HESES prospective student numbers return; the prospective and retrospective financial forecasts return; the HESA retrospective student return; the HESA retrospective finance return, the retrospective staff return; the retrospective destination of leavers from Higher Education (DLHE) return; the retrospective Estates Management Statistics (EMS) return; the Transparent Approach to Costing (TRAC) return.

In response to members’ questions, it was noted that TRAC was the HEFCE methodology used by higher education institutions (HEIs) for costing their activities, including research and teaching. Members noted that while other returns shown in the schedule were annual returns, the College’s first TRAC return did not have to be completed for 3 years and, as the College did not receive research funding, would be based solely on teaching. It was noted that HEFCE was currently consulting with the sector on the proposed streamlining of the TRAC reporting process and it was therefore possible that the current requirements would change.

9.3 Data Quality Self-assessment Questionnaire 2011/12. The Committee noted that the Director of Finance was recommending the development by the College of an annual self-assessment of data management based on the principle of the Audit Commission’s principles of data management for public bodies (November 2007), which had been endorsed by HEFCE. Members considered a model HESES data quality self-assessment questionnaire and noted that it was proposed that an assessment should be conducted for each of the major returns listed in the schedule considered above, with questionnaires signed off by the relevant College managers.

The Committee agreed that it would be useful to see the completed self-assessment questionnaires for the first year of use and that the Director of Finance could thereafter report on their completion in her annual data quality report to the Committee, highlighting any areas of concern.

ACTION: Director of Finance

The Committee agreed that the Director of Finance should provide an annual data quality report to the Committee, as outlined in her proposal: proposed Mr Blaney, seconded Ms Woods.

ACTION: Director of Finance

9. Data Quality Policy. The Committee received, for information, the Data Quality Policy recently approved by the College’s SMT. It was noted that policy was based on a model provided by Leeds Trinity.

10. Audit Committee self-assessment checklist. The Committee considered an extract on assessing Audit Committee effectiveness from the Committee of University Chairs (CUC) Handbook for members of Audit Committees in HEIs and the Clerk’s recommendation that a self-assessment checklist, based on the CUC model, should be adopted by the Audit Committee for use from autumn term 2012, with the addition of a compliance/document
submission section documenting compliance with HEFCE’s accountability schedule. It was noted that the CUC guidance suggested that the full version of the checklist might be used every 3-5 years and that the Clerk was recommending that, in intervening years, the Committee review the completed full version and note any instances where they considered that their opinion had changed.

The Committee approved the model self-assessment checklist for use by the Committee and agreed that it should first be completed at a dedicated Committee meeting to be held before the Committee’s autumn 2012 meeting.

**ACTION: Clerk**

11. **Any other items of business.** Members noted that Mr Blaney and Ms Woods would be attending KPMG’s seminar for Audit Committee members, *Meeting the challenges of the changing higher education landscape 2012/13*, which was to be held in Leeds on Wednesday 2 May 2012.

It was noted that Governors’ Search & Nominations Committee, which was scheduled to meet immediately after the current meeting, would consider recommending to the Board of Governors that membership of the Audit Committee should be increased from 4 to 5 members.

12. **Date & time of next meeting:** Wednesday 11th July 2012 at 5.00 p.m.

**PART II – Reserved Matters**

(Note to the minutes: Minutes 13-14 below were released from confidentiality by the Board of Governors at its meeting on 20th March 2013, with the exception of a reference in minute 14 to auditor performance which the Board of Governors agreed should not be released on the grounds of commercial confidentiality).

Confirmed

**LEEDS COLLEGE OF ART**

**AUDIT COMMITTEE**

Confidential minutes of a meeting of the Audit Committee held on Wednesday, 21st March 2012 at 5.00 p.m.

**Present:** Mr S Blaney, Mr C Clements (Chair), Ms K Woods (Vice-Chair)

**In attendance:** Mrs F Bagchi (Clerk to the Corporation), Ms S Bailey (Director of Finance), Ms A Yates (RSM Tenon, Internal Auditors), Ms S Wonnacott (Principal)

**PART III – Reserved Matters**

13. **Exclusions.** Ms Yates, of internal auditors RSM Tenon, confirmed that there was appropriate liaison between the internal and external auditors, KPMG. Ms Yates left the meeting.

14. **Annual performance review of auditors.** The Audit Committee had agreed at its November 2011 meeting that it would use the Committee of University Chairs (CUC) model
performance checklists to assess the 2010/11 performance of the external and internal auditors. The performance checklist for the external auditor was based on the CUC model and was for completion by the Audit Committee, seeking the views of other relevant parties where appropriate e.g. from the Director of Finance and the internal auditor. The performance checklist for the internal auditor was based on the CUC model and included sections for completion by the Audit Committee and by the Director of Finance. The external auditors, KPMG, had not considered it appropriate to complete the optional section of the CUC checklist recording their opinion of the internal auditors' work but had confirmed appropriate liaison with the internal auditors.

... 

It was agreed that the internal and external auditor performance checklists for completion by the Committee should be presented to the July 2012 meeting of the Committee.

**ACTION: Clerk**
Minutes of a meeting of the Audit Committee held on Wednesday, 11th July 2012 at 5.00 p.m.

Present: Mr S Blaney, Mr C Clements (Chair – in attendance by telephone link), Ida Kemp, Ms K Woods (Vice-Chair), Mrs C Wright

In attendance: Mrs F Bagchi (Clerk to the Corporation), Ms S Bailey (Director of Finance), Mr P Deane (KPMG, External Auditors), Mr C Parkin (Agresso Project Manager), Mr I Wallace (RSM Tenon, Internal Auditors), Ms S Wonnacott (Principal).

8. Apologies for absence. There were no apologies.

9. Declarations of interest. There were no declarations of interest.

PART I – Items for discussion & decision

10. Minutes of the previous meeting. The minutes of the meeting of the Audit Committee held on 21st March 2012 were approved by the Committee and signed by the Deputy Chair, Ms Woods, on behalf of the Chair, Mr Clements.

11. Action plan update and matters arising from the minutes, not elsewhere on the agenda. It was noted that all actions were on the agenda or had a completion date in autumn 2012. There were no other matters arising.

Mrs Wright joined the meeting.

12. Agresso student records system. The Committee received a verbal update from Mr C Parkin, Project Manager of the College’s new student records system.

Members noted that the project was still on track, with its current status defined as Green/Amber. There would be a staged go-live process from 6th August 2012, with a number of modules going live after that date. While there had been no significant problems, the College had had to adapt some areas of business functionality and processes and there had been some slippage on milestones e.g. the Customer Relationship Management (CRM) system would go live in September/October rather than August but, as it was not replacing an existing system, this was not critical.

It was noted that the go-live date for the student enrolments system was 6 August 2012, with enrolment for Foundation students on 17 August, which gave the College just over a week to ensure that they were happy with the system before enrolment began. It was planned that other students would be informed towards the end of August that they could enroll on-line. Documentation would be placed on the student area of the College intranet to take students through the process. The College considered a possible failure of the student enrolment system a significant risk, as it would impact on the student experience. In order to mitigate this risk, the College had extended the licence for its current student record system, EBS4, until November 2012 so that the College could use it, if necessary, and migrate data
The first return date for the Higher Education Statistics Agency (HESA) student return was 15 September, with the final submission to be returned by 31 October 2012. The College had produced an Individualised Learner Record (ILR) return and a HESA return in a test run. Data issues requiring amendment had been minor. Should it be required, HESA had offered advice concerning the College’s first return. The College’s MIS officer had been on a training course and the Project Manager and the Director of Finance had together reviewed the HESA field manual. The College was confident that it would be able to produce the required HESA return, with risk mitigation including the appointment from mid-August of an Academic Registrar who was familiar with both Agresso and HESA returns.

It was noted that the College was under its budgeted number of consultancy dates with Unit4 i.e. it had used 100 days of consultancy. The Project Manager considered that this was in part because some of the original estimates had been conservative. Unit4 had also been generous with their time and had given College some free days to get back on target. They had also been flexible when consultancy days had had to be cancelled at short notice, due to the staffing constraints which were inevitable in a small institution.

It was noted in discussion that the College had taken account of staff time required to complete the project, with particular reference to the approaching holiday season.

The Committee noted the report received from the Project Manager was positive and that the project appeared to be progressing well.

Members discussed the planned internal audit review of the system, noting that RSM Tenon would be undertaking a review of data migration in September 2012 as part of the 2011/12 internal audit plan.

Mr Parkin left the meeting.

Internal audit matters

8. **Internal Audit reports.** Mr Wallace, of internal auditors RSM Tenon, presented reports arising from the 2011/12 internal audit plan, which were considered.

8.1. **Progress.** A Progress Report on the 2011/12, internal audit was received and it was noted that 2 further reports had been finalised and would be considered below. It was noted that there had been no issues arising from the 2011/12 plan to date that the auditors wished to bring to the Committee’s attention. The Value for Money (VfM) review had been completed and the report would be finalised shortly. The Agresso System Implementation review would be undertaken in late July/August 2012. The 2 final reports would be presented to the November 2012 meeting of the Committee.

**ACTION: RSM Tenon**

With reference to the audit team, members noted that Sue Turner had taken over from Alison Yates as Senior Audit Manager, with Ian Wallace remaining the Engagement Lead.

Members noted a further education (FE) client briefing, issued by RSM Tenon as part of the Progress Report, on FE funding methodology changes.

6.2 **Quality Assurance Arrangements.** Members noted that the review had considered whether appropriate quality assurance policies and procedures were maintained to meet the...
needs of the College. One low and one medium recommendation had been made and had been accepted by management. The auditors had concluded that, taking account of the issues identified, Governors could take substantial assurance that the controls upon which the College relied to manage this risk had been suitably designed and consistently applied.

Members commended the introduction by RSM Tenon of comparative data to benchmark the number of recommendations made with recommendations arising from similar reviews at other institutions, noting that the average number of recommendations for quality assurance arrangement reviews was shown as 1.62.

6.3 Learner Numbers Systems. Members noted that the review had focused on the activity undertaken in relation to the validation and reporting of student data across both the Higher Education (HE) and Further Education (FE) courses delivered by the College. There were no recommendations arising from the review, noting that comparative benchmark data for other institutions showed an average of 3 recommendations. The auditors had concluded that, taking account of the issues identified, Governors could take substantial assurance that the controls upon which the organisation relied to manage this area had been suitably designed, consistently applied and were effective.

Members noted that the Learner Numbers Systems report, together with the report arising from the Agresso System Implementation review, would contribute towards the Committee’s annual opinion on the adequacy and effectiveness of the College’s arrangements for the management and quality assurance of data submitted to the Higher Education Statistics Agency, the Higher Education Funding Council for England (HEFCE) and other funding bodies.

7. Audit recommendations – implementation report. Members noted that the 2 recommendations arising from the Quality Assurance Arrangements review considered above had been added to the implementation report, noting that both had an implementation date of June 2013. All other recommendations arising from audit reviews had been completed.

External audit matters

8. External audit strategy & planning memorandum 2011/12. Mr Deane presented KPMG’s strategy and planning memorandum 2011/12, noting that the purpose of the document was to brief the Committee on KPMG’s proposed approach to the audit for the year ended 31st July 2012 and to bring a number of sector wide developments to the Committee’s attention.

Members noted that: specialist audit skills would be employed on the assessment of pension assumptions; the indicative level of materiality for the year ending 31st July 2012 would be £251,000; KPMG would report on all uncorrected misstatements but any omissions or misstatements below £13,000 would be considered trivial; KPMG would undertake specific procedures and report findings to College management and the Committee in respect of financial reporting fraud and would require assurances concerning fraud from the College management and the Committee. Assurances concerning auditor independence were noted.

Members noted that the 2011/12 external audit included the Teacher’ Pension Scheme (TPS) contributions audit but no longer included the regularity audit applicable to FE colleges. Taking into account the removal of the regularity audit and an increase of 3% in fees, the proposed overall fee for 2011/12 was £13,070 compared to £13,750 for 2010/11.

With reference to the audit team, members noted that Paul Deane had taken over from Neil
Adams as Audit Manager, with Steve Clark remaining the Engagement Partner.

Briefings on HE, FE and taxation developments included as appendices to the planning memorandum were noted, including briefings on student immigration rules, accounts direction for 2011/12 on going concern and liquidity disclosures, the development of the new Education Statement of Recommended Practice (SORP), the Charities Act 2011 and the Hodgson review of charity law, FE funding methodology changes.

The Committee considered the strategy and planning memorandum for the audit for the year ending 31st July 2011, noting fees of £13,070 which it was agreed should be recommended to the Board of Governors for approval.

ACTION: Chair

Risk management matters

9. Risk register and risk map. The Committee reviewed the College’s risk register and risk map, noting that it remained unchanged from the version considered at the Committee’s March 2012 meeting with the following exception: a minor updating change has been made to risk no. 12 i.e. the responsibility column had been amended to reflect the College’s current management structure.

10. Review of the implications of the Bribery Act. The Committee considered a briefing from PricewaterhouseCoopers (PwC): *When in Rome. The implications of the Bribery Act for Higher Education Institutions* (2011). It was noted that overseas recruitment could present particular risks for HE institutions. Members noted that the report accompanying the briefing stated that the College possessed relevant policies and procedures and listed the reasons why the risk posed to the College was considered low, noting with reference to the recruitment of international students in particular that: overseas activities were minimal and the College did not use overseas agents. In response to members’ questions, it was noted that the College would consider the need to add a specific risk relating to bribery to the College risk register should overseas activity expand significantly.

The inclusion of a reference to the College not tolerating bribery and corruption on the College website was discussed, with it being noted that the College’s *Policy on Fraud, Bribery, Corruption and Irregularities* was included on the College’s intranet.

It was agreed that a review of the implications of the Bribery Act should be an annual standing agenda item for the Committee.

ACTION: Clerk/Director of Finance

11. HEFCE interim report on assurance review - April 2012. Members considered the interim report arising from the HEFCE Assurance Review which took place on 25th April 2012. As this was before the College had submitted its first full Annual Accountability Return (AAR) to HEFCE, the review had considered the mechanisms in place to enable the College to comply with HEFCE’s AAR requirements. It was noted that the overall conclusion of the report was that HEFCE were able to place reliance on the accountability information provided by the College. HEFCE would follow up the report within 6 months and issue a final report, which would be presented to the Committee.

ACTION: Clerk

Members noted that no formal recommendations had been made as a result of the review but the following suggestions concerning practice had been made:

- Paragraph 12 - The report suggested that the Board of Governors might wish to consider the notion of appointing a lead member (finance) or treasurer, from
amongst the Board, to provide more detailed oversight on financial matters to provide assurance that the Board could take comfort from and provide the Finance Director with a Board ‘contact’ with whom she could raise any finance matters outside the normal course of Board meetings.

- **Paragraph 16 -** The CUC recommended that institutions should publish statements of primary responsibility prominently on their web-sites.

It was noted that the second suggestion had been implemented in April 2012. With reference to the first suggestion, it was noted that Peter Yendell, the Chair of Governors, already fulfilled the role described in a personal capacity, rather than *ex officio*, and agreed to recommend to the Board of Governors that this should be formally minuted.

**ACTION: Chair**

Actions planned to meet HEFCE’s AAR requirements, including the Audit Committee’s level of involvement in the formation of the internal audit plan, were noted.

**12. HEFCE report on data quality audit – May 2012.** Members noted that HEFCE had undertaken an audit in May 2012 to gain assurance over the College’s full-time Foundation Degree (FT FD) HEFCE-funded student outturn position in the ILR 2010-11 data and to ensure the accuracy of data submitted to HEFCE and the Data Service for funding purposes in this area.

HEFCE has drawn the following conclusions from the work carried out:

- HEFCE has gained assurance over the 2010-11 FT FD non-completion rate, which was 10.9% in comparison with the College's HE in FE Student Survey 2010 (HEIFES10) forecast rate (12.6%) produced in December 2011 and the ILR 2010-11 reported rate (10.4%).

- HEFCE has gained assurance over the accuracy of the HEIFES10 return in terms of the funding position with regard to FT FD HEFCE funded-completion rates.

The Committee congratulated the College on the positive progress report on the implementation of the Agresso student records system, the outcome of the HEFCE data quality audit and the internal audit Learner Number Systems report, noting that the Committee would also include its consideration of the HEFCE data quality audit report when forming the opinion in its annual report on the quality assurance of data submitted to HEFCE.

**PART II – Items for information**

**13. HEFCE as charity regulator: Hodgson review; Public Benefit Statement.** The Committee received a report noting HEFCE’s submission to the Hodgson review of charity law and that one of the topics to be covered concerned exempt charities and the principal regulator concept, which was of relevance to the College as an exempt charity whose principal regulator was HEFCE. Members noted that the members’ report and annual financial statements for the year ended 31.7.12 would include a public benefit statement describing the main ways in which the College had delivered its primary charitable purposes for the public benefit, as required by HEFCE’s Financial Memorandum.

**14. KPMG seminars for HE and FE Audit Committee members May/June 2012.** The Committee received a report from Committee members, Ida Kemp and Stephen Blaney, who had attended KPMG’s HE and FE Audit Committee Institute seminars in May and June 2012, which they had found useful and informative.
15. **Any other items of business.** There was no other business.

16. **Date & time of next year’s meetings:** 21\textsuperscript{st} November 2012 at 5.00pm; 20\textsuperscript{th} March 2013 at 5.00pm; 10\textsuperscript{th} July 2013 at 5.00pm.

**PART III – Reserved Matters**

17. **Exclusions.** Mr Wallace and Mr Deane left the meeting.

