

City College, Birmingham Corporation

**Audit Committee Meeting
Tuesday 30th June 2009, 5.30 pm
at
North West Skills Academy
in room 3&4**

Present: 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 Anthony Gribben – Director of Planning & Information
Mr Peter Ryley – Interim Director of Finance
Ms Louise Tweedie – RSM Bentley Jennison

Ms Hartigan had sent her apologies that she would be arriving late and asked one of the other members to Chair the meeting in her absence. Members nominated Ms Harrison to Chair the meeting. Ms Harrison agreed to Chair the meeting until Ms Hartigan arrived.

1. Declaration of Interests

184.09A The Chair asked if anyone wished to declare an interest. Ms Coke declared an interest regarding Advantage West Midlands (AWM), her employer.

2. Apologies

185.09A Apologies were received from Mr Afzal, Mr Felthouse, Mr Green and Mr Ranu. Ms Hartigan apologised that she would be arriving late.

3. Minutes of the Closed Session Meeting with Auditors held on 2nd April 2009

186.09A Governors stated that the fifth sentence in minute number 108.09A should read 'There were some fundamental issues on FRS17 as the College did not have an expert to deal with this'.

187.09A Governors stated that the second sentence in minute number 110.09A should read 'However external audit were not made aware of this and picked it up from the minutes, which they found to be a little "unprofessional"'.

188.09A Governors stated that the last sentence of minute number 117.09A should read 'He felt that the adverse feedback he got at the meeting was "inappropriately forceful"'.

189.09A Governors stated that the last sentence on minute number 118.09A should read 'He hoped to be able to update members at their next committee meeting'.

190.09A **Resolution: members unanimously agreed to approve the minutes of the Closed Session Meeting with Auditors held on 2nd April 2009 with the above amendments.**

4. Matters arising from the minutes

191.09A There were no matters arising.

5. Minutes of the Audit Committee Meeting held on 28th April 2009

192.09A Governors stated that there was a typographical error in minute number 124.09A which should read 'opposed' and not oppose as stated.

193.09A Governors stated that the second sentence in minute number 155.09A should read 'The Interim Director of Finance confirmed that only fully written down assets would be removed from the register'.

194.09A **Resolution: members unanimously agreed to approve the minutes of the Audit Committee Meeting held on 28th April 2009 with the above amendments.**

6. Matters arising from the minutes

195.09A There were no matters arising.

7. Audit Committee Action List as at 30th June 2009

196.09A Minute No: 107.09A – The Interim Director of Finance apologised as he had still not been able to contact the specialist at RSM Bentley Jennison with regard to arranging the Procurement Audit. Governors asked for a timeline. The Interim Director of Finance agreed to talk to the specialist by 24th July 2009 in order to move this issue on. **Action point – Interim Director of Finance.**

197.09A Minute No: 131.09A – The Clerk informed members that a report on compliance issues being covered by the SMT will be presented to the September 2009 meeting. **Action point – Interim Principal/SMT**

198.09A Minute No:133.09A – The Internal Audit Manager requested that once the series of meetings for this academic year had been completed that the Clerk forward the attendance information to her for benchmarking and presentation to the September 2009 meeting. **Action point – Clerk to the Corporation/RSM Bentley Jennison Internal Audit Manager.**

199.09A **Resolution: members unanimously agreed to receive the Audit Committee Action List as at 30th June 2009 contained in paper 3.**

8. LSC Audit Reports

8.1 Train to Gain – LSC Audit

200.09A The Director of Planning and Information guided members through the report. He explained that each year LSC undertake an external audit on Train to Gain (T2G)

and Work Based Learning (WBL) for the college. T2G resulted in a report that had a number of issues and although the use of funds was graded as satisfactory, internal controls were graded unsatisfactory. The College has now asked managers to conduct a full review of the controls and RSM Bentley Jennison has been asked to do another review. The report will be presented to members at the September meeting. **Action point – RSM Bentley Jennison/Clerk to the Corporation.**

- 201.09A The Vice Principal Curriculum Development informed members that as a result of the audit the College is preparing an action plan, which led to the task group of managers being formed. He explained that a training event has been planned for 13th July 2009 where new controls will be disseminated to key members of staff.
- 202.09A Governors asked whether the internal auditors had been involved in looking at the documentation. The Internal Audit Manager confirmed that they had and that a debrief meeting was scheduled for the following week. She informed members that it is difficult to keep the forms manageable and meet all the LSC requirements. The Director of Planning and Information informed members that the paperwork is unreasonable but in the mean time the College are ensuring its processes are more robust.
- 203.09A Governors asked what the LSC sample size was. The Director of Planning and Information informed members that the LSC picked a sample of 100 students. Governors felt that this was a reasonable outcome from a large sample size with only four issues. The Interim Director of Finance informed members that due to the issues of 18 months ago the College knew that LSC would be conducting a thorough audit and the College were prepared. The Vice Principal Curriculum Development informed members that the audit should have lasted 5 days and only took 3.
- 204.09A Governors commented that page 15 of the minutes state that the College undertook a 100% check of all documentation and asked why the issues slipped through the net. The Director of Planning and Information explained that there is so much paperwork for each learner. The College was also undertaking training with staff whilst doing the 100% checks and the timeframe from the end of one audit till the start of the next one was three weeks and there were 300 files to review. Each learner's file contains several key documents which are not easy to interpret.
- 205.09A Governors asked whether the anomalies found correlated with the internal audit or if they were additional issues. The Director of Planning and Information informed members that the areas for improvement correlated but the students did not as the samples were different.
- 206.09A Governors asked why some of the issues had persisted into the second report. The Director of Planning and Information informed members that the issue of withdrawals is a very complex one. The College has a unique way of tracking individual learners rather than checking merely from the register. The tracking system is more robust but the College had not had time to implement this fully in between the audits taking place.

- 207.09A **Resolution: members unanimously agreed to receive the Train to Gain