

City College, Birmingham Corporation

**Audit Committee Meeting
Tuesday 28th April 2009, 9.00 am
at
East Campus
in room 211**

Present: Mr Mohammed Afzal – Independent member
Ms Monica Coke – Independent member
Ms Julie Harrison – Independent member
Ms Kate Hartigan (Chair) – Independent member
Mr Ian Richards – Independent member

In Attendance: Mr Everton Burke – Vice Principal, Curriculum Development
Mrs Debbie Cole – Clerk to the Corporation
Mrs Tracy Everett – Governance Administrator
Mr David Gibson – Interim Principal
Mr Patrick Green – RSM Bentley Jennison
Mr Anthony Green – Director of Planning & Information
Ms Stephanie Mason – Baker Tilly
Mr Paul Oxtoby – Baker Tilly
Mr Surinder Ranu – KPMG
Mr Peter Ryley – Interim Director of Finance
Ms Sharon Teasdale – Assistance Administrator Governance
Ms Louise Tweedie – RSM Bentley Jennison
Mr Raj Vitish - KPMG

1. Declaration of Interests

122.09A The Chair asked if anyone wished to declare an interest. Ms Coke declared an interest regarding Advantage West Midlands (AWM), her employer.

2. Apologies

123.09A There were no apologies.

3. Minutes of the Audit Committee meeting held on 3rd February 2009

124.09A Minute No: 13.09A – Governors stated that the last sentence should read 'Therefore KPMGs view is that the College had taken advantage of a loophole as oppose to operating within a set of parameters'.

125.09A Minute No: 29.09A – The Chair stated that the minute should read 'The Chair commented that VFM had been planned early in the schedule and asked why it had not been carried out to plan'.

126.09A Minute No: 63.09A – Governors stated that the minute should read 'The Chair stated that her only concern with exceptions is the history'.

127.09A Minute No: 67.09A – Governors stated that the minute should read ‘The Chair of the Corporation agreed that registers are a nightmare but the College needs to sort this issue out and will hold managers responsible and hold staff to account’.

128.09A **Resolution: members unanimously agreed to approve the minutes of the Audit Committee meeting held on 3rd February 2009 with the above amendments.**

4. Matters arising from the minutes

129.09A There were no matters arising.

5. Audit Committee Action List as at 28th April 2009

130.09A The Clerk guided members through the action list.

131.09A Minute No: 12.09A/21.09A – Compliance Team. The Interim Principal informed members that a written report giving assurances of how SMT are covering the elements of the previous compliance team would be presented to the next meeting.
Action point – Interim Principal & SMT.

132.09A Minute Nos: 31.09A and 40.09A were now complete and could be removed from the action list.

133.09A Minute No: 44/46/09A – Governance Thematic Review: Attendance and Duration Statistics. RSM Bentley Jennison requested this information from their clients and as soon as it is available will be presented for information to a future meeting.
Retain on action list.

134.09A Minute No: 49.09A – Periodic Review of Internal Audit Reports. Future reports will only show outstanding recommendations and action taken. This item can now be removed from the action list.

135.09A Minute No: 95.09A – Draft Invitation to Tender for Provision of Internal/External Audit. Members sent their feedback to the Clerk by the due date. This item can now be removed from the action list.

136.09A **Resolution: members unanimously agreed to receive and monitor the Audit Committee action list as at 28th April 2009 contained in paper 2.**

6. Internal Audit Progress Report 2008/2009

137.09A The Internal Audit Manager guided members through the report. She explained that there had been no substantive changes to the plan and was on track to be delivered in full.

138.09A Governors asked for more information about the client briefing on qualifications and credit framework on page 39. The Internal Audit Manager and the Interim Principal stated that the LSC will prioritise qualifications. They explained that the Government has been moving away from College own certificates.

139.09A Governors asked if the College had many courses that were College certificated. The Director of Planning and Information informed members that the Colleges level 1 provision is College certificated which will need to moved across under the new framework. The College uses Rarpa to accredit its supported learning courses.

140.09A **Resolution: members unanimously agreed to receive and note the progress of the Internal Audit Progress Report 2008/2009 contained in paper 3.**

7. Internal Audit Assignment Reports

7.1 Key Financial Controls – (05.08/09)

141.09A The Internal Audit Manager guided members through the report which gives substantial assurance and 6 merits attention recommendations.

142.09A Governors asked whether the audit on assets would be a physical audit of the assets register. The Interim Director of Finance confirmed that it would be and that it is an element of the Finance Teams work.