18. **Minutes of the previous meeting.** The confidential Reserved Matters minutes of the meeting of the Audit Committee held on 21\textsuperscript{st} March 2012 were approved by the Committee and signed by the Deputy Chair, Ms Woods, on behalf of the Chair, Mr Clements.

19. **Action plan update & matters arising from the minutes, not elsewhere on the agenda.** It was noted that the only action arising was the completion of the annual performance review of the internal and external auditors using the Committee of University Chairs (CUC) model checklists, which was on the agenda.

20. **Annual performance review of auditors.** It was agreed that the completion of the annual performance review of the internal and external auditors should take place at the meeting in September 2012 at which the Committee would also review its own performance using the CUC’s model self-assessment checklist for Audit Committees.

**ACTION:** Clerk

Members noted that some of the questions in the auditor performance checklists appeared operational in remit and would be more appropriate for management to answer, noting that it was permissible for the Committee to adapt the checklists, where considered necessary.
Minutes of a meeting of the Audit Committee held on Wednesday, 21st November 2012 at 5.00 p.m.

Present: Mr S Blaney, Mr C Clements (Chair), Ida Kemp, Mrs C Wright

In attendance: Mrs F Bagchi (Clerk to the Corporation), Ms S Bailey (Director of Finance), Mr S Clark (KPMG, External Auditors), Mr M Lever (member of the Board of Governors, as an observer), Mr C Parkin (Agresso Project Manager), Ms L-A Straughton (RSM Tenon, Internal Auditors), Ms S Wonnacott (Principal).

13. Apologies for absence & declarations of interest. There were apologies from Ms K Woods (Co-opted Committee member). There were no declarations of interest.

4. Appointment of Chair and Vice-Chair. The Committee elected Mr Clements as Chair of the Audit Committee for 2012/13: proposed Mr Blaney, seconded Ms Kemp. The Committee elected Ms Woods as Vice-Chair of the Audit Committee for 2012/13: proposed Mr Clements, seconded Mr Blaney.

5. Agresso project update. The Committee received a verbal update from the Agresso Project Manager, Mr C Parkin. It was noted that user acceptance testing was undertaken in July 2012, with the system going live in August and data migration to Agresso taking place from 4th August 2012. Admissions used the EBS system for the first week for late applicants and did a mini-migration the following week. Everything in student management was done in Agresso from 10th August 2012. FE student enrolments were undertaken face-to-face and processed without issue. HE enrolments were successfully undertaken through the on-line portal, with only a few technical issues requiring resolution. The Admissions team was processing HE applications for 2013 through the Agresso integrated UCAS module. On the FE side the College was looking to build an interface with UCAS Progress. HE assessment data had been migrated to Agresso and student marks had been successfully put into the system by the course administrators. FE marks had not previously been kept in EBS but would be in Agresso. The ILR and HESA statistical returns had been submitted on schedule and the HESES return was on track to be submitted by 11th December 2012.

On the financial side, the College had made the decision to continue using its current systems (e.g. Corero) but to adopt the Agresso sales ledger module. There had been some problems with functionality which was currently being addressed by a manual work-around (e.g. finance staff were manually allocating cash receipts). Consultants, Unit4, expected to have a fix in place before the College received its next tranche of Student Loans Company payments in January 2013. The on-line payments system was working successfully.

The Customer Relationship Management (CRM) system was currently going live e.g. it was being used on a small scale by the marketing and student enquiries teams and would be rolled out to the alumni and widening participation teams. MyChoice (an optional add-on to the Agresso system) was being used to enable students to build up a portfolio of tailored
information. The ability to enrol and pay online provided students with an enhanced experience.

It was noted in response to members’ question that Mr Parkin was contracted until completion of the Agresso project expected to be in March 2013, however discussions were ongoing as to his involvement on other projects that the College wishes to undertake. In response to a query concerning where Mr Parkin would rate the completion of the project on a scale of 1-10, Mr Parkin responded 7 out of 10.

In discussion with Mr Clark, of the external auditors, KPMG, the Committee noted that, from his experience of systems used by other HE institutions (HEIs), Agresso appeared to be suited to the size of the College. Front-end reporting was less robust but that was not an issue for a small HEI and most similar systems also required reporting bolt-ons.

The Committee thanked Mr Parkin for his report. Mr Parkin left the meeting.

**PART I – Items for discussion & decision**

4. **Minutes of the previous meeting.** The minutes of the meeting of the Audit Committee held on 11th July 2012, including the non-confidential Reserved Matters minutes were approved by the Committee and signed by the Chair.

5. **Action plan update and matters arising from the minutes, not elsewhere on the agenda.** It was noted that all actions had been completed or had a future completion date. There were no other matters arising.

**External audit matters**

23. **Members’ Report & Financial Statements for y.e. 31.7.12 and**
24. **External Auditors’ Management Letter for y.e. 31.7.12.**

The above items were considered together.

Under its terms of reference the Committee’s remit includes: considering elements of the annual financial statements in the presence of the external auditors, including the auditors’ formal opinion, the statement of members’ responsibilities and the statement of internal control, in accordance with the funding councils’ accounts directions; recommending the annual financial statements to the Board of Governors for approval; considering any relevant issue raised in the external auditors’ management letter, confirming with the internal and external auditors that the effectiveness of the internal control system has been reviewed, and commenting on this in its annual report to the Board of Governors.

Mr Clark, of the College’s external auditors, KPMG, spoke to the Management Letter for the year ended 31.7.12, the College’s first year as an HE institution. It was noted that the Financial Statements and Members’ Report showed that the College had generated an operating surplus in the year of £1.2 million (just under 10% of total income). This was slightly lower than in 2010/11, due to a decrease in funding council income, but, in the context of the College’s turnover, remained a good result. Key risks for the sector, especially for small specialist institutions, included a potential fall in student demand, following the introduction of higher HE tuition fees and future funding changes. The College, however, was aware of such risks and was currently in a good position, with a good student-application-to-places ratio and good student success rates. The Committee noted that the external auditors anticipated issuing an unqualified audit opinion on the financial statements and that no recommendations had arisen from the audit.
The Committee discussed pension liabilities in detail. The College had implemented the provisions of Financial Reporting Standard (FRS) 17 and had taken onto the balance sheet the actuarial valuation of the pension liability in respect of its share of the West Yorkshire Pension Fund (WYPF), which applied to non-teaching staff. This reporting requirement did not currently apply to the Teachers’ Pension Scheme (TPS), which was an unfunded defined benefit contribution scheme. The College, in common with many other HE institutions (HEIs) had seen its net FRS 17 pension liability increased in 2011/12 i.e. in the case of the College by £1.2 million in 2011/12 compared to 2010/11, largely as a result of actuarial losses on the liabilities (due the discount rate). As the WYPF was part of the local government pension scheme (LGPS), the College had limited options for reducing the deficit other than increasing payments e.g. it did not have the option of restricting or ending membership entitlement, which was an option open to institutions which owned their own pension schemes. It was noted that KPMG had reviewed the actuarial assumptions underlying the valuation of the College’s share of the deficit of the WYPF and had concluded that they fell within an acceptable range.

The Committee received the external auditors’ Management Letter and agreed to recommend the Members’ Report & Financial Statements for the y.e. 31.7.12 for approval by the Board of Governors.

**ACTION: Chair**

25. **Financial statements representation letter.** The Committee agreed to recommend to the Board of Governors, for approval and signing, the draft letter of representation to the external auditors, with the following amendment: the final sentence on the first page of the letter should read “going concern basis”.

**ACTION: Director of Finance & Chair**

Internal audit matters

9. **Internal Audit 2011/12: reports on the reviews of the Agresso System Implementation & Value for Money (VfM).** Ms Straughton, of internal auditors RSM Tenon, presented the final reports arising from the 2011/12 internal audit plan, which were considered. The Committee noted that two recommendations graded as low had arisen from the Agresso System Implementation review and one recommendation graded low had arisen from the VfM review.

The Committee discussed the concept of VfM, within the context of the internal audit report and with reference to the requirement for the Committee to give an opinion on VfM as part of its opinion in its Annual Report to the Principal and the Board of Governors. It was noted that ensuring the College achieved VfM included: considering quality as well as cost; assessing whether VfM had been achieved following purchase; considering efficiency savings e.g. working more efficiently for the same cost; ensuring that the College’s VfM policy was effectively communicated to staff.

It was noted that the internal auditors, RSM Tenon, had concluded with reference to both the Agresso System Implementation review and the VfM review that: “Taking account of the issues identified, the Board can take substantial assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied and effective”.

10. **Internal Audit Annual Report 2011/12.** Ms Straughton presented the report, which was considered.
The Committee noted that the internal audit plan for 2011/12 had comprised the following reviews: quality assurance arrangements (policies and procedures – a risk-based audit); Agresso system implementation (a risk-based audit); budgetary control (monitoring and reporting); learner number systems (data validation and reporting); Value for Money (VfM).

All the above reviews had resulted in a grade of substantial assurance. Five recommendations were made in total, of which 4 were graded low and 1 was graded medium. Good progress had been awarded with reference to the Follow Up review, which looked at the implementation of previous internal audit recommendations.

The Committee noted that the internal auditors, RSM Tenon, had stated in their assurance statement at para. 2.2. of the report that their unqualified audit opinion was that: “We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of Leeds College of Art’s arrangements” and that the College had adequate and effective arrangements for governance, risk management, control, economy, efficiency and effectiveness (value for money).

11. Internal Audit Strategy 2012/13 – 2014/15. Ms Straughton presented the draft internal audit strategy, including the proposed 2012/13 internal audit plan, which was discussed.

The Committee noted that the strategy had been developed taking into account changes to the College’s objectives and risk profile, following its transfer to the HE sector, and following discussions with the Director of Finance concerning audit resources and required assurances. The final form of the strategy and plan to be recommended to the Board of Governors was, however, the responsibility of the Audit Committee.

It was noted that the 2012/13 plan included in the strategy proposed that the following areas should be reviewed: Human Resources (a risk-based audit); Governance; carbon management & sustainability; key financial controls; learner numbers systems (integrity of Higher Education Statistics Agency (HESA) data – a risk-based audit); bursaries/Access to learning fund. It was proposed that a total of 26 days, including management days, should be allocated to the plan.

It was noted that RSM Tenon recommended that the Committee should consider the following questions when considering the strategy and plan: does it cover the College’s key risks; does it include all those areas that the Audit Committee would expect to be subject to internal audit coverage; is the level of audit resource appropriate; does the detailed internal audit plan for 2012/13 reflect priority areas.

(Mrs Wright joined the meeting).

Committee members noted in discussion that the student experience audit had originally been scheduled for 2012/13 but had been moved to 2013/14 when any change in HE student demand and expectation following the introduction of higher tuition fees should be clearer. Ms Straughton confirmed that 4-5 days would normally be allocated to such a review, which would include a review of marketing and the student journey to the end of the first term. Student focus groups would be held to enable students to discuss their experience. Carbon management and sustainability had been selected for review in 2012/13, as this was an area of particular significance in the HE sector.

The timing of the Business and Financial Planning review was discussed in detail. It was noted that it had last been undertaken in 2010/11 and was next scheduled for 2014/15. Ms
Straughton confirmed that 4-5 days would normally be allocated to such a review. The Committee considered whether funding risks meant that a review in 2013/14 was advisable. It was noted that, while this area was graded high in the College’s risk register, risks were gross and mitigating factors which would reduce the risk level were not recorded e.g. the fact that financial processes were unchanged and that the external and internal auditors’ reports considered earlier on the agenda had concluded that financial controls and outputs were good. The Committee agreed to keep the date of Business and Financial Planning review as 2014/15 but noted that the Committee could re-consider whether this was still appropriate in autumn 2013.

(Mr Lever joined the meeting and was welcomed by the Chair as an observer).

The Committee noted that HEFCE’s Assurance Service had recommended in its Interim Assurance Report (issued June 2012) that the Audit Committee should provide a greater degree of input and ownership of the internal audit plan. The Audit Committee meeting held on 14th November 2012 had therefore agreed that in future the Committee should meet twice in the autumn term i.e. in October and November, with the initial draft internal audit plan presented to the October meeting and the final draft to be presented to November meeting of the Committee.

**ACTION: Clerk**

The Committee agreed to recommend RSM Tenon’s internal audit strategy for 2012/13-2014/15, including the detailed internal audit plan for 2012/13, to the Board of Governors for approval.

**ACTION: Chair**

**Progress reports & action plans**

12. **Internal audit implementation progress report.** The Director of Finance, Sharon Bailey, presented a management report concerning the implementation of audit recommendations arising from the internal audit services’ review of Quality Assurance Arrangements (Policies and Procedures), Agresso System Implementation and Value for Money reports. The Committee considered the report, noting that the 5 recommendations had implementation dates between November 2012 and June 2013.

13. **HEFCE assurance review action plan.** The Committee noted that a HEFCE Assurance Review of the College had taken place on 25th April 2012. The July 2012 meeting of the Audit Committee had considered the interim report arising from the review, noting that no formal recommendations had been made as a result of the review but 2 suggestions had been made concerning practice i.e. consideration of a review of the appointment of a lead member (finance) and publication of the Board of Governors’ Statement of Primary Responsibilities on the College web-site.

The Committee considered a table monitoring actions against the above suggestions, noting both had been completed. Members also considered a report on actions being taken by the College, following the completion of its first year in the HE sector, in relation to HEFCE’s accountability requirements.

It was noted with reference to action 3, which referred to the extension of the trial of the Carver-style minimal committee governance model, that the response should be amended to show that the trial was due for review in June 2013.

**ACTION: Clerk**
14. **Action plan arising from the Board of Governors’ annual compliance review of the Code of Governance & Statement of Primary Responsibilities.** The Committee noted that that the Board of Governors had adopted the Committee of University Chairs’ (CUC) Code of Governance and Statement of Primary Responsibilities on 1.8.11. A report measuring the Board of Governors’ compliance against the Code and Statement of Primary Responsibilities had been considered at the Board’s October 2012 meeting and the approved report had been placed on the College website, as agreed. Committee members received an updated compliance report for 2011/12, including actions column, and considered actions being taken where compliance was partial in 2011/12. It was noted that a report by exception against the Code and Statement had also been included in the draft Members’ Report for the year ended 31.7.12, which had been considered earlier on the agenda.

Mr Clark reported that, while HEFCE emphasised adoption and reporting on compliance against the Code and Statement, HEIs were free to adapt the Code and Statement to ensure that they were relevant to their own circumstances.

**Value for Money matters**

15. **Value for Money (VfM) Policy and Annual VfM report.**

The above items were considered together.

The Director of Finance presented the College’s VfM Policy and VfM Report 2011/12, which were considered. It was noted that VFM had been traditionally defined in terms of: Economy - minimising the cost of resources used or required (spending less); Efficiency – producing outputs with a reasonable input of resources (spending well); Effectiveness – deploying resources to meet objectives (spending wisely). The VfM Policy had been circulated to all staff and covered objectives, responsibilities and arrangements for ensuring VfM was achieved. It was noted that following submission of HESA student return, the College would have access to HEIDI benchmarking data, allowing comparison of the College’s key performance indicators with other HEIs. The danger of viewing VfM as a mechanistic process, rather than a way to continually ensure improvement, was discussed.

The responsibility of the Board of Governors and the Audit Committee for VfM was discussed and it was noted that the latter’s responsibility concerned monitoring that appropriate processes were in place e.g. through review of internal audit reports and the College’s annual VfM report. It was noted that the College’s VfM Report for 2011/12 recorded that the College’s senior management team, having reviewed relevant actions, projects and measures, had concluded that good value for money was being achieved.

It was agreed that the College’s VfM report should be submitted to HEFCE.

*ACTION: Director of Finance*

**Risk management matters**

17. **Risk register.** The Committee reviewed the College’s risk register, noting the following updating changes:

- Risk no. 4 (Resources - Investment programme and management of teaching resources may prove insufficient to maintain the College’s position and reputation) has been updated i.e. the rating in the “significance” column has been amended from 4 to 5, making an overall risk rating of 20 (red = high risk).
• A new risk 23 (Reputation & Strategic) has been added concerning the risk arising from reliance on third party validation, which has been given an overall risk rating of 4 (green = low risk).

Committee members discussed the use of a “high” likelihood rating in relation to Risk 4 (Resources) and Risk 13 (Financial), noting that scores shown related to gross risks i.e. before the application of mitigating controls. It was noted that the Director of Finance was reviewing the possibility of also showing net risk i.e. risk after mitigating controls.

It was noted, with reference to the column showing type of risk, that the register would be amended to show that Risk 23 (Reputation & Strategic) had been classified as a strategic and financial risk.

ACTION: Director of Finance

18. HEFCE’s annual risk assessment letter. The Committee noted that HEFCE’s 2012 annual risk assessment letter had been considered at the Board of Governors’ meeting on 17th October 2012 and it had been noted that the College had been graded as “not at higher risk”.

Annual College reports & returns

19. Annual data quality report & data quality self-assessment checklists. The Director of Finance presented the College’s first annual Data Quality Report to the Committee, which was considered. It was noted that the Audit Committee of the HE Corporation was required under HEFCE’s Audit Code of Practice and the Committee’s terms of reference, to provide an opinion in its annual report on the management and quality assurance of data submitted to the Higher Education Statistics Agency (HESA), HEFCE and other funding bodies.

It was noted that the March 2012 meeting of the Committee had considered the College’s Data Quality Policy and a report on the College annual schedule for data quality assurance reporting, agreeing that, in addition to the College’s annual Data Quality Report, the College’s completed data quality self-assessment checklists should be presented to the November 2012 meeting of the Audit Committee, as 2011/12 was the College’s first year of operation as an HE institution. The College’s completed data quality self-assessment checklists had therefore also been presented to the Committee. An updated schedule of key data returns had also been submitted with the report.