143.09A Governors asked for an explanation as to whether the signatory list had been updated, and how a member of staff had started work without the appointment authorisation being signed. The Interim Director of Finance confirmed that the signatory list had been updated. He informed members that the appointment of the member of staff had been authorised, but the form had not been signed. This was an isolated incident which was dealt with as soon as it was pointed out, which is why there is no recommendation.

144.09A Governors asked why there had been no order completed for Brumcan. The Interim Director of Finance informed members that the College had been considering setting up an open order with set maximum limits as this company is used a great deal within the College.

145.09A Governors stated that under 2.4 the Payroll Co-ordinator should always sign and date as a matter of course.

146.09A Governors commented that this was a very good report with only 6 merits attention recommendations. They felt that a great deal of work and effort had gone into the changes made around the key financial controls.

147.09A **Resolution: members unanimously agreed to receive and noted the Internal Audit Report – Key Financial Controls – (05.08/09) contained in paper 4.**

7.2 Framework for Excellence – (06.08/09)

148.09A The Internal Audit Manager guided members through the report which gives adequate assurance with 1 significant and 1 merits attention recommendation. She explained that the profile of the framework had changed and there are no plans for this year to publicise the grades.

149.09A The Clerk to the Corporation and the Director of Planning and Information informed members that they were already working on the recommendations made.

150.09A **Resolution: members unanimously agreed to receive and noted the Internal Audit Report – Framework for Excellence (06.08/09) contained in paper 5.**

7.3 Train to Gain – (07.08/09)

151.09A The Internal Audit Manager guided members through the report in detail which gives limited assurance with 4 significant and 4 merits attention recommendations, which have all been agreed by management. The Vice Principal Curriculum Development informed members that following the audit the College did get to grips with the issues and a number of the recommendations have already been dealt with.

152.09A Governors asked why on point 1.1 on page 94 there was no contract available. The Interim Director of Finance informed members that the College had information relating to targets but not an official contract, which arrived in a booklet after the audit had taken place. The College then received a revised contract. Governors discussed what that would mean for the College.

153.09A Governors asked why no recommendation was given in relation to the absence of the contract. The Internal Audit Manager informed members that no recommendation was made as it was not the fault of the College. Governors stated that this should have been noted. The Internal Audit Manager reported that it is noted as the details are listed within the report of the audit.

154.09A **Resolution: members unanimously agreed to receive and monitor the Internal Audit Report – Train to Gain – (07.08/09) contained in paper 6.**

8. Periodic Review of Internal Audit Reports

155.09A The Clerk guided members through the report. Governors asked what value old assets had that would be removed from the register over the next 2 to 3 years. The Interim Director of Finance confirmed that only zero rated assets would be removed from the register.

156.09A **Resolution: members monitored the Periodic Review of Internal Audit Reports and unanimously agreed to note the report contained in paper 7.**

9. Risk Management Report - Update

157.09A The Clerk guided members through the report.

158.09A **Resolution: members monitored the Risk Management Report and unanimously agreed to note the report contained in paper 8.**

10. College Registers & External Audit Issues - Update

- 159.09A The Director of Planning and Information guided members through the report. He explained that the report provides the position as of 2 weeks ago. The teams that look to be significantly low are all now much improved and above 90% with the exception of Hair and Beauty and Sport. These are in relation to a particular programme and those issues are with our legal advisers at the minute and the LSC are fully aware of the situation.
- 160.09A Members asked for further information regarding this programme and had a detailed discussion. The college are continuing to support the students on this programme where it can.
- 161.09A The Director of Planning and Information informed members that since the last meeting of the Audit Committee, the LSC have conducted 2 external audits relating to Work Based Learning and Train to Gain. The WBL report will be presented to members at the next meeting. **Action point – Clerk to the Corporation.** The Train to Gain audit was carried out about 3 weeks after our internal auditors completed their audit. The College was able to carry out a 100% check of documentation prior to the LSC audit taking place. He also hoped to get this report to the next Audit Committee meeting. **Action point – Clerk to the Corporation.**
- 162.09A Governors asked why some areas were lower now than before. The Director of Planning and Information confirmed it was an issue of timing due to the inspection.
- 163.09A **Resolution: members unanimously agreed to receive the College Registers & External Audit Issues – Update contained in paper 9.**