The report noted that the College’s agreed approach to data quality assurance comprised 4 strands: a data return schedule; self-assessment questionnaires; detailed commissioned report; any other assurances available in the current year. No commissioned reports had been requested in 2011/12. The internal auditors had undertaken 2 reviews i.e. on data validation and reporting and on the Agresso system implementation, both awarded substantial assurance. No material concerns had been raised as a result of the student data supplied to the external auditors as part of their audit work on the 2011/12 financial statements. The HEFCE data audit undertaken in May 2012, with reference to full-time Foundation degree courses, concluded that assurance had been gained and that there were no recommendations raised. The Committee noted that the College’s Data Quality Report had concluded that there were no material concerns relating to the contents of the data return schedule or the contents of the self-assessment questionnaires that the senior management team wished to draw to the attention of the Audit Committee.

It was noted that more work on student data would be undertaken by the external auditors with reference to the audit for the y.e. 31.7.13 i.e. once the Agresso system was fully live.
It was noted that the successful implementation of the Agresso student records system to date and, in particular, the submission of the HESA student return on schedule, at the end of the College’s first year as an HEI, was a significant achievement.

20. Annual review of fraud, bribery, irregularity and “whistle-blowing” events. The Committee noted that no fraud, bribery, irregularity or “whistle-blowing” events had been brought to the Committee’s attention during 2011/12 and the Director of Finance had confirmed that there had been no occurrences in 2011/12 or to date.

21. Annual assurance return to HEFCE. The Clerk reported that HE institutions were required to submit an Annual Assurance Return (Annex E to HEFCE’s Financial Memorandum) to HEFCE. The purpose of this return was to confirm that the College had met its obligations to HEFCE under the Financial Memorandum and was complying with its duties as a charity. Part 1 of the return was to be signed by the Principal as Accountable Officer; and Part 2 signed by the Principal as a member of the Board of Governors and a trustee of the charity.

The Committee noted that the draft Annual Assurance Return for 2011/12 recorded full compliance and no material adverse changes requiring notification to HEFCE and that the return would be presented to the Board of Governors before signing by the Principal and submission to HEFCE.

22. Audit Committee’s Annual Report. The Clerk’s report to the Committee noted that HEFCE’s Audit Code of Practice stated that: “Each HEI must have an effective audit committee which produces an annual report for the governing body and the accountable officer. The audit committee annual report must relate to the financial year and include any significant issues up to the date of preparing the report which affect the opinion. The audit committee annual report must include the audit committee’s conclusions on the adequacy and effectiveness of: the HEI’s risk management, control and governance arrangements; arrangements for promoting economy, efficiency and effectiveness; the arrangements for the management and quality assurance of data submitted to the Higher Education Statistics Agency, HEFCE and other funding bodies”.

Members considered the Audit Committee’s draft Annual Report for 2011/12, including the positive overall opinion at para. 14 of the report.

The Committee approved its Annual Audit Committee Report to the Board of Governors of the HE Corporation and the Principal and agreed that it should be presented to the Board of Governors before Governors considered the Members’ Report and Annual Financial Statements for approval.

**ACTION: Chair**

**PART II – Items for information**

23. HEFCE accountability timetable. The Committee received, for information, HEFCE’s accountability timetable for 2012/13, noting that the College was not required to submit a TRAC (Transparent Approach to Costing) report to HEFCE before 2015.

24. Annual performance review of the Committee and auditors. It was noted that the Committee had undertaken the review of the Committee’s own performance and the performance of the external and internal auditors in 2011/12 at a special meeting held on 14th November 2012. The Chair had signed the approved completed checklists before the current meeting, as agreed.
18. **Any other items of business.** There was no other business.

19. **Date & time of next meeting:** Wednesday 20\textsuperscript{th} March 2013 at 5.00 p.m.
Confirmed

LEEDS COLLEGE OF ART

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held on Wednesday, 20th March 2013 at 5.00 p.m.

Present: Mr S Blaney, Mr C Clements (Chair), Ms I Kemp, Ms K Woods (Vice-Chair, co-opted members), Mrs C Wright

In attendance: Mrs F Bagchi (Clerk to the Corporation), Ms S Bailey (Director of Finance), Mr P Deane (KPMG, External Auditors), Ms J Jones (Governor, as an observer) Ms L-A Straughton (RSM Tenon, Internal Auditors), Ms S Wonnacott (Principal).

1. Apologies for absence & declarations of interest. There were no apologies.

2. Declarations on interest. There were no declarations of interest.

PART I - Items for decision

3. Minutes of the previous meeting. The minutes of the meeting of the Committee held on 21st November 2012 were approved and signed by the Chair.

4. Action table and matters arising from the minutes, not elsewhere on the agenda. It was noted that all actions had been completed or had a future completion date. There were no other matters arising.

PART II - Items for consideration

Internal audit matters

5. Internal Audit reports: reports on progress against the 2012/13 plan, key financial controls & data quality. Ms L-A Straughton (RSM Tenon, Internal Auditors) presented the reports, which were discussed.

It was noted, with reference to the 2012/13 internal audit plan progress report that there were no issues to date to bring to the Committee’s attention and that the following reports had been finalised: Data Quality - Integrity of HESA Data; Key Financial Controls.

(i) Data Quality - Integrity of HESA Data

Members noted that an audit of Data Quality focusing on the integrity of HESA data had been undertaken as part of the approved internal audit periodic plan for 2012/13.

The College had become an HE institution in August 2011 and in 2011/12 completed its first Higher Education Statistics Agency (HESA) return. The College Registry Department were responsible for preparing and validating the data, and submitting the return. All student data was held within the College’s student records system, Agresso.
RSM Tenon’s opinion was that, taking account of the issues identified, the Board of Governors could take substantial assurance that the controls upon which the organisation relied to manage this area were suitably designed, consistently applied and effective. There were no recommendations arising from the review.

In response to members’ questions concerning HESA training undertaken, it was noted that the MIS Officer updated his training annually but that members’ questions concerning how this was cascaded to other team members was not applicable, as the MIS Officer was the officer with responsibility for this area, as the College was a small HEI.

It was noted in response to members’ questions concerning funding clawback that there was no clawback in HE and that, in FE, the Skills Funding Agency (SFA) clawed back fewer funds than expected, resulting in a positive variance in the College’s 2012/13 accounts.

(ii) Key Financial Controls

Members noted that:

- An audit of Key Financial Controls had been undertaken as part of the approved internal audit periodic plan for 2012/13.
- There were currently two financial systems being used by the College i.e. Agresso and Corero. The Agresso system was predominantly concerned with the sales ledger, whilst Corero focused on the general and purchase ledgers.

RSM Tenon’s opinion was that, taking account of the issues identified, the Board of Governors could take substantial assurance that the controls upon which the organisation relied to manage this area were suitably designed, consistently applied and effective. There was one recommendation, graded low, arising from the review, relating to the updating of the financial procedures to reflect current working practice. The recommendation had been agreed by management and would be implemented by April 2013.

Progress reports & action plans

6. Internal audit implementation progress report. The Director of Finance, Ms Bailey, presented the progress report, which was considered.

It was noted that the plan included a management report concerning the implementation of 5 recommendations arising from the internal audit service’s review of Quality Assurance Arrangements, Agresso System Implementation and Value for Money reports.

Governor noted that: 2 recommendations had been implemented; 1 had a May 2013 implementation date; 2 had implementation dates in June 2013.

In response to members’ questions it was noted that the College’s Value for Money (VFM) report had been submitted to HEFCE, having previously been considered, together with the College’s VFM policy, at the Committee’s November 2012 meeting.

6. HEFCE assurance review action plan update. The Clerk presented the action plan update, which was discussed.

It was noted that a HEFCE Assurance Review of the College took place on 25th April 2012. An interim report had been issued in June 2012 and considered at the July 2012 meeting of the Audit Committee. Its overall conclusion was that HEFCE were able to place reliance on the accountability information provided by the College. HEFCE usually followed up interim reports within 6 months and issued a final report. HEFCE had, however, not issued a final report to date.
The July and November 2012 meetings of the Audit Committee had noted that no formal recommendations had been made as a result of HEFCE’s review but 2 suggestions had been made concerning practice, both of which had been implemented. The Committee had also considered future actions planned to meet HEFCE’s Annual Accountability requirements. The action plan progress report provided a report against those actions which remained to be implemented, with completed actions having been removed from the action plan.

It was noted in response to members’ questions that the reference to “minimal governance” was a typing error transcribed from HEFCE’s draft report into the action table and was intended to refer to the Board of Governors’ current trial of a Carver-style model of Governance, which emphasised the role of the Board of Governors and was therefore associated with minimal use of committees.

Risk management matters

7. Risk register. Ms Kemp joined the meeting during this item.

The Director of Finance presented the College's risk register and reported that the format of the risk register has been changed to include both gross and net assessments of Likelihood, Significance and Risk Rating and to include an Assessment of Control column.

Members considered the revised format of the risk register, noting that the changes enhanced its usefulness.

It was noted in response to members' questions that:
- “Significance” was defined as significance of impact.
- Net Likelihood and Net Significance, reflected the level of risk, with reference to these areas after controls,

Members discussed, in detail, the following risks and their scoring in the register:

- **Risk 2: External/Political** (Change in Central and Government policy e.g. reduction in funding. Change in structure of funding bodies, and introduction of new priorities), noting that this remained high risk (i.e. rated Red) even after controls, as there were limited controls available to the College, although it could monitor and evaluate the external environment.
- **Risk 8: Funding** (Failure to comply with LSC/ The Agency/HEFCE Financial Memorandum and HEFCE conditions of funding. Changes in funding streams), noting that, as this risk related to compliance, there were more controls available to the senior management team (SMT) to enable them to mitigate the risk. The gross risk had therefore been rated high (i.e. Red) but the net risk after controls had been rated low (i.e. Green).

With reference to Risk 8, the level of control which the College could exercise over changes in funding streams was discussed and it was noted that:
- Experience indicated that, in FE, while there could be changes made to SFA adult funding in-year, the majority of the College's provision was for students aged 16-18, where this was not a risk.

In response to members' questions concerning how risk relating to the retention of high quality staff was represented in the College's risk register, it was noted that:
- This area was considered to be covered by Risk 6: Resources (Loss of key
Senior/Middle Management. Loss of key teaching staff. Inability to attract quality staff. Fail to continue to invest in staff development and training), noting that Job Evaluation (JE) was considered to be a valuable addition to the mitigating controls available in relation to this area of risk generally.

- It was noted that the net risk rating for Risk 6 was low (i.e. Green).

Members noted that the risk register contained 23 risks, noting with reference to KPMG's HE benchmarking report to be considered later on the agenda, that 1 HEI had 127 risks in their risk register. Members questioned whether this should be understood as indicating that there were therefore key areas which were not covered in the College's register. It was noted in discussion of this matter that:

- As the College was a small HE institution (HEI), the SMT considered that the number of risks in the College register and the level of coverage was appropriate.
- It appeared likely that, where HEIs included a large number of risks in their risk register, that they were including a mix of both strategic and operational risks.
- The College's risk register was based on strategic risk, which, together with assurances from senior managers that operational risks were being managed, was considered appropriate for the monitoring undertaken by Audit Committee members.
- The average number of risks identified in KPMG's survey of HEIs was 22 (for pre-1992 HEIs) and 24 (for post-1992 HEIs) and the College's risk register fell within this range.

Members discussed what early warning systems the College had in relation to the crystallisation of risk, noting that:

- The College's regular Key Performance Indicators (KPIs) report linked to the College's risk register and would provide early warning should a target be liable to be missed, for example.

8. KPMG: HE risk management processes benchmarking. Mr Dean of KPMG presented the report, which contained the output of KPMG's benchmarking survey undertaken in respect of the risk management processes at a sample of Higher Education institutions. This benchmarking has been prepared to provide Audit Committees and management teams some insights into the risk management practices from across the sector to enable them to feed their own reviews and enhance their processes. Thirty institution participated in the survey comprising eighteen pre-1992 institutions and twelve institutions post-1992, with the results anonymised and HEIs identified as small (turnover: less than £100 million), medium (£100-400 million) or large (over £400 million) based on declared turnover.

Members noted that good practice identified in the report included devolved/local risk registers and an individual responsible for co-ordinating the risk management process. In addition, the survey noted that:

- All the audit committees of the HEIs surveyed considered that their HEI's risk management process were either highly effective or satisfactory.
- HEIs surveyed believed risk management supported decision making to varying degree.
- HEIs surveyed believed that they would be exposed to a greater degree of risk without risk management processes.
- On average, SMTs in the sample reviewed risk registers quarterly.
- The top 5 key risks were: financial sustainability; student recruitment, attraction and retention of quality staff; reputation, research.
- The majority of HEIs surveyed involved their governors in the process by either debating or identifying risks, although about a fifth of those surveyed only took the risk register to governors annually.
- Engagement of staff, identification and scoring of risks and risk register design were
barriers that were identified in the survey as having been overcome to ensure an effective risk management process.

- Just under half of HEIs surveys believed that they had an efficient risk management system.
- Linking risk reporting to strategy, regular reporting and embedding risk management at all levels were considered key actions in ensuring an efficient risk management system.
- Just over a quarter of HEIs surveyed had not defined their risk appetite.
- About 80% of HEIs surveyed did not have a risk assurance map/matrix which provided details of the evidence which demonstrated how controls were implemented e.g. through internal audit reports, College reports on controls.
- About 40% of HEIs survey did not provide risk management training for staff and only one HEI provided risk management training for all staff.

The Committee discussed the use of a risk map/matrix, which had been identified in the report as a possible area for improvement for HEIs’ risk management processes, noting that:

- The information might be included as an additional column in a risk register.
- A risk map/matrix could help the internal auditors by identifying areas where more assurance was required e.g. by inclusion in the internal audit plan.

The Committee considered the way in which risk was embedded within the College compared to other surveyed HEIs, noting in response to members’ questions that:

- The Director of Finance considered that the College’s risk management process was well embedded within the College and had evolved and matured since 2008, when the College’s risk register had included more than 70 risks. The risk register was, accordingly, now more strategic and manageable.
- The SMT was the committee with overall responsibility for risk management, which the Director of Finance considered appropriate given the small size of the College.
- The SMT considered the risk register termly and emerging risk and risk scoring were extensively and robustly debated.
- In some larger HEIs, risk registers were formed by departments formally cascading risk upwards. It was noted that the Director of Finance considered that this was not applicable to the College, as a small HEI, but relevant strategic risks were captured in the College’s risk register through good communication by senior managers with staff in the areas of the College for which they were individually responsible.
- The College’s revised risk register format, which had been considered earlier on the agenda, demonstrated that the College’s risk management processes continued to evolve and its effectiveness would be kept under review.

It was noted in discussion that, while it was not necessary to provide risk management training for all staff, all staff needed to know that the College had a risk register and that they could approach a member of SMT to communicate matters of risk.

Members noted with reference to the table on page 8 of the report, which showed the top 5 strategic risks for the HEIs surveyed for 2010/11 and 2011/12, that:

- The survey showed that the importance of IT issues as a strategic risk had increased in 2011/12, noting that this was possibly connected to a trend for increasing demands for IT services from students paying higher tuition fees.

The Committee received KPMG’s benchmarking report on risk management processes in HE institutions and agreed that their benchmarking report arising from HEI’s annual financial statements should be presented to the Audit Committee’s July 2013 meeting.
9. Report on IT disaster recovery & business continuity planning. The Clerk reported that at the November 2012 governance training session led by Eversheds, Governors considered a number of fictional scenarios, including one which included a College response to a minor disaster scenario. This had led to a number of Governors requesting further details of the College’s disaster and business continuity planning arrangements. Brief reports on IT disaster recovery arrangements and business continuity planning had therefore been presented to the Audit Committee in response to that request for further information and with reference to the Committee’s general responsibility for monitoring the College’s risk management arrangements.

It was noted in response to members’ questions that the College’s Rapid Response Team consisted of the College’s SMT together with other members of staff by virtue of their roles e.g. estates staff.

Auditor independence

10. Auditor independence & non-audit work. The Clerk reported that the Committee of University Chairs (CUC) model performance checklist, considered by the Audit Committee at its meeting on 14.11.12 included the following question: Is the quantum of non-audit fees likely to have an impact on audit objectivity?

The Audit Committee had answered in the negative to the above question when completing the checklist during autumn term 2012, noting that the external auditors had charged £5.5k for non-audit work on LCA’s readiness for transfer to HE sector in 2010/11 and that total audit fees were around £16k. It was noted that 18% of normal audit fee was considered reasonable in the public sector for non-audit work. The Committee agreed that a College maximum should be agreed e.g. 30% of normal audit fee

Extracts from the Committee of University Chairs' (CUC) Handbook for members of Audit Committees in HEIs which considered the question of auditor independence and non-audit work had been included with the papers for the current meeting, including an example policy on using external auditors for non-audit services. When the College had been in the FE sector, the Audit Code of Practice applicable to the FE sector had required the FE corporation to approve additional services beyond the scope of the auditors’ terms of reference where the cumulative value of this work by any of the audit service providers exceeded £20,000 in any 12-month period, although corporations had been free to adopt a lower threshold. The CUC’s Handbook for HE Audit Committees did not, however, recommend a specific financial limit for such work.

The Clerk was recommending that the Committee should review the relevant extract from the CUC Handbook for members of Audit Committees in HEIs on auditor independence and non-audit services and to consider whether the Committee wished to make a recommendation on a maximum financial level for such service to the Board of Governors or recommend to them a more detailed policy of the type found in the CUC Handbook.

Members noted that the extracts from the CUC Handbook provided a useful summary of the key issues relating to auditor independence.

The Committee agreed to recommend to the Board of Governor the adoption of the sample policy on auditor independence contained in the Committee of University Chairs’ Handbook for members of Audit Committees in HEIs, with the sum of £5,000 inserted where [£x] was otherwise shown in the document.

**ACTION:** Clerk/Chair, Audit Committee
PART II - Items for information

11. Effective governance: governance developments from other sectors. The Clerk reported that Statement A7.3 in the Governors' 2012 self-assessment assessment question, stated: "The Board of Governors actively monitors effective governance in other sectors and adopts relevant practice". The analysis of the questionnaire results had shown that the following scores had been given by Governors: 5 x “Agree”, 3 x “Partly agree”, 2 x “Disagree”, and 4 x “Don’t know”.

The Clerk had reported to the January 2013 meeting that reports on governance in other sectors were presented to the Board and its committees for review, where appropriate, e.g. in relation to the Financial Reporting Council’s (FRC) UK Corporate Governance Code.

The report from the Clerk being presented to the Committee summarised the changes in the September 2012 version of the Code which were most likely to be of relevance to the work of the Audit Committee e.g.

- Guidance on explanations to be provided in cases of non-compliance with the FRC Code’s provisions;
- The inclusion, in the section in the annual Members' Report on the work of the Nominations Committee, of reference to the Corporation’s policy on diversity, including gender.

It was noted that in the Statement of Corporate Governance & Internal Control in the College’s annual Members' Report & Financial Statements, the College commented on the extent to which it had complied with the FRC UK Corporate Governance Code, in so far as it applied to the HE sector. Any explanations on non-compliance with the UK Corporate Governance Code or with the Committee of University Chairs’ Code of Governance & Statement of Primary Responsibilities were provided in the text of the Report. The Clerk would refer to the new guidance on explanations when drafting the text of the 2012/13 Statement of Corporate Governance & Internal Control in the College’s annual Members’ Report & Financial Statements.

**ACTION: Clerk**

The Clerk reported that the revised guidance on diversity and gender in the Code were due to be considered by the Search & Nominations Committee at its meeting on 13th March 2013.

**ACTION: Clerk**

12. Any other urgent items of business. There was no other business.

13. Date & time of next meeting. The next meeting of the Committee would be held on Wednesday 10th July 2013 at 5.00 p.m.

PART III - Reserved Matters

14. Exclusions. Before considering exclusions, Mr Clements, as Chair of the Audit Committee, stated that, in line with best practice, the Committee would consider going out to tender for internal and external auditors in the next 18-24 months.

It was agreed that Mr Dean of KPMG and Ms Straughton of RSM Tenon should leave the meeting before consideration of the remaining items on the Reserved Matters agenda.

15. Review of Reserved Matters minutes. The Committee approved the Reserved Matters minutes
arising from the Audit Committee meeting held on 14th November 2012.

16. Action table and matters arising from the minutes, not elsewhere on the agenda. The action table attached to the above minutes was considered and it was noted that all actions had been completed and there were no other matters arising . . .

(Note to the minutes: Minutes 22-23 below were released from confidentiality by the Board of Governors at its meeting on 25th March 2014).

Confirmed

LEEDS COLLEGE OF ART

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held on Wednesday, 10th July 2013 at 5.00 p.m.

Present:    Mr S Blaney, Ms I Kemp, Ms K Woods (Vice-Chair, co-opted members), Mrs C Wright

In attendance:   Mrs F Bagchi (Clerk to the Board of Governors), Ms S Bailey (Director of Finance), Mr S Clark and Mr A Newall (KPMG, External Auditors), Ms L Randall (RSM Tenon, Internal Auditors), Ms S Wonnacott (Principal)

3. Apologies for absence. Apologies were received from the Chair, Mr C Clements. In the absence of Mr Clements, the meeting was chaired by the Vice-Chair, Ms Wood. Apologies were also received from Ms J Jones, a Governor, who was due to attend the meeting as an observer.

4. Declarations on interest. There were no declarations of interest.

PART I - Items for decision

5. Minutes of the previous meeting. The minutes of the meeting of the Committee held on 20th March 2013 were approved: proposed Mrs Wright, seconded by Mr Blaney. The minutes were signed by the Chair.

6. Action table and matters arising from the minutes, not elsewhere on the agenda. It was noted that all actions had been completed, were on the agenda or had a future completion date. There were no other matters arising.

PART II - Items for consideration & recommendation

Internal audit matters

7. Internal Audit reports: reports on progress against the 2012/13 plan, carbon management & sustainability, corporate governance, Human Resources (HR). Ms Randall (RSM Tenon, Internal Auditors) presented the reports, which were discussed.

Members considered RSM Tenon’s progress report against the 2012/13 internal audit plan, noting that RSM Tenon had identified no issues of concern in their work which might have a
significant impact on their annual opinion. The reports arising from the following reviews were also considered in detail: Carbon Management & Sustainability; Corporate Governance (governance structure, skills audit, recruitment and selection, induction and training, reporting arrangements; HR (succession planning, staff training and staff development).

Members noted that one recommendation graded as low had arisen from the Corporate Governance review and one recommendation graded as medium from the HR review. Two recommendations graded as medium and 1 graded as low had arisen from the Carbon Management & Sustainability review. All recommendations had been accepted by management with the exception of the recommendation arising from the HR review.

The internal auditors, RSM Tenon, had concluded with reference to both the Corporate Governance and HR reviews that: “Taking account of the issues identified, the Board can take substantial assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied and effective”.

Members noted, with reference to the report on the HR review, that the review had been undertaken with reference to the College's risk register, in relation to succession planning, and to the College's Key Performance Indicator (KPI) for staff development. It was noted with reference to the College's control framework that the following areas had been considered as part of the review: reviews of the College's staff succession plan; staff Annual Performance Reviews (APRs); staff training and development; reporting to the College's senior management team (SMT). Allocation of budget in relation to teaching and support staff training and the approval of the College's HR succession plan were considered in response to members’ questions. It was noted that approval of the College's HR succession plan had been delegated to the College's SMT under the Board of Governors' schedule of delegation.

Members noted in discussion of the recommendation arising from the HR review that RSM Tenon had recommended that a process for monitoring the impact of staff training and development events should be introduced to confirm that planned objectives and value for money (VfM) had been achieved and that this should be incorporated into the training and development / CPD (Continual Professional Development) review section of the College's staff APRs. The College had, however, not accepted this recommendation on the grounds that feedback from training events was already collected and the College could not see the benefit of additional monitoring as training and staff development were often bespoke/one-off and the length of time which would normally have elapsed between the training and staff APRs could make the collection of meaningful data problematic. It was noted in response to members’ questions that RSM Tenon was content with the College's comprehensive response to the recommendation.

Members noted that the Carbon Management & Sustainability review was an advisory review and that key findings were that: the approved Plan detailed the College's carbon reduction aims in line with the Higher Education Funding Council for England's (HEFCE's) Good Practice Guidance; the Plan covered appropriate areas and topics; relevant carbon emissions sources had been identified; the Head of Estates was in the process of completing a report on the Carbon Management Plan. The action plan noted that reporting on progress in reducing carbon emissions was via the KPIs reported to the Board of Governors. It was noted in discussion that RSM Tenon considered the outcome of the review to be positive and that short term targets would be set once Smart Metering had been implemented by the College, as noted in the action plan arising from the review.

The Committee received the progress report on the 2012/13 internal audit plan and the individual reports arising from the carbon management & sustainability, corporate governance, and HR reviews.
6. Internal audit strategy for 2013/14 - 2015/16, including internal audit plan 2013/14. Ms Randall of RSM Tenon, the College's internal auditors, presented the internal audit strategy for 2013/14 - 2015/16, which was considered by the Committee for recommendation to the Board of Governors.

Members considered the approach taken by the College's internal auditors, RSM Tenon, to developing the College's internal audit strategy and the annual plan for 2013/14 noting that:

- The 3-year strategy linked to the College’s risk register and would respond to changes in the register, as it was updated over the life of the plan.

The Committee noted with reference to the draft internal audit strategy and plan that:

- Core areas for each year of the strategy included risk management, governance, VfM, data quality and security;
- The 2013/14 plan included reviews of the student experience, learner numbers, financial controls (2 reviews: creditors & debtors and payroll), and follow up of recommendations from previous reviews.
- RSM Tenon’s annual opinion would be drawn from the work undertaken in the above reviews.
- The student experience review would contribute to RSM Tenon’s opinion on VfM and the learner numbers review to their opinion on data quality.

Members noted that the Board of Governors had agreed at its November 2012 meeting that the College’s capital project should be considered for inclusion in the 2013/14 internal audit plan but as the capital project had not yet commenced, it had not been included in the draft plan.

It was noted in response to members’ questions concerning the risk of cybercrime, which had been raised at a recent KPMG Audit Committee Institute seminar attended by Committee members in Leeds, and whether it should be included in the College’s risk register and/or internal audit plan, that:

- Risks relating to IT infrastructure and data quality were included in the College’s risk register.
- Student data and password controls were considered as part of the external audit.
- Use of social media had not been significantly developed by the College to date and the resultant risk was therefore considered to be relatively low.

The Committee considered the internal audit strategy for 2013/14 - 2015/16, including fees for the 2013/14 internal audit plan of £9,888, and agreed to recommend it to the Board of Governors for approval: proposed Ms Kemp, seconded Mrs Wright.

ACTION: Chair

Progress reports & action plans

7. Internal audit implementation progress report. The Director of Finance, Ms Bailey, presented the progress report on the implementation of 8 recommendations arising from the internal audit service’s review of Quality Assurance Arrangements, Agresso System Implementation, Key Financial Controls, Corporate Governance, Carbon Management & Sustainability reports.

Members considered the report and noted that 3 recommendations had been implemented, 3 had implementation dates between September and November 2013, 1 implementation date (relating to the establishment of a review schedule for quality assurance policies) had been deferred from June 2013 to October 2013, and 1 recommendation was no longer relevant. With reference to the implementation date which had been deferred to October 2013, it was
noted that the recommendation had originally arisen from a review in 2011/12 and that this area now fell within the responsibility of the College’s Academic Registrar who reported to the Director of Finance. As procedures and reporting schedules were being refined with reference to the College’s forthcoming Taught Degree Awarding Powers (TDAP) submission, an implementation date in autumn term 2013 was considered more appropriate.

In response to members’ questions on recommendations arising from the Carbon Management & Sustainability review, it was noted that the Smart Metering system had only recently been acquired and was expected to be in place by the end of summer 2013.

The Committee completed its review of the internal audit implementation progress report.

8. **HEFCE assurance review action plan update.** The Clerk presented the action plan update, which was discussed.

Members noted that an interim report on the HEFCE Assurance Review of the College had been issued in June 2012. While HEFCE usually followed up interim reports within 6 months and issued a final report, it was possible that this would not happen in the College’s case, as no recommendations had been made as result of the review.

The action plan arising from the review related to 2 suggestions made by HEFCE’s Assurance team and actions planned by the College to meet HEFCE’s Annual Accountability requirements. All had been implemented with the following exception: the action relating to submission of a Transparent Approach to Costing (TRAC) return to HEFCE, which had a 2015 completion date.

The Committee completed its review of the HEFCE assurance review action plan update.

9. **Audit Committee, external & internal auditor 2012 performance checklist action plan update.** The Committee considered a report from the Clerk on action plans arising from the performance reviews of the Audit Committee and the internal and external auditors which were undertaken during autumn term 2012. It was noted that all actions had been completed with the exceptions noted below.

With reference to the action arising from the Audit Committee performance checklist which related to induction for new Audit Committee members, the Clerk reported that she would, for example, provide an induction session for Ms J Jones, if she were appointed to the Audit Committee by the Board of Governors later on 10th July 2013.

**ACTION: Clerk**

With reference to the action arising from the internal auditors’ performance checklist which related to the agreement by the Committee of auditor targets when agreeing the annual internal audit plan, it was noted that RSM Tenon already had targets for report times. The Committee agreed that targets for the internal auditors should be further reviewed at the Committee's October 2013 meeting, noting that Ms Randall of RSM Tenon would provide examples of standard auditor targets.

**ACTION: Clerk/Ms Randall, RSM Tenon**

The Committee completed its review of the action tables arising from the 2012 performance review checklists for the Audit Committee and the internal and external auditors.

**Risk management matters**

10. **Risk register.** The Director of Finance presented the College’s risk register, for information,
reporting that it was unchanged since the Committee last reviewed the register at its March 2013 meeting. The Committee completed its review of the College’s risk register, commending the register’s new format.

11. **Draft risk management policy.** The Director of Finance presented, for consideration on recommendation to the Board of Governors, the College’s draft risk management policy. It was noted that, under the Board of Governors’ schedule of delegation, approval of the College’s risk management policy had not been delegated but remained the responsibility of the Board of Governors.

The Committee considered the College’s draft risk management policy and agreed to recommend it to the Board of Governors for approval with the following amendment: the addition of a sub-section on assessment of controls at section 3 of the policy.

**ACTION:** Director of Finance/Chair

12. **HEFCE annual assessment of institutional risk.** The Committee noted that the May 2013 meeting of the Board of Governors had received HEFCE’s annual assessment of institutional risk and had noted that the College had been assessed as “not at higher risk”.

13. **Annual review of the implications of the Bribery Act.** Members noted that reports on the Bribery Act 2010, outlining risks and College’s procedures in place, had been considered at the Audit Committee’s June 2011 and July 2012 meetings and it had been agreed at the latter that an annual review should be a standing agenda item for the Committee from July 2013 onwards.

The Committee considered the report, which was presented by the Director of Finance, and noted that there have been no instances of bribery recorded at/in relation to the College during the last year. Members noted that the College considered that the risk posed to the College by the implementation of the Act continued to be low as:

- Overseas activities were minimal
- The College had only one signed overseas agent’s agreement, noting that this had been entered into since the Committee’s last review of this area in July 2012;
- There were no associated persons who undertook work for the College;
- The College has no/limited donations/gifting

Members also noted that the College had the following policies covering this area, which also provided assurance:

- The financial regulations, which covered gifts and hospitality;
- The Code of Conduct, which referred to the Bribery Act;
- The Policy on Fraud, Bribery Corruption and Irregularities;
- A Whistleblowing Policy and Procedure, which would be updated to take account of changes in the law arising from the Enterprise and Regulatory Reform Act 2013.

It was noted in response to members’ questions to the auditors concerning the level of risk arising from the Act in relation to the recruitment of international students, that experience to date indicated that, excluding the establishment of overseas centres by HE institutions, this generally appeared to be low.

The Committee received the College’s annual report on the implications of the Bribery Act for the work of the College.

**External audit matters**

14. **External audit plan & strategy for the audit for the y.e. 31.7.13.** Mr Clark and Mr Newall of KPMG, the College’s external auditors, presented KPMG’s external audit plan and strategy
for the external audit for the year ended 31.7.13, which was considered by the Committee for recommendation to the Board of Governors.

Members noted that the purpose of the document was to brief the Committee and the Board of Governors on KPMG’s proposed approach to the audit and to bring a number of sector wide developments to the Committee’s attention.

Members noted in particular that: the audit scope and opinion remained unchanged from 2012; the indicative level of materiality for the year ending 31st July 2013 would be £252,870 which was 2% of total projected income; KPMG would report on all uncorrected misstatements but any omissions or misstatements below £12,600 would be considered trivial; risk and other areas of audit focus included the College's new student records system; KPMG’s audit approach would incorporate the risk of material fraud which might arise from the activities of the College; assurances concerning fraud would be required from the College management and the Board of Governors. Assurances at Appendix 1 concerning auditor independence were noted.

With reference to changes in accounting standards contained in Appendix 2 (HE sector update), it was noted that:

- KPMG would discuss during audit planning any implications for the College arising from the development of the new International Financial Reporting Standards (IFRS) based FE-HE Statement of Recommended Practice (SORP) and HEFCE’s approach, when known, to the recommendations in the Financial Reporting Council’s (FRC’s) Implementing the recommendations of the Sharman Panel: revised guidance on going concern and revised International Standards on Auditing (UK and Ireland).
- KPMG did not anticipate, however, that accounting standard changes would, have a significant impact on the College.

It was noted in response to members’ questions concerning the fact that £2,000 of the overall fee of £15,390, was for additional audit work to provide assurance on the College's new student records system that this would be a one-off review by the external auditors and would be in addition to the work undertaken by the internal auditors in relation to the student records system and the validation of Higher Education Statistics Agency (HESA) data.

The Committee considered the external audit plan and strategy for the audit for the year ending 31st July 2013, including fees of £15,390, and agreed that it should be recommended to the Board of Governors for approval: proposed Mr Blaney, seconded Ms Kemp.

**ACTION: Chair**

**PART III - item for approval**

15. Audit Committee standing agenda item list. Members considered a standing agenda item list of Audit Committee business for 2013/14, which had been drafted by the Clerk.

Members discussed whether items should be moved from the summer to the spring term meeting to ensure more equal agendas. It was noted that the draft list included 2 autumn term meetings. This was in line with the Committee’s decision to consider the draft internal audit plan at an early autumn term meeting, with consideration of the the final version at a second autumn term meeting, in order to increase the Committee's opportunity to contribute to the development of the plan. It was noted that RSM Tenon had presented the draft plan to the current meeting and that Ms Randall had confirmed that it might be presented to the Committee's spring term meeting in future, if that was the Committee's preference.
The Committee considered and approved the Audit Committee's standing agenda item list with the following amendments:

- The incorrect reference to the spring term in the final section should be amended to read summer term;
- Review of the draft internal audit plan should be moved to the spring term.

**ACTION: Clerk**

It was noted that the list would provide the architecture for each Audit Committee agenda and that additional items arising during the year would be added, as appropriate. It was agreed that the Committee should review its standing agenda item list annually at its summer term meeting.

**ACTION: Clerk**

**PART IV - Items for information**

16. **KPMG: HE financial statements benchmarking.** The Committee received a report from KPMG on financial benchmarking relating to 2011/12. It was noted that KPMG undertook an annual financial statements benchmarking exercise across its HE client base; 93 Institutions with revenues ranging from approximately £12 million up to £1,016 million had been included in the analysis; in addition to the measures analysing the performance of individual institutions, the report also included a trend analysis for certain measures showing general movements in funding and resources across the sector.

17. **Report on KPMG's Audit Committee Institute HE seminar, 10th June 2013.** The Committee received, for information, the seminar slides from a KPMG Audit Committee Institute seminar held in Leeds on 10th June 2013 entitled *A regulator's perspective on changes affecting the work of Audit Committees in the HE sector.* A written report on key areas was also received from Stephen Blaney, Jenny Jones and Ida Kemp, who had attended the seminar.

18. **HEFCE: annual accountability return requirements.** The Committee received, for information, HEFCE's letter of 9th May 2013 setting out its annual accountability requirements. The letter noted that HEFCE's accountability requirements for 2013 would be issued in September 2013. It was noted that they were expected to be similar to those for 2012.

**ACTION: Clerk**

19. **Any other urgent items of business.** There was no other business.

20. **Date & time of next year's meetings.** The proposed meeting dates and times for 2013/14 were received. It was noted that proposed earlier starting times for meetings were difficult for some members and it was agreed that the Clerk would consult further with members who would be in attendance during 2013/14.

**ACTION: Clerk**

**PART III - Reserved Matters**

21. **Exclusions.** It was agreed that Mr Newall of KPMG and Ms Randall of RSM Tenon should leave the meeting before consideration of the Reserved Matters agenda.

22. **Review of Reserved Matters minutes.** The Committee approved the Reserved Matters minutes arising from the Audit Committee meeting held on 10th March 2013: proposed Ms Woods, seconded Mrs Wright.
AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held on Wednesday,
23rd October 2013 at 5.00 p.m.

Present: Mr C Clements (co-opted member), Ms J Jones (Chair), Ms I Kemp,
Mrs C Wright

In attendance: Mrs F Bagchi (Clerk to the Board of Governors), Ms S Bailey (Director
of Finance), Mr A Newall (KPMG, External Auditors), Ms L Randall and
Ms L-A Straughton (Baker Tilly/RSM Tenon, Internal Auditors)

1. Apologies for absence. Apologies were received from Ms K Woods (Vice-Chair, co-opted
member) and Ms S Wonnacott (Principal)

2. Declarations on interest. There were no declarations of interest.

PART I - Items for decision

3. Election of Chair and Vice-Chair
Ms J Jones was elected Chair of the Audit Committee: proposed Ms Kemp, seconded Ms
Wright.

Ms Woods was re-elected Vice-Chair of the Audit Committee, subject to her acceptance:
proposed Mr Clements and seconded Ms Kemp.

4. Minutes of the previous meeting. The minutes of the meeting of the Committee held on 10th
July 2013 were approved. The minutes were signed by the Chair.

5. Action table and matters arising from the minutes, not elsewhere on the agenda. It was
noted that all actions had been completed, were on the agenda or had a future completion
date with the following exceptions:
   • The final version of the Higher Education Funding Council for England (HEFCE)
     Assurance Report arising from HEFCE’s Assurance Service visit to the College in April
2012 would normally be issued 6 months after production of the interim report (i.e. in December 2012) but had not been issued to date.

- The Clerk would arrange a formal induction session for Ms Jones, noting that the HEFCE Financial Memorandum (including the Audit Code of Practice), the Committee of University Chairs’ (CUC) Handbook for Audit Committee members and the Leadership Foundation for HE (LFHE) Getting Started guide to the work of the Audit Committee were available for self-study on the Corporation section of the College's intranet, eStudio.

Action: Clerk

There were no other matters arising.

**PART II - Items for decision**

**Auditor independence**

6. **Non-audit fees report.** The Committee considered an annual report on fees for non-audit work in 2012/13 and the first quarterly report for 2013/14 on non-audit fees. It was noted that the College’s Policy on using external auditors for non-audit services, which was approved in May 2013, stated that: “The audit committee will receive a quarterly report analysing fees paid for non-audit services, with additional commentary on assignments agreed during the quarter”.

Members noted that no fees for non-audit services were paid in the period 1st August 2013 to 23rd October 2013 and no non-audit assignments had been agreed in this period. The non-audit fees charged by KPMG, who were the College's external auditors, in 2012/13 were £1,611 inclusive of expenses and VAT for work in relation to advice on Transparent Approach to Costing (TRAC) in preparation for the institution specific funding bid, which had been unsuccessful.

Mr Newall, manager for the external audit being carried out by KPMG for the financial year ended 31.7.13, gave an update on the external audit, reporting that: the external audit team had been working in College during the current week; the external audit was substantially complete; working relationships with the Director of Finance and the Finance Department were good; the standard of accounts and supporting papers was good; there were no issues to report to the Audit Committee; the external audit report would be presented to the Audit Committee's November 2013 meeting.

**Internal audit matters**

7. **Annual Internal Audit Report.** Ms Randall reported that Baker Tilly had acquired RSM Tenon’s trading activities in August 2013 and had re-branded as Baker Tilly. The 2 firms were working through the integration process which, with reference to their education activities, had resulted in enhanced expertise in audit services to Academies, FE, HE and in risk management. The 2 firms were also aligning their benchmarking processes.

Ms Randall presented the draft annual internal audit report for 2012/13. Members noted that the 2012/13 plan had comprised the following reviews:

- HR - succession planning, training & staff development
- Corporate governance - structure & process
- Data quality - integrity of HESA data
- Carbon management & sustainability
- Key controls - financial
- FE Bursaries

With the exception of the carbon management & sustainability review, which was an advisory
review to which an opinion was not applicable, all the above reviews had resulted in a "green opinion" i.e. a classification of substantial assurance that the controls upon which the College relied to manage the risk reviewed were suitably designed, consistently applied and effective.

The Committee also noted that internal auditors, Baker Tilly had stated in their assurance statement at para. 2.2. of the report that their unqualified audit opinion was that: “We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of Leeds College of Art’s arrangements” and that the College had adequate and effective arrangements for governance, risk management, control, economy, efficiency and effectiveness (value for money).

With reference to section 2.46 (Acceptance of Recommendations), it was noted in discussion that all but two of the recommendations made during the year had been accepted by the College. One Medium graded recommendation had arisen from the Human Resources - Succession Planning, Staff Training and Staff Development report in relation to the assessment of the impact of cross-College training and development events which the College management had not accepted, as the number of such events was not currently significant and they were generally not repeated. Assessing the impact of such events was therefore not considered cost-effective or beneficial, although this would be kept under review by the College should this situation change. One Medium graded risk recommendation arising from the FE Bursaries report in relation to the inclusion of a field on the Bursary Application Form confirming that all FE students had a Learning Agreement in place had also not been accepted by the College, as FE students already signed a Learner Agreement at enrolment. It was, however, accepted that signed Agreements were not kept in the Student Support area, which was the area which had been reviewed.

Baker Tilly confirmed that their review had included a cost-benefit analysis of recommendations made and that they considered it positive that the College and the internal audit service were able to have a fair and healthy debate in relation to recommendations.

With reference to section 2.4.7, which benchmarked the assurance opinions arising from the 2011/12 and 2012/13 internal audit reviews, it was noted that: a 100% positive (green) opinion had been received in both years. Members noted that although the key indicated that the opinion was "green", it was shown as light blue in the columns in the table in the text and the Committee considered that it would be helpful to readers if it could be represented in green.

**Action: Baker Tilly**

With reference to section 2.4.8, which benchmarked the percentage of recommendations accepted by management graded High, Medium or Low in 2011/12 and 2012/13, it was noted that there were no High recommendations made in either year and that 20% (1/5) of recommendations in 2011/12 and just over 40% (3/7) of recommendations made in 2012/13 had been graded Medium. Members noted that the total number of recommendations in both years was low. Members agreed that it would be useful if the table could show the number and level of recommendations made, including the fact that there were no high recommendations. It was noted that 2 of the Medium recommendations arising in 2012/13 related to the advisory Carbon Management & Sustainability review.

**Action: Baker Tilly**

The Committee noted that the overall positive annual internal audit report for 2012/13, congratulating those involved, agreeing that the report, with the minor presentational amendments noted above, should be presented to the November 2013 meeting of the Audit Committee.

**Action: Clerk**
Progress reports & action plans

8. Internal audit implementation progress report. The Director of Finance, Ms Bailey, presented the progress report on the implementation of 6 recommendations arising from the internal audit service's reports on the reviews of Quality Assurance Arrangements (1/6 recommendations), Carbon Management & Sustainability (3/6), and FE Bursaries (2/6).

Members considered the report and noted that all recommendations arising from the Quality Assurance Arrangements review had been completed and 1 recommendation from the FE Bursaries review (relating to evidence of attendance checks) had been completed. The remaining 4 recommendations had implementation dates between October and November 2013.

With reference to questions relating to the Carbon Management and FE Bursaries reviews, it was noted that: SMART metering should be in place by the end of autumn term 2013 and that the first meeting of the Sustainability Committee was scheduled for 13 November 2013; the updated Learner Support Policy had been approved by the senior management team (SMT) in October 2013 and was available to students on the College Portal.

The Committee completed its review of the internal audit implementation progress report.

Risk management matters

9. Risk register. The Director of Finance presented the College's risk register, for information, noting changes made since the Committee last reviewed the register at its July 2013 meeting.

Members noted in discussion that most risks after mitigation had a net risk rating of green i.e. low risk. A number of risks were, however, graded amber (3/24 risks) or red (3/24 risks) after mitigation, including, in the latter case, the risk relating to the proposed Leeds trolleybus scheme (Risk 24 relating to institutional sustainability).

It was noted in response to members’ questions concerning the general approach to mitigating the risk relating to External/Political context (Risk 2) that the College ensured that it was aware of relevant issues, including taking advantage of institutional networking opportunities e.g. through Yorkshire Universities, GuildHE, HEFCE. Other explanations sought by the Committee related to the schedule for testing the College’s Disaster Recovery (DR) plan (Risk 3), the meaning of “quality and services” as a control in relation to competition for students (Risk 11) and of “sustainability” (Risk 24). The nature of controls relating to the achievement of the College’s strategic aims at Risk 23 (Reputation & Strategic) was also considered, noting that this included submission of the College’s Taught Degree Awarding Powers (TDAP) application in spring term 2014.

It was agreed that the Director of Finance would make the following minor clarificatory amendments to the risk register which would be presented to the November 2013 Board of Governors meeting with the Audit Committee’s annual report:

- Risk 3: standardise references to the College's Disaster Recovery Plan as DR, for the sake of consistency, and indicate in the Risk Indicators column that the DR was not tested annually;
- Risk 11: expand the reference to “quality of services” e.g. replace with “provide quality academic programmes and student support”;
- Risk 24: amend the title in the Risk Category column to “institutional sustainability” from “sustainability.

Action: Director of Finance
The Committee received the College’s risk register.

Fraud, bribery, irregularities and whistleblowing

10. The Committee received the College’s annual report on fraud, bribery, irregularity and “whistle-blowing” events, together with relevant CUC guidance, noting that there had been no such events in 2012/13 or to the date of the report.

The Committee also received, for information, a copy of the College’s Whistleblowing Policy, noting that the policy had been comprehensively revised during 2012/13 and that amendments included changes required under the Enterprise and Regulatory Act 2013. The Committee noted that the policy was clearly expressed.

PART IV - Items for information

11. **HEFCE consultation on revised Financial Memorandum.** The Committee received the consultation for information, noting that the date for responses was 6 December 2013.

It was noted that the Financial Memorandum set out the terms and conditions for payment of HEFCE grants and also included the Audit Code of Practice applicable to HE institutions (HEIs). It was proposed that the revised Financial Memorandum would be effective from 1 August 2014. HEFCE had stated that: its proposals took account of the Government’s reforms to HE funding; continued to recognise that HEIs were autonomous and to rely on the assurances HEIs provided for themselves; built on the previous Financial Memorandum to recognise HEFCE’s reinforced role to protect the collective student interest; changes had been limited to those considered necessary by HEFCE; the length of the document had been reduced. The relationship of the revised Financial Memorandum to HEFCE’s changing regulatory role was noted i.e. its reduced role as a funding body since the introduction of higher student fees.

The Director of Finance reported that she was attending a consultation event shortly and would feedback on the revised Financial Memorandum as part of that process. Key issues arising from the consultation appeared to be:
- Issues relating to HEFCE borrowing consent;
- The proposed requirement for HEIs to subscribe to JISC (formerly the Joint Information Systems Committee);
- Proposed compulsory submission by HEIs of an annual institutional sustainability assessment to HEFCE;
- The proposed requirement for HEIs to informing HEFCE concerning adverse materiality and research integrity issues.

The Audit Committee received the HEFCE revised Financial Memorandum consultation document, for information.

12. **HEFCE Accountability returns schedule 2013.** The Committee received the schedule, for information. It was noted that submission to HEFCE of an annual sustainability statement was optional in 2013 and that the October 2013 meeting of the Board of Governors had agreed to submit a statement in 2014, following review of any evaluation report arising from the 2013/14 pilot year.

13. **Any other urgent items of business.** There was no other business.

14. **Risk management: items identified at the meeting.** It was noted that no new items of risk had been identified at the meeting.

15. **Date & time of next meetings.** Wednesday 20 November 2013 at 5.00pm; Wednesday 19
March at 5.00pm; Wednesday 2 July at 5.00pm. It was noted that Mr Clements might have to send apologies for the meeting on 20 November 2013.

The Chair thanked auditors and managers for their reports and contribution to the meeting.

**PART III - Reserved Matters**

16. **Exclusions.** It was agreed that Mr Newall of KPMG and Ms Randall and Ms Straughton of Baker Tilly should leave the meeting before consideration of the Reserved Matters agenda.

17. **Review of Reserved Matters minutes.** The Committee confirmed the confidential Reserved Matters minutes arising from the Audit Committee meeting held on 10th July 2013, which were signed by the Chair.

18. **Action table and matters arising from the minutes, not elsewhere on the agenda.** The Committee noted with reference to the action table attached to the above minutes that it had been noted at the Committee's March 2013 meeting that the College would go out to tender for external and internal auditors in the next 18-24 months . . .

19. **Internal auditors' performance checklist.** The Committee completed the 2012/13 internal auditors' performance checklist, agreeing that the amended checklist should be presented to the November 2013 meeting of the Committee for signing by the Chair, together with section 2 completed by the Director of Finance.
   **Action: Clerk/Director of Finance**
   
   Mr Clements left the meeting during this item.

20. **Audit Committee performance checklist.** The Committee completed the 2012/13 Audit Committee performance checklist, agreeing that the amended checklist should be presented to the November 2013 meeting of the Committee for signing by the Chair.
   **Action: Clerk**
AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held on Wednesday, 20th November 2013 at 5.00 p.m.

Present: Ms Woods (Vice-Chair & co-opted Committee member), Ms I Kemp, Mrs C Wright

In attendance: Mrs F Bagchi (Clerk to the Board of Governors), Ms S Bailey (Director of Finance), Mr S Clark and Mr A Newall (KPMG, External Auditors), Ms L-A Straughton (Baker Tilly, Internal Auditors), Ms Wonnacott (Principal)

1. Apologies for absence. Apologies were received from Ms Jones (Chair) and from Mr Clements (co-opted Committee member). In the absence of Ms Jones, the meeting was chaired by the Vice-Chair, Ms Woods.

2. Declarations of interest. There were no declarations of interest.

PART I - Items for discussion & decision

3. Minutes of the Oct. 2013 meeting. The minutes of the meeting held on 23rd October 2013 were approved.

4. Action table & matters arising. It was noted that all actions had been completed or were on the agenda. Ms Jones had indicated that she would use the self-study materials on the work of the Audit Committee, which were on the Corporation section of eStudio. The Clerk would also arrange a formal induction session for Ms Jones.

Action: Clerk

Internal audit matters

5. Internal Audit Plan 2012/13: FE Bursaries report. Ms Straughton of Baker Tilly, the College’s internal auditors, presented the final report from the 2012/13 internal audit plan i.e. the FE Bursaries report. Three recommendations had arisen from the report: one recommendation graded as Low and 2 as Medium. One of the Medium-graded recommendations which related to the location of learner agreements had been noted in the report as “not applicable”, following discussions with management. The Committee noted that the internal auditors, RSM Tenon/Baker Tilly, had concluded that: “Taking account of the issues identified, the Board can take substantial assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied and effective”.

6. Revised internal audit report. Members received the final version of the annual internal audit report 2012/13, noting that the presentational changes to the tables at sections 2.47
and 2.48, which had been agreed at the October 2013 meeting of the Audit Committee, had been implemented. The report was otherwise unchanged from the draft considered at the Committee’s October 2013 meeting, which had noted the overall positive opinion. The Committee agreed that the final version of the internal report 2012/13 should be presented to the Board of Governors as an annex to the Committee’s Annual Report.

Action: Chair

External audit matters

7. Members’ Report & Financial Statements for y.e. 31.7.13. Under its terms of reference the Committee’s remit includes: considering elements of the annual financial statements in the presence of the external auditors, including the auditors’ formal opinion, the statement of members’ responsibilities and the statement of internal control, in accordance with the funding councils’ accounts directions; recommending the annual financial statements to the Board of Governors.

The Committee considered the Members’ Report & Financial Statements for the year ended 31.7.13, noting that the College had generated a healthy operating surplus of £1.9 million (2011/12 £1.2 million). Total net assets had increased to £18 million and the cash position had improved by £2 million. The College had gross cash balances of £10 million at 31 July 2013. As there were no audit adjustments, it was noted that the 2012/13 outturn was as previously notified to the Board of Governors in the period 12 management accounts.

Members compared income and expenditure for 2011/12 and 2012/13, noting that income was lower in 2012/13 due to a reduction in recurrent grants for further education students, lower capital grant funding and the ending of the community courses contract with Leeds City Council, although this was partly offset by increased investment income. The College had, however, managed its cost base carefully and, excluding non-recurring costs incurred in 2011/12 in relation to the new student record system, there had been an overall reduction in the College’s cost base of 5.7% in 2012/13. The percentage of staff costs to income was 51%, which was one of the lowest in the sector. This was forecast to increase to 57% by 2014/15, returning to 55% thereafter which was closer to sector norms. It was noted, in response to members’ questions, that the forecast increase in staff costs was as a result of the implementation of job evaluation and the HE staff salary scale.

The Committee agreed that, following minor presentational changes, the Members’ Report and Financial Statements for the year ended 31.7.13 should be recommended to the Board of Governors for approval.

Action: Director of Finance/ Chair


Mr S Clark and Mr A Newall of the external auditors, KPMG, spoke to the Audit Highlights Memorandum and Management Letter for the year ended 31.7.13, which was discussed.

The Committee noted that the management letter recorded that KPMG:

- Anticipated issuing an unqualified audit opinion in the standard format on the financial statements;
- Had not identified any material audit adjustments or any unadjusted audit differences;
- Had made one minor recommendation, graded as low priority, that all journals should be signed as evidence that they had been reviewed, which had been accepted by management and implemented immediately.
It was noted in discussion that one of the key risks reviewed as part of the audit was the migration of data to the new student records system and the extent to which the College’s finance/student records/planning functions were integrated to ensure complete and timely data and information, noting that no concerns had been identified.

Members considered in detail the Financial Reporting Standard 17 (FRS 17) pension assumptions report at appendix 2 to the management letter, noting that KPMG had reviewed actuarial assumptions in respect of the West Yorkshire Pension Fund which applied to the College's support staff. It was noted that KPMG considered the assumptions relating to the discount rate and RPI inflation to be in line with their benchmark (i.e. Green) but considered those relating to CPI inflation/pension increases, the net discount rate (discount rate - CPI), salary growth and life expectancy to be towards the edge of their benchmark range (i.e. Amber). It was noted in response to members’ questions that the indicators represented as Amber could nevertheless be considered to be within an acceptable range. It was noted that there had been a decrease in pension liability of £0.3 million in 2012/13 due to the actuarial assumptions applied.

With reference to members’ questions in relation to the report at appendix 2 on forthcoming pension changes, including pensions auto-enrolment, that the Head of Human Resources would send out written information and would also make a presentation to staff on auto-enrolment. The Director of Finance confirmed that the pension changes mentioned in the report were already adequately covered by the sections in the College's risk register on financial sustainability and employee relations.

The Committee received KPMG's Audit Highlights Memorandum and Management Letter for the year ended 31.7.13 and agreed to present it to the Board of Governors as an annex to the Committee's annual report.

Action: Chair

The Committee congratulated the Director of Finance and her team on a successful outcome to the 2012/13 external audit.

9. **External auditors’ representation letter.** The Committee noted that the 2013 letter of representation from the Board of Governors to the external auditors was unchanged from the version approved and signed in 2012 and agreed to recommend the 2013 letter of representation to the Board of Governors for approval and signing.

Action: Chair

Progress reports & action plans

10. **Internal audit implementation progress report.** It was noted that there was no further update to be given on the report presented to the Committee’s October 2013 meeting.

11. **Updated HEFCE assurance review report.** The Clerk reported that HEFCE had undertaken a review of financial management and governance in April 2012, issuing an interim report in June 2012. No recommendations had been made by HEFCE as a result of the review, although the report had included 2 good practice suggestions and had noted that the College would make most of its accountability returns at the end of 2011/12 i.e. following its first year as an HE institution (HEI). The Audit Committee had regularly reviewed, during 2012/13, an action table tracking progress in relation to relevant accountability returns.

HEFCE had recently asked for an update on the report by November 2013, which had been sent to them as requested. The Committee reviewed the update, noting that both good practice suggestions had been implemented and that the College was fully compliant with
HEFCE’s accountability schedule with the following exception: the College had until January 2015 to submit its first Transparent Approach to Costings (TRAC) return.

The Committee received the updated HEFCE assurance review report.

12. **Compliance report for 2012/13 against the Code of Governance & Statement of Primary Responsibilities.** The Clerk reported that the Board of Governors had adopted the Committee of University Chairs’ Code of Governance and Statement of Primary Responsibilities on 1.8.11 i.e. when it became an HEI. The Committee considered the annual report from the Clerk on compliance with the Code and Statement, noting that a report by exception against the Code and Statement has also been included in the draft Members’ Report for the year ended 31.7.13, which had been considered earlier on the agenda.

It was noted with reference to the requirement under the Code for “appropriate financial provision” to be made “for support for Governors”, that, while requests from Governors to undertake training or for approved travel expenses were met from the College budget, the development of a separately coded governance budget, including provision for Governor training, had been agreed in 2012/13 and would be implemented in 2013/14.

*Action: Clerk/Director of Finance*

The Committee received the Clerk’s compliance report for 2012/13 against the CUC Code of Governance and Statement of Primary Responsibilities.

13. **Value for Money matters**

13. **Annual Value for Money (VfM) report.** The Director of Finance presented the College’s annual VfM report, noting that the College’s senior management team (SMT) had reviewed a number of measures in its assessment of VfM including: the College’s performance in the National Student Survey; feedback from courses and students on the Visiting Professionals scheme; procurement e.g. with reference to a review of the need for terrorism insurance, the College’s membership of the North East Universities Purchasing Consortium and the Crescent Purchasing Consortium; major projects e.g. IT restructuring, the ending of the Blenheim Court lease, use of e-remittances, automating management accounts.

The Committee noted that the College’s senior management team, having reviewed relevant actions, projects and measures, had concluded that good value for money was being achieved. It was noted that the Committee’s review of the College’s annual VfM report contributed to its opinion on economy, efficiency and effectiveness (VfM) in its annual report.

It was noted that submission of a VfM was an optional report under HEFCE’s accountability schedule and that the College had submitted its first VfM report to HEFCE in November 2012. It was agreed that the Director of Finance would review the format of the 2012/13 report, with reference to the 2011/12 report.

*Action: Director of Finance*

14. **Risk management matters**

14. **Risk register.** The Committee noted that the risk register was reviewed termly and had been considered at the Committee’s October 2013 meeting i.e. it was not due to be considered at the present meeting and would next be reviewed at the Committee’s March 2014 meeting.

15. **HEFCE’s annual risk assessment letter.** The Committee noted that HEFCE’s annual assessment of institutional risk had been presented to the May 2013 meeting of the Board of Governors and stated that HEFCE considered that the College was “not at higher risk”.
Annual College reports & returns

16. **Annual data quality report.** The Committee noted that it was required under HEFCE’s Audit Code of Practice and the Committee’s terms of reference, to provide an opinion in its annual report on the management and quality assurance of data submitted to the Higher Education Statistics Agency (HESA), HEFCE and other funding bodies and that the College’s annual data report contributed to its opinion.

The Director of Finance presented the College’s Data Quality Report 2012/13, which had been prepared by summarising the steps that the College had taken to assure itself of data quality, noting that its assurance approach comprised 4 strands i.e. a data return schedule, self-assessment questionnaires, detailed commissioned reports, and any other assurances available in the current year.

Members noted that the report recorded that there were no material concerns arising from the data return schedule or the self-assessment questionnaires that the SMT wished to draw to the Committee’s attention. No detailed commissioned reports have been requested or produced in 2012/13. Members noted that the 2012/13 internal audit had included a review of data quality (integrity of HESA data), which had resulted in a grade of “substantial” assurance, with no recommendations being made. The external auditors had also reviewed student data as part of their 2012/13 audit work, with no material concerns being raised. It was noted that the College had not been subject to a HEFCE data audit in 2012/13.

The Committee received the College’s Quality Report, noting that the overall conclusion was that there were no material concerns which the SMT wished to draw to the attention of the Committee.

17. **Annual assurance return to HEFCE.** Members noted that HE institutions were required to submit an Annual Assurance Return to HEFCE, the purpose of which was to confirm that the College had met its obligations to HEFCE under the Financial Memorandum with HEFCE. The return also confirmed that the College was complying with its duties as a charity and thus enabled HEFCE to fulfil its responsibility as the College’s principal regulator.

It was noted that the return was parts: Part 1 to be signed by the Principal as Accountable Officer; Part 2 to be signed by the Principal as a member of the Board of Governors and a trustee of the charity.

The draft Annual Assurance Return for 2012/13 recorded full compliance and no material adverse changes requiring notification to HEFCE i.e. confirmation that the data and annual accountability returns submitted/to be submitted to HEFCE by 3.12.13 conformed to the requirements of the Financial Memorandum and published guidance; that data had been subject to effective oversight and management review; quality assurance had been provided to the Audit Committee, allowing it in turn to provide assurance to the Board of Governors and the Principal as Accountable Officer; in all material respects, the College had conducted its affairs during 2012/13 in accordance with its status as a charity. With reference to post-financial year-end events, the return noted Jenny Jones’ appointment as Chair of the Audit Committee.

The Committee agreed to recommend the draft Annual Assurance Return to the Board of Governors, for signing by the Principal and submission to HEFCE.

**Action: Chair**

Audit Committee report and terms of reference

18. **Audit Committee’s Annual Report.** The Committee considered the Committee’s draft Annual Report 2012/13 and approved it for presentation to the Board of Governors and the
Principal and for submission to HEFCE, including the following full, positive opinion:

“The Committee’s annual opinion covers the financial year to 31st July 2013 and any significant issues up to the date of preparing the report.

On the basis of the information presented to it, the Audit Committee is satisfied that reliance can be placed upon the adequacy and effectiveness of the College’s systems of internal control and its arrangements for:

- risk management, control and governance,
- promoting economy, efficiency and effectiveness (value for money),
- the management and quality assurance of data submitted to the Higher Education Statistics Agency, HEFCE and other funding bodies.

The Committee considers that the Corporation’s responsibilities, included in the annual financial statements for the year ended 31st July 2013, have been satisfactorily discharged”.

Action: Chair

19. Audit Committee terms of reference. The Committee completed its annual review of its terms of reference and approved minor updating changes for recommendation to the Board of Governors.

Action: Chair

It was noted that HEFCE was consulting on changes to its Audit Code of Practice as part of its consultation on the revised Financial Memorandum and that the Committee would therefore review its terms of reference in the light of any revisions implemented by HEFCE in due course.

Action: Clerk

PART II - Items for information

20. HEFCE: Charity Commission Public Benefit guidance. The Committee noted that the College was an exempt charity i.e. it did not have to register with the Charity Commission as HEFCE was its principal regulator for charity law purposes. The Board of Governors was required, however, to take account of relevant guidance issued by both HEFCE and the Charity Commission e.g. with reference to reporting on public benefit in the annual Members’ Report. It was noted that the Charity Commission had issued updated general guidance on public benefit. Revised guidance on public benefit for educational institutions had not yet been received but would be presented to the Committee when available.

Action: Clerk

21. RSM Tenon/Baker Tilly HE updates. The Committee received, for information, briefings from RSM Tenon/Baker Tilly on HE sector developments.

PART III - Final matters

22. Any other urgent items of business. It was noted that the Committee would review the Transparent Approach to Costing (TRAC) return statement at its March 2014 meeting, if the College decide to submit a TRAC return to HEFCE in January 2014 i.e. a year earlier than required.

Action: Clerk

It was noted in response to members’ questions concerning TRAC that the return separated out different types of costs e.g. teaching, research and other costs. The College had teaching
and a small amount of other costs but did not currently have research income. The College also had a small amount of full-cost non-publicly funded teaching.

23. **Risk management.** No new items of risk were identified at the meeting.

24. **Date of next meeting.** The Committee was next scheduled to meet on 19th March 2014 at 5.00pm.

**Reserved matters** *(non-confidential)*

25. **Exclusions.** The Principal and Director of Finance left the meeting.

26. **Annual meeting of the Committee with the auditors without the presence of management.** The Principal and Director of Finance left the meeting. The auditors confirmed that the year-end audit had gone well, the College was well-managed and the only significant strategic risk currently facing the College related to the trolley-bus scheme.

Mr Clark, Mr Newall and Ms Straughton left the meeting. The Principal and Director of Finance re-joined the meeting.

The Chair reported the positive remarks from the auditors concerning the year-end audit, which the Director of Finance said she would pass on to the finance department staff.

*Action: Director of Finance*

27. **Review of Reserved Matters minutes.** The Committee approved the Reserved Matters minutes arising from the Audit Committee meeting held on 23rd October 2013.

28. **Action table & matters arising from the minutes.** *(The discussion of this item has been kept in a confidential minute).*

29. **Performance checklists.** The completed Audit Committee performance checklist and the complete internal auditor performance checklists for 2012/13 were signed by the Chair.

30. **Risk Management.** There were no new items of risk identified during the Reserved Matters section of the agenda.
AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held on Wednesday 19th March 2014 at 5.00 p.m.

Present:  Ms J Jones (Chair), Ms K Woods (Vice-Chair & co-opted Committee member), Mrs C Wright (Committee member)

In attendance:  Mrs F Bagchi (Clerk to the Board of Governors), Ms S Bailey (Director of Finance), Mr A Newall (KPMG, External Auditors), Ms L-A Straughton (Baker Tilly, Internal Auditors), Ms Wonnacott (Principal)

1.  Apologies for absence.  Apologies were received from Ms I Kemp and Mr C Clements.

2.  Declarations of interest.  There were no declarations of interest.

PART I - Items for decision

3.  Minutes of the previous meeting.  The minutes of the meeting held on 20th November 2013 were approved, with an amendment to the attendance list notified by the Clerk.

4.  Action table and matters arising from the minutes, not elsewhere on the agenda.  Members received the action table report, noting that all actions had been completed or had a future completion date.  With reference to the draft Higher Education Funding Council for England Assurance Service (HEFCEAS) report issued in June 2012, it was noted that no final report had been received although HEFCEAS had requested an update on relevant actions in autumn 2013.  The June 2012 version should therefore probably be considered the final version.  The action table was received.

PART II - Items for consideration

Internal audit matters

5.  Internal audit: progress report.  Ms Straughton of internal auditors, Baker Tilly, reported that 3 reviews had been completed as noted below.  All had been awarded Green (substantial) assurance.  The Student Experience and Follow Up reviews would be completed in April 2014, which would complete the 2013/14 plan.  The internal audit progress report was received.

6.  Internal audit Block 1 reports: Learner Number Systems - Enrolments, Transfer & Withdrawals.  The Committee noted that the review had focussed on Education Funding Agency (EFA) learners e.g. enrolment, withdrawals and transfers, attendance monitoring.  Green (substantial) assurance had been awarded.  1 Low grade recommendation had been made, relating to the sector-wide issue of errors in EFA funding software.  The recommendation had been implemented, with the RO6 return submitted to the EFA following appropriate quality checks.  The Committee received the Learner Number Systems report.

7.  Internal audit Block 1 reports: Creditors and Debtors.  The Committee noted that the review
had focussed on (i) Creditors (e.g. purchase orders, invoice processing, approval of payments) and (ii) Debtors (e.g. identification of income due, raising of invoices, debt management). Green (substantial) assurance had been awarded. 2 Medium recommendations concerning detailing debt management processes in the Financial Procedures and obtaining supplier amendment logs from the Resource software supplier had been made, which had been accepted by management and would be implemented. 1 Low recommendation, concerning the recording of student debt chasing, had also been made, which had been implemented. The sector-wide issue of fraud relating to supplier bank mandate details was discussed and it was noted that the College had good procedures which had successfully detected such an attempt. The Committee received the Creditors & Debtors report.

8. **Internal audit Block 1 reports: Payroll.** The Committee noted that Payroll was outsourced and the review had focussed on policies and procedures, authorisation of additions/deletions, authorisation for amendments, authorisation of payments, and management of the Service Level Agreement with Leeds City Council. Green (substantial) assurance had been awarded. 2 Medium recommendations concerning (i) ensuring an evidenced check of additions/amendments to the payroll having been undertaken prior to payment, which had been implemented, and (ii) the addition of key performance indicators (KPIs) to the Service Level Agreement with the Council, which had been accepted by management and would be implemented. Possible KPIs were discussed, noting that these might include the right to see any Council audit reports relevant to the contract. The Committee received the Payroll report.

9. **Annual internal audit plan 2014/15.** The Committee reviewed the 2014/15 internal audit plan contained in the 2013-16 strategy. Members discussed whether the quality assurance review should be brought forward to 2014/15 but noted that this would be covered if the College were to be under Taught Degree Awarding Powers (TDAP) scrutiny in 2014/15. It was noted that the student retention review might also be removed from the 2014/15 plan if the College were to be under TDAP scrutiny. The inclusion of data quality and IT security in the plan was considered, and it was agreed that the latter should be considered for inclusion. The plan currently also included a student experience review, health & safety review and a business & financial planning review, with the scope of the latter to be agreed. It was noted in response to members’ questions that governance was included in the list of core assurance areas.