11. Performance Indicators for Funding Auditors, Financial Statements Auditors & Regularity Auditors

- 164.09A The Clerk guided members through the indicators which were on similar lines to previous years. Governors asked if there were any different KPIs elsewhere that need to be considered. The Internal Audit Manager stated that there were a set indicators available for auditors. She offered to forward these to the Clerk for information and dissemination to members. **Action point – Internal Audit Manager and Clerk to the Corporation.**
- 165.09A **Recommendation: members unanimously agreed to recommend to Corporation approval of the Performance Indicators for Funding Auditors, Financial Statements Auditors & Regularity Auditors contained in paper 10.**

12. Annual Audit Committee Report for the Corporation and the Principal for the period from 1st August 2007 to 31st July 2008

- 166.09A Governors commented that they felt the compliance team had given adequate but limited assurance and asked that this be amended in the report prior to presentation at the Corporation meeting. **Action point – Clerk to the Corporation.**

167.09A **Resolution: members unanimously agreed to approve the amended Audit Committee Annual Report for the Corporation and the Principal for the period from 1st August 2007 to 31st July 2008 contained in paper 11 and present, it to Corporation for information.**

13. Internal Audit Annual Report 2007/2008

168.09A The Internal Audit Partner guided members through the report and reminded them as to why it was so late. He stated that if you compared the report to the College Red, Amber, Green (RAG) status then Risk Management and Controls would be amber and Governance would be green. He informed members that there had been lots of progress made within the year.

169.09A **Recommendation: members unanimously agreed to recommend to Corporation approval of the Internal Audit Annual Report 2007/2008 contained in paper 12.**

14. Financial Statements & Regularity Audit Management Letter for year ended 31st July 2008

170.09A The External Audit Manager informed members that the original report had been presented in December but could not be finalised as they were waiting for some information from the LSC. The principal matters outstanding listed on page 137 have now all been signed off. Recommendations made are all in the process of being implemented by management.

171.09A **Recommendation: members unanimously agreed to recommend to Corporation approval of the Financial Statements & Regularity Audit Management Letter for the year ended 31st July 2008 contained in paper 13.**

15. ILR (LSC Funding Claim) Final Management Letter for year ended 31st July 2008

172.09A The LSC nominated funding auditor guided members through the report. He explained that he had verbally updated members at the December meeting and took them through the issues.

173.09A Governors asked whether following the items identified if members were satisfied that sufficient control steps had been taken to deal with the issues identified. The LSC Nominated Funding Auditor stated that the controls this year were much better than in previous years. The Director of Planning and Information informed members that following a report like this the College produces an action plan. Also the next paper gives members an interim view of the current year.

174.09A Governors felt that the satisfactory/weak position was very harsh considering the progress made.

175.09A **Recommendation: members unanimously agreed to recommend to Corporation approval of the ILR (LSC Funding Claim) Final Management Letter for year ended 31st July 2008 contained in paper 14.**

16. Controls Management Report – LSC Funding Review for the year ended 31st July 2009 – Baker Tilly

176.09A The Representatives from Baker Tilly informed members that they had been requested by the LSC to do some work on the current year and progress made and report back to the College prior to the re-inspection. They explained that everyone involved wanted the piece of work to be a fresh look. As a result of this some detailed compliance testing was carried out. They could confirm that the design of the controls were satisfactory but could not comment on anything else at this point in the year. They stated that a good control environment is to get it right first time.

177.09A Governors commented that getting it right first time from an Audit Committee point of view is fundamental. It is important to pick up issues straight away when things are wrong. The College needs to monitor and assess itself as it goes along rather than rely on an opinion from a third party at the end of the process.

178.09A The Director of Planning and Information informed members that he was very pleased with the report. The team had spent a lot of time getting things in place and this report shows the progress that has been made.

179.09A **Recommendation: members unanimously agreed to recommend to Corporation approval of the Controls Management Report – LSC Funding Review for the year ended 31st July 2009 contained in paper 15.**

17. Any other business

17.1 2007-08 Statistics derived from ILR data for monitoring and allocation of funding in FECs

180.09A The Interim Director of Finance informed members that each year the Higher Education Funding Council (HEFCE) compare the Colleges ILR data with their records. The outcome of this is that the HEFCE are happy with the data the College has been forwarding to them.

181.09A **Resolution: that members receive the 2007-08 statistics derived from ILR data for monitoring and allocation of funding in FECs contained in paper 16.**

18. Date and time of next meeting

182.09A Members agreed that the next meeting would take place on Tuesday 30th June 2009, 5.30 pm, at NWSA, room 3&4

19. Meeting Evaluation Form

183.09A Members completed their evaluation forms and handed them to the Clerk before departing.

Meeting closed at 10.45 am.