It was agreed that a revised draft of the 2014/15 internal audit plan, based on relevant risk and the above suggestions, should be reviewed at the July 2014 Audit Committee meeting. **Action: Director of Finance/Ms Straughton**

**Progress reports & action plans**

10. **Internal audit implementation plan.** Members noted that all recommendations had been completed, with the exception of the action relating to the Smart Metering System which would be installed in 2014. The internal audit implementation plan was received.

**Risk management matters**

11. **Risk register.** The Committee considered the College’s updated risk register for February 2014. It was noted with reference to questions on the low net risk relating to Resources (senior/middle management succession planning) that the Human Resources (HR) succession planning document had been completed in February 2013. It was also noted that the risk relating to competition for students remained high on a gross risk and medium on a net risk basis as (despite the College’s good applications per place ratio and good controls) it was an area where there would always be some risk. The risk relating to industrial relations had been updated to high on a gross risk and to medium on a net risk basis in the light of the recent sector wide industrial action taken by the University & College Union (UCU). The institutional risk from the trolley bus scheme remained a high net risk. The Committee received the
College's updated risk register.

**Compliance returns**

12. **Transparent Approach to Costing (TRAC) Statement of Requirements.** The Committee noted that TRAC was the standard method used for costing within the HE sector and provided annual full economic costs for teaching, research and other institutional activity. The College had submitted a TRAC return a year earlier than required for a new HE institution (HEI) i.e. in January 2014 rather than January 2015. The Board of Governors had delegated responsibility for the review of the TRAC Statement of Requirements Compliance to the senior management team (SMT), which was presenting it to the current Audit Committee meeting for information, as required in HEFCE guidance. It was noted in response to members' questions that, as a result of completing the TRAC (T) return in February 2014, the College would consider making some changes to the management accounts from 2014/15 e.g. separating out FE & HE information. Members noted that the College had received a copy of HEFCE's 2014 TRAC benchmarking report. Following a report commissioned by KPMG and sector-wide consultation in 2012/13, HEFCE was expected to issue revised TRAC and TRAC (T) guidance for 2014/15 or 2015/16, streamlining TRAC reporting requirements. The Committee received the TRAC Statement of Requirements.

**PART III - Items for information**

13. **KPMG: HE Financial Statements Benchmarking 2012/13.** Members noted that KPMG's report demonstrated the College's strong financial performance compared to other HEIs. It was also noted that, while non-EU tuition fee income and other operating income were areas where the College scored lower than other HEIs, these areas were already targeted in the College's strategic plan. The Committee received KPMG's HE Financial Statements Benchmarking report for 2012/13, noting that the College was to be congratulated on its financial performance.

14. **Baker Tilly: FE internal audit benchmarking report 2012/13 & HE/FE updates.** Members received the following reports from Baker Tilly: the FE internal audit benchmarking report 2012/13 (noting that the College had 100% Green/substantial assurance for its 2012/13 reviews compared to an FE sector average of 66%), FE Lean Thinking update (February 2013), VAT reclaims for colleges - peripheral trading update (March 2013) and HE update (November 2013). The Committee received Baker Tilly's benchmarking report and FE and HE sector updates.

**PART IV - Final matters**

15. **Any other urgent items of business.** There was no other business.

16. **Risk management.** No new items of risk were identified at the meeting.

17. **Date & time of next meeting:** Wednesday 2nd July 2014 at 5.00 p.m.

**PART V - Reserved Matters**

18. **Exclusions.** Mr A Newall of KPMG and Ms L-A Straughton of Baker Tilly left the meeting.

19. **Review of Reserved Matters minutes.** The Committee approved the confidential Reserved Matters minutes of 20th November 2013.

20. **Action table and matters arising from the minutes, not elsewhere on the agenda.** It was noted that there was nothing to discuss under this item.

21. **External auditor performance checklist.** The Committee completed the external auditor
annual performance checklist, noting that the overall assessment of KPMG was positive. It was noted that Mr S Clark, who had been a partner for the 2012/13 audit, had now left KPMG and the Director of Finance had yet to meet his replacement.

22. **Risk management.** No new items of risk were identified during the Reserved Matters section of the meeting.

23 **Any Other Business.** Ms Woods reported that, due to other commitments, she had not accepted re-appointment as a co-opted Audit Committee member beyond July 2014 and the Committee’s next meeting would therefore be her final meeting. Ms Jones, as Chair of the Committee, thanked Ms Wood for her contribution to the work of the Committee.
AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held on
Wednesday 2nd July 2014 at 5.00 p.m.

Present: Ms J Jones (Chair), Ms Kemp (Committee member), Ms K Woods (Vice-Chair & co-opted Committee member), Mrs C Wright (Committee member)

In attendance: Mrs F Bagchi (Clerk to the Board of Governors), Ms S Bailey (Director of Finance), Ms C Partridge (Director, KPMG LLP UK, External Auditors), Ms L-A Straughton (Client Manager, Baker Tilly Risk Advisory Services LLP, Internal Auditors), Ms Wonnacott (Principal)

1. **Apologies for absence.** Apologies for absence were received from Mr Clements, a co-opted Audit Committee member.

2. **Declarations of interest.** There were no declarations of interest.

**PART I - Items for decision**

3. **Minutes of the previous meeting.** The minutes of the meeting of the Committee held on 19th March 2014, including the non-confidential Reserved Matters minutes, were approved with the following amendment: at item 23 the spelling of Ms Woods name should be corrected.

   **Action:** Clerk

4. **Action table and matters arising from the minutes, not elsewhere on the agenda.** Members considered the action table attached to the above minutes. It was noted that all actions had been completed with the following exceptions: Ms Jones was due to meet with the Clerk and Director of Finance after the current meeting to review her first year as Chair of the Audit Committee; HEFCE’s revised financial memorandum and revised public benefit guidance for educational institutions were not on the agenda as they were still awaited. There were no other matters arising.

**PART II - Risk management: for consideration & information**

5. **Risk register.** The Committee considered the College’s risk register, noting that it had recently been reviewed by the College’s senior management team (SMT) which had concluded that the College’s risks should remain as amended in February 2014. It was noted in response to members’ questions that the risk rating in relation to employee relations still remained appropriate and that, with reference to risks relating to the College internationalisation strategy, risks would be reviewed as the College’s strategy matured but were currently considered to remain low. The Committee received the College’s risk register.
6. **HEFCE annual assessment of institutional risk.** The Committee noted that the Higher Education Funding Council for England’s (HEFCE's) letter to the College of 24th March 2014 recorded its annual assessment of institutional risk for Leeds College of Art based on the College's accountability returns for 2012/13 i.e. that Leeds College of Art was “not at higher risk”, the more positive of HEFCE's 2 risk categories. The College's positive position in relation to the benchmarking data attached to the letter was also discussed and noted. Members noted that the letter and benchmarking data had been presented to the June 2014 meeting of the Board of Governors and were being presented to the Audit Committee for information. The Committee received HEFCE's assessment of institutional risk.

7. **Internal audit revised letter of engagement.** As agreed at the March 2014 Board of Governors' meeting, the Committee received, for information, the signed revised internal audit engagement letter reflecting the fact that the College's internal audit service was now provided by Baker Tilly Risk Advisory Services LLP, following the merger of Baker Tilly and RSM Tenon.

8. **Internal audit: progress & Block 2 reports.** Ms Straughton of the College's internal auditors Baker Tilly presented the progress report on the 2013/14 internal audit, reporting that all reviews had been completed as planned, with reports on the final reviews being presented to the current meeting. It was noted that as all the reports arising from the reviews undertaken had a Green (substantial assurance) opinion, the overall audit opinion for the year would also be Green.

   (i) **Student Experience Report**

   Members noted in discussion that:

   - The review had considered the FE student journey including application, enrolment, induction, guidance and identification of additional support needs;
   - Baker Tilly's report had concluded that, taking account of the issues identified, the Board of Governors could take substantial assurance that the controls upon which the organisation relied to manage the risks reviewed were suitably designed, consistently applied and effective;
   - 2 recommendations graded low had been included in the report, one of which had not been accepted by management i.e. the recommendation that applicant references should be sought to help identify additional learning needs had not been accepted as the College considered that its current processes provided a better assessment of learner needs, with all students undergoing a diagnostic assessment at induction;
   - The second recommendation related to prior qualifications, which from September 2014 also had FE funding implications, as where students did not have a grade C or above in GCSE English and Maths, these subjects would have to be added to their study programme for the students to be fundable;
   - The Academic Registrar had confirmed that prior qualifications would be photocopied and held in the student’s file for September 2014 entry, with the Director of Finance confirming that they would also be captured through updated fields in the College's FE Individualised Learner Record (ILR).

   Ms Straughton reported that, in addition to the above recommendations, Baker Tilly had also made the following suggestions for improving College practice:

   - A suggestion that the College should investigate the possibility of migrating Universities & Colleges Admissions Service (UCAS) progress application forms directly into the College's Agresso system to remove the need for the Admissions team to enter the electronic data onto Agresso manually;
A suggestion that course tutors should complete weekly registers electronically through the web-based version of Agresso so that course administrators did not have to enter the information manually, with it being noted that the College was considering developing the technology to facilitate this.

Members discussed examples of student support/retention processes and activities that Baker Tilly had observed at other colleges, although noting that in most cases the College was already undertaking similar activities. It was noted in response to members' questions that:

- With reference to the Higher Education Achievement Report (HEAR), which were intended to provide further detail of student achievement such as module marks and academic credit, most HE institutions (HEIs) were now developing this report;
- The College's Academic Registrar had been on a HEAR training course provided by Newman University, while art students traditionally had an additional record of achievement through their portfolio of work;
- With reference to institutions which communicated with students through institutionally provided smartphones, it was noted that, as a recent survey had indicated that most undergraduates had 2.5 web-enabled devices, provision of smartphones appeared unnecessary and the College already had a range of ways for communicating with students, which was also facilitated by the College's relatively small size;
- With reference to institutions which provided students with personal tutors, the College provided personal and curriculum-based tutorials as well as one-to-one teaching;
- College services were centralised by virtue of its small size, with guidance services being provided by a third party which had been required to have the Matrix quality standard for advice and guidance services as part of the terms of its contract with the College.

(ii) Follow Up Report
Members noted that:

- Recommendations arising from the 2012/13 audit had been reviewed by Baker Tilly, of which 3 had been graded Medium priority and 4 Low priority;
- The report recorded that 5 of the recommendations had been implemented, 1 recommendation graded Medium relating to SMART metering was ongoing and 1 recommendation graded Low related to the Carbon Management action plan had not been implemented at the date of the Follow Up review and had been re-instated to the College's internal audit recommendation implementation plan tracker;
- Baker Tilly's opinion was that good progress had been made, with 71% of recommendations having been implemented and there being no recommendations which were receiving inadequate management attention.

The Committee received the progress report on the 2013/14 internal audit and the Block 2 reports.

9. Internal audit recommendations implementation report. The Committee considered the College's report, noted that all internal audit recommendations in the plan had been implemented with the following exception:

- Short-term targets for monitoring the reduction in carbon emissions would be set once smart metering had been implemented.

It was noted in response to members' questions concerning the completion date for the internal audit recommendation on the prioritisation of actions in the College's carbon management plan, that this action was now considered to have been implemented for Baker Tilly's purposes although the individual actions had varying implementation dates. The
Committee received the College's internal audit recommendations implementation report.

**PART IV - Internal & external audit: items for recommendation**

10. **Annual internal audit plan 2014/15.** Ms Straughton of Baker Tilly presented the draft 2014/15 internal audit plan, which had been composed with reference to the initial discussion of the plan at the Committee’s March 2014 meeting. The Committee considered whether the plan covered the College’s priority areas, whether it provided sufficient assurances to monitor the College’s risk profile effectively, including any emerging issues and/or key risks, and within the context of the College’s overall internal audit strategy. Members noted that the draft internal audit plan included the following reviews: student experience (HE student journey); business & financial planning; health & safety; data protection - IT security; Follow up review of previous recommendations.

The Committee agreed to recommend Baker Tilly’s draft internal audit plan 2014/15, including fees of £10,152, to the Board of Governors for approval with the following amendment: the IT security review should focus on IT security generally rather than in the context of data protection.

*Action: Baker Tilly & Chair, Audit Committee*

11. **External audit plan & strategy.** Ms Partridge of the College’s external auditors, KPMG, presented the draft external audit plan & strategy for the audit for the financial year ending 31st July 2014. It was noted that Ms Partridge was a Director at KPMG, had worked with HEIs and HEFCE and on the new FE & HE Statement of Recommended Practice (SORP).

Members noted that KPMG’s opinion on the College’s statements would include:

- Giving a true and fair view of the state of the affairs of the College as at 31st July 2014 and of its income and expenditure, recognised gains and losses and cash flows for the year then ended;
- Giving an opinion on whether the financial statements had been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the FE & HE SORP;
- With reference to matters prescribed in the HEFCE Audit Code of Practice, giving an opinion on whether, in all material respects, funds from whatever source, administered by the College for specific purposes, had been properly applied to those purposes and funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

It was noted with reference to the proposed timetable for the audit, that substantive testing would be completed by October 2014 to permit reporting to the Audit Committee and Board of Governors in November 2014 and ensure that the deadline for the College’s accountability returns to HEFCE was met.

Members noted that:

- Generally Accepted Auditing Standards (GAAS) required external auditors to plan the audit to determine with reasonable confidence whether or not the financial statements being reported on were free from material misstatement;
- KPMG therefore proposed that materiality should be set at £250,000 which was 2% of total revenue for 2012/13;
- KPMG also proposed to report all individual unadjusted differences greater than £13,000 to the Audit Committee and have regard to other errors below this amount if there was evidence of systematic error or if they were material by nature;
- Proposed audit risks and other key areas of audit focus were fraud (revenue recognition and management override of controls), financial position and going concern,
• The proposed fee for the audit of the financial statements was £13,390, which was unchanged from the previous year’s audit.

Members agreed that the materiality levels and audit focus appeared reasonable. It was noted that the appendices to the plan included HE, FE, tax and pensions updates and considerations for the Audit Committee.

The Committee agreed to recommend KPMG’s draft external audit plan & strategy for the audit of the financial year ending 31st July 2014, including fees of £13,390, to the Board of Governors for approval.

**Action: Chair, Audit Committee**

**PART V - Fraud, bribery, irregularities & corruption: items for consideration & recommendation**

12. **Annual review of the implications of the Bribery Act.** The Committee received, for information, guidance for educational institutions on anti-bribery principles issued in January 2014 by Transparency International UK/Baker Tilly/Mischon de Reya and considered the College’s annual report on the implications for the College of the Bribery Act 2010.

Members noted that there had been no instances of bribery recorded at/in relation to the College during the last year and that the risk posed to the College by the implementation of the Act continued to be considered low as:

- Overseas activities were minimal;
- The College had only 6 signed overseas agent’s agreements;
- There were no associated persons who undertook work for the College; and
- The College had no/limited donations/gifting.

It was also noted that the College had the following policies that covered this area:

- Financial regulations, which covered gifts and hospitality;
- A Code of Conduct, which referred to the Bribery Act;
- A Policy on Fraud, Bribery, Corruption and Irregularities; and
- A Whistleblowing Policy and Procedure

The Committee received the College’s annual report on the implications for the College of the Bribery Act 2010.

13. **Revised College Policy on Fraud, Bribery, Corruption & Irregularities.** Members noted that the College’s Policy on Fraud, Bribery, Corruption & Irregularities, approved by the Audit Committee in July 2010 under delegated power from the FE Corporation, has been revised by the Director of Finance. Proposed updating changes included revisions reflecting the requirements of the Higher Education Council for England’s (HEFCE’s) current Financial Memorandum and the Skills Funding Agency’s (SFA’s) & Education Funding Agency’s (EFA’s) Joint Audit Code of Practice.

It was noted that, under the Committee's terms of reference approved by the Board of Governors of the HE Corporation, which followed the model terms of reference included in the Committee of University Chairs’ guidance for Audit Committees, the Audit Committee was responsible for “Overseeing the institution’s policy on fraud and irregularity, including being notified of any action taken under that policy” i.e. its responsibilities in relation to the policy were currently defined as “oversight” rather than “approval”. In considering the revised policy, the Clerk to the Board of Governors was therefore recommending that the Committee should also consider the appropriate approving body. It was noted that the top-level commitment
expected in an anti-bribery programme and a review of a sample of similar HE sector policies would suggest that approval would normally be at Board level but that, in making a decision, the Committee should also consider the Board of Governors’ current Carver-style governance model, which both sought to keep key decisions at Board level while avoiding committee-Board duplication.

The Audit Committee agreed to recommend the College’s revised *Policy on Fraud, Bribery, Corruption & Irregularities* to the Board of Governors for approval, confirming that this was the appropriate approving body given the top-level commitment expected in an anti-bribery programme.

*Action: Chair, Audit Committee*

**PART VI - Committee matters: items for approval &/or recommendation**

14. **Annual review of the Committee's standing agenda item list.** The Committee undertook its annual review of its standing agenda item list. It was noted in response to members' questions that the College’s Whistleblowing policy was reviewed as part of the Committee’s review of the College’s annual report on fraud, bribery, irregularity and whistleblowing events at its November 2014 meeting. The Committee approved updating revisions to its standing agenda item list which had been recommended by the Clerk.

15. **Annual review of the Committee’s terms of reference.** The Committee reviewed and discussed its terms of reference. The Committee agreed to recommend to the Board of Governors that its terms of reference should be amended as follows to better reflect its current responsibilities: section i) should be amended to read “Overseeing the institution’s policy on fraud, bribery, corruption and irregularity irregularities and its policy on whistleblowing, including being notified of any action taken under these policies”.

*Action: Chair, Audit Committee*

**PART VII - HE briefings: for information**

16. **Baker Tilly HE briefings.** The Committee received Baker Tilly's March and May 2014 HE briefings.

**PART VIII - Report on courses attended**

17. **Report on KPMG Audit Committee Institute seminar on HEFCE’s new financial memorandum, 26th June 2014.** It was noted that Ms Jones and Mrs Wright had been due to attend a KPMG seminar for HE Audit Committee members on 26th June 2014, which had, unfortunately, been cancelled due to low numbers having booked to attend.

**PART VIII - Final matters**

18. **Any other urgent items of business.** There was no other business.

19. **Risk management.** No new items of risk had been identified at the meeting.

20. **Date of next year’s meetings.** The following meeting dates for 2014/15 were noted: Wednesday 15th October 2014 at 4.15pm; Wednesday 12th November 2014 at 4.15pm (revised date); Wednesday 25th March 2015 at 4.15pm; Wednesday 10th June at 4.15pm.

The Chair, Ms Jones, reported that she would not be continuing as an Independent Governor when her first term of office ended later in the month, although she had indicated to the Search & Nominations Committee that she was willing to be considered for appointment as a co-opted Audit Committee member. The Committee thanked Ms Woods and Ms Kemp for their
contribution to the work of the Audit Committee, noting that their current terms of office as, respectively, a co-opted Audit Committee member and an Independent Governor/Audit Committee member would also end later in the month.
AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held on
Wednesday 15th October 2014

Present: Mr C Clements (Independent Governor & Audit Committee Chair), Mr J Finnigan (Independent Governor & Audit Committee Vice-Chair), Mr D Reid (Independent Governor & Audit Committee member)

In attendance: Mrs F Bagchi (Clerk to the Board of Governors), Ms S Bailey (Director of Finance), Ms C Partridge (Director, KPMG LLP UK, External Auditors), Ms L-A Straughton (Client Manager, Baker Tilly Risk Advisory Services LLP, Internal Auditors), Ms Wonnacott (Principal)

TDAP observer: Graham Brotherton

The Chair of the Audit Committee, Mr Clements, welcomed Mr Finnigan and Mr Reid to their first Audit Committee meeting.

1. Apologies for absence. Apologies for absence were received from Jenny Jones (a co-opted Audit Committee member) and from Carolyn Wright (an Independent Governor and Audit Committee member).

2. Declarations of interest. There were no declarations of interest.

3 Chair & Vice-Chair of the Audit Committee. The Committee noted the appointment by the Sept. 2014 Board of Governors’ meeting of Mr Clements as Chair & Mr Finnigan as Vice-Chair of the Audit Committee for 2014/15.

PART I - Items for decision

4. Minutes of the previous meeting. It was agreed that, as members present had not attended the Audit Committee meeting held on 2nd July 2014, consideration of the minutes for approval should be deferred to the meeting of the Committee to be held on 12th November 2014.

Action: Clerk

Members noted, as background to the current meeting, the following issues considered at the July 2014 meeting:

- The College’s risk register had been received and it had been noted that it was unchanged from the version updated in Feb. 2014;
- The Higher Education Funding Council for England’s (HEFCE’s) positive assessment of the College as “not at higher risk” had been noted;
• Good progress had been made in implementation of internal audit recommendations;
• The internal and external audit plans had been considered and recommended for approval by the Board of Governors;
• The College’s report that there had been no incidents of fraud, bribery or corruption had been noted;
• An amendment to the Committee’s terms of reference, expanding the reference to “fraud and irregularity” to read “fraud, bribery, corruption and irregularities” to better reflect the Committee’s current responsibilities, had been approved for recommendation to Board of Governors.

It was noted in discussion of the risk register that Mr Finnigan and Mr Reid, as new members of the Audit Committee, had been sent copies of the risk register in advance of the current meeting, for information.

The Committee completed its review of the minutes arising from the meeting held on 2\textsuperscript{nd} July 2014.

5. Action table and matters arising from the minutes, not elsewhere on the agenda. It was noted that all actions arising from the above minutes had been completed, with the following exception: revised Charity Commission guidance on public interest benefit for educational institutions had yet to be issued and would be presented to the Committee when available. There were no other matters arising.

**PART II - Risk management: for information**

6. Risk register. It was noted that the College’s risk register was considered by the Committee termly and was next due to be considered at the Committee’s Nov. 2014 meeting.

**PART III - Internal audit matters: items for consideration**

7. Internal audit recommendations progress & implementation plan report. The Director of Finance, Ms Bailey, presented the College’s report on progress against recommendations arising from the 2012/13 and 2013/14 internal audit plans.

Members noted that remaining recommendations arising from the 2013/14 Payroll and the Student Experience reviews had been implemented. With reference to the remaining recommendation arising from the 2012/13 Carbon Management & Sustainability review, it was noted that Smart meters had now been installed and the College was working with the suppliers on data collection and analysis to establish a baseline to aid future work on carbon emissions, noting that proposed building work on the College’s car park would increase the College’s current level of emissions. Ms Straughton reported that the auditors were satisfied that delay in implementation of this recommendation had been related to the delay in installation of Smart meters, which had been outside the College’s control. Members discussed in detail actions taken in support of the College’s carbon management strategy generally.

The College’s implementation plan of internal auditors’ recommendations was received.

**PART IV - Annual reports: items for consideration & approval**

8. Internal audit annual report. Ms Straughton presented Baker Tilly’s annual internal audit report for 2013/14, noting that:

- Baker Tilly’s prime responsibility, as the College’s internal auditor, was to provide the Board of Governors, the Principal as accountable officer, and the College’s senior management with assurance on the College’s adequacy and
effectiveness of risk management, control and governance arrangements;

- The assignment opinions and advisory reviews undertaken and reported on during the year were part of the framework of assurances that assisted the accountable officer and the Board of Governors, through the Audit Committee, to prepare an informed annual assurance statement to HEFCE.

Members noted that 4 reviews had been undertaken during the year: Learner Number Systems (Enrolments, Transfers and Withdrawals); Student Experience (Further Education); Creditors and Debtors; Payroll. All reviews had received a Green opinion i.e. a grade of substantial assurance. There were 8 recommendations arising from the reviews: 4 graded Low and 4 graded Medium. The Follow Up review of previous internal audit recommendations noted good progress had been made. Only one recommendation, graded low, arising from the Student Experience review had not been accepted by management, with the reasons for the College’s decision having been discussed with the auditors and Audit Committee. No limitations or resource constraints had been placed on the internal auditors.

Members noted that Baker Tilly were satisfied that sufficient internal audit work had been undertaken during 2013/14, and that there has been sufficient interaction with the Audit Committee and College managers, to allow them to draw a reasonable conclusion on the adequacy and effectiveness of Leeds College of Art’s arrangements i.e. that

- For the 12 months ended 31 July 2014, based on the work undertaken, their opinion was that adequate and effective governance processes, risk management processes, control processes and arrangements for economy, efficiency and effectiveness (value for money) were in place.

Baker Tilly’s compliance with internal auditing standards and its positive performance across a range of performance indicators were noted.

In response to newer members’ questions, Ms Straughton explained how risk-based reviews included in the internal audit plan had been determined, noting that the cycle of reviews included in the internal audit strategy were reviewed annually, taking into account any changes in the College’s risk profile, the strength of known controls and Baker Tilly’s experience of emerging risk elsewhere in the sector. In response to members’ questions concerning sector risk associated with international student recruitment, it was noted that the College’s risk in this area was currently considered to be low.

The Committee approved Baker Tilly’s internal audit report 2013/14 for submission to the Board of Governors and to HEFCE with the following amendment: the reference to “designated officer” should be amended to read “accountable officer”, in line with the terminology in HEFCE’s Financial Memorandum, which had been in force during 2013/14, and in HEFCE’s current Assurance & Accountability Memorandum: proposed Mr Reid, seconded Mr Finnigan.

Action: Ms Straughton (Baker Tilly)/Chair

### PART V - Annual reports: items for consideration & information

9. **Annual report on fraud, bribery, irregularity and whistleblowing events.** The Committee received the College’s annual report, noting that no fraud, bribery, irregularity or “whistle-blowing” events had been brought to the Committee’s attention during 2013/14 and that the Director of Finance had confirmed that there had been no occurrences in 2013/14 or to date.

It was noted in response to members’ questions that: the College was required to notify HEFCE of any fraud over £25k but would notify the Committee or any material or immaterial fraud; the College’s Policy on Fraud, Bribery, Corruption & Irregularities provided information on who should be notified in cases of fraud, including police involvement. Members noted in discussion that, in the banking sector, 3 types of fraud were common: internal; external; and
fraudulent use of an institution’s name and reputation. It was noted that the third was not currently a significant risk in the HE sector. Members noted that the British Finance Directors’ Group shared information on fraud and provided members with early warning of organised external threats e.g. supplier fraud. Actions taken by the College to confirm student ID and qualifications were also noted in the context of UK Border Agency (UKBA) requirements.

The Committee received the College’s Whistleblowing Policy, for information, noting that it had been comprehensively revised in 2013, taking into account changes arising from the Enterprise and Regulatory Act 2013. Further proposed legislative change in relation to public interest disclosure due in 2015 was noted. Members suggested some areas that the College might wish to consider when the policy was next reviewed including: the addition of a statement of organisational culture; reference to support available to whistleblowers through the charity Public Concern at Work (PCAW); issues arising where the whistleblower was implicated in the alleged wrongdoing; a policy on anonymous whistleblowing. The Director of Finance received from Mr Reid an example of a policy containing some of the areas proposed for further development and agreed to bring the issues raised to the attention of the College’s Head of Human Resources (HR).

**Action: Director of Finance**

The Committee received the College’s annual report on fraud, bribery, irregularity and “whistle-blowing” events.

**PART VI - Annual reports: items for consideration & recommendation**

10. **Auditor independence: annual report on non-audit work undertaken by the external auditors, including policy review.** The Committee received the College’s quarterly and annual reports on non-audit work undertaken by the external auditors, noting that no non-audit assignments had been agreed or undertaken during the periods under review.

Members considered the College’s *Policy on using external auditors for non-audit services*, which was based on the model policy in the Committee of University Chairs’ *Handbook for Members of Audit Committees in Higher Education Institutions* (2008/06), and had been approved by the Board of Governors in May 2013 on the recommendation of the Audit Committee. Members considered the following areas for review: the continuing appropriateness of the financial limit specified in the policy (i.e. £5k) and the requirement for a quarterly report on non-audit fees, noting that, given the low level of non-audit fees incurred by the College since 2011/12 (only £1,611 for TRAC implementation), the Director of Finance was recommending that an annual report might be more appropriate.

The Committee noted the importance of the policy in helping to ensuring the independence of the College’s external auditors. The following areas were discussed: the need to clarify that the £5k limit was an aggregate figure; the need for the Chair’s role as set out in the policy to be cross-referenced in the Board of Governors’ scheme of delegation; the possibility of including a section on the requirements of HEFCE’s Audit Code of Practice in the policy.

Ms Partridge agreed to provide a model policy on external auditor independence and non-audit work, produced by KPMG, for comparison with the College’s current policy.

**Action: Ms Partridge (KPMG)/Clerk**

The Committee received the College’s annual and quarterly reports on non-audit work undertaken by the external auditors and agreed that the College’s *Policy on using external auditors for non-audit services* should be returned to the Committee for further review, taking into account the issues discussed above.

**Action: Clerk/Director of Finance**
11. **Annual Sustainability Assessment Report (ASSUR).** The Committee noted that the Financial Sustainability Strategy Group (FSSG) was a high-level forum that considered issues relating to the financial sustainability of the HE sector, including consulting on the development of an Annual Sustainability Assessment Report (ASSUR) which institutions would submit to HEFCE.

A letter dated Aug. 2104 from the FSSG on the status of the work done to date on the ASSUR was received by the Committee, which noted that the FSSG had been undertaking an appraisal of the sector’s response to the ASSUR pilot, with a report due to be considered in autumn 2014. As a result, the ASSUR would remain an optional return for the 2014 annual accountability returns to HEFCE. Members noted in discussion that the Director of Finance was therefore recommending that, in these circumstances, the College should not submit an ASSUR to HEFCE until it was a mandatory report.

The Audit Committee agreed to recommend to the Board of Governors that an ASSUR should not be produced or submitted to HEFCE until the report became a mandatory requirement. 

**Action:** Chair

**PART VII - Documents from outside bodies: for consideration**

12. **HEFCE accountability & assurance memorandum, including Audit Code of Practice (ACOP).** The Committee considered the revised memorandum in force from 1st Aug. 2014, noting the ACOP at Annex A. It was noted that the content of the latter was substantially unchanged from the previous version i.e. the Audit Committee's key responsibility remained providing assurance to the Board of Governors on the adequacy and effectiveness of: risk management, control and governance; Value for Money; the management and quality assurance of data. The ACOP had, however, been significantly reduced in length, with Audit Committees expected to also take account of the detailed best practice guidance issued by the Committee of University Chairs (CUC) in its *Handbook for Members of Audit Committees in Higher Education Institutions* (HEFCE 2008/06) and to explain where they did not comply with its guidance.

The Committee received HEFCE’s *Assurance & Accountability Memorandum* (June 2014/12), including the ACOP, in force from 1st Aug. 2014.

**PART VIII - Documents from outside bodies: for information**

13. **HEFCE’s annual accountability returns 2014/15.** The Committee considered, for information, the timetable for HEFCE returns in 2014/15. It was noted in response to members’ questions that the College had submitted its first Transparent Approach to Costing Return (TRAC) in Jan. 2014, which was a year earlier than required, given the College had transferred to the HE sector on 1st Aug. 2011. The College had found the early submission useful and had refined its process for the collection of data in relation to the TRAC return due for submission in Jan. 2015.

The Committee received HEFCE’s Annual *Accountability Returns 2014* document.

14. **LFHE briefing: updated UK corporate governance code.** It was noted that the Board of Governors reported in its annual members’ report and financial statements on its compliance with the provisions of the Financial Reporting Council’s (FRC) *UK Corporate Governance Code*, in so far as it applied to the HE sector. The Committee received a briefing from the Leadership Foundation for Higher Education (LFHE) on the FRC’s updated *Code* applicable to accounting periods beginning on or after 1st Oct. 2014, noting the greater emphasis on long-term sustainability.
PART IX - Committee matters: items for decision

15. **Audit Committee self-assessment checklist, including compliance review with HEFCE requirements & the Committee’s terms of reference.** The Committee assessed its performance and effectiveness in 2013/14 using a checklist based on the model in the Committee of University Chairs (CUC) *Handbook for members of Audit Committees in HEIs* and against checklists produced by the Clerk which documented compliance with HEFCE’s accountability schedule and with the Committee’s terms of reference. It was noted that the Chair had been a member of the Committee during 2013/14, with no comments having been received from other members of the Committee concerning the period under review.

It was noted in response to members’ questions that the response to Question 21 at section B (Running an effective audit committee) which related to management and/or auditors communicating “bad news” to the Committee in a timely manner had been shown as “not applicable, as there had been no bad news in 2013/14. Dialogue with/from management and the auditors was, however, recorded as “appropriate”. It was noted with reference to Question 23, that the “Comments” column should record that the Committee reported to the Board of Governors termly.

*Action: Clerk*

Members considered section E (Overseeing governance, risk management and internal control) with particular reference to the following question “Is the audit committee satisfied that appropriate processes are in place to: clearly articulate the institution’s risk appetite for each material category of risk?” The Director of Finance reported that risk appetite was included in the College’s risk management policy. It was agreed that a copy of the policy should be e-mailed to members, for information.

*Action: Clerk*

The Chair noted that the Committee had previously discussed a specific risk appetite issue with the external auditors in the context of FRS17 discussions i.e. with reference to the College’s share of the local government scheme pension deficit and the appropriate use of the College’s cash surplus.

Members considered the following Committee performance and effectiveness checklists for 2013/14, confirming the grades and agreeing that, amended as noted above, they should be signed by the Chair of the Audit Committee: the Audit Committee self-assessment checklist for 2014; the HEFCE accountability requirements compliance checklist 2013/14; the Committee terms of reference compliance checklist 2013/14.

*Action: Clerk/Chair*

PART X - Final matters

16. **Any other urgent items of business.** The following matters of any other business were considered.

(i) **External audit for year ended 31st July 2014.** Ms Partridge of KPMG reported in response to members’ questions that KPMG had almost completed their external audit work on site. No significant issues had arisen in the course of the audit to date, with the only recommended changes to the draft annual financial statements being presentational issues.

(ii) **Annual Audit Committee report.** It was noted in discussion that, under the Committee’s agreed standing agenda item list, the draft annual Audit Committee report was presented to the Committee’s Nov. 2014 meeting, which allowed reference to the conclusions in the external auditor’s management letter and the College’s data quality and value for money
reports to be included in the draft. It was noted that some institutions presented the Committee’s draft annual report to the first of 2 autumn term meetings.

It was agreed that the College’s standing agenda item list for 2015/16 should be revised to include consideration of the College’s value for money report and the Committee’s draft annual report in October 2015.

Action: Clerk

17. Risk management. It was noted that risks arising from the College’s internationalisation strategy were currently graded as low but that this would be kept under review by the College as numbers of international students increased.

18. Date of next meeting. It was noted that the Committee was next scheduled to meet on Wed. 12th Nov. 2014 at 4.15pm. The possibility of holding the meeting earlier in the day was considered but it was noted that this would be difficult for senior managers and auditors.

PART XI - Reserved Matters - for decision

19. Exclusions. Ms Partridge (external auditors, KPMG) and Ms Straughton (internal auditors, Baker Tilly) left the meeting before consideration by the Committee of the internal auditors’ performance checklist 2013/14, which had been included on the Reserved Matters agenda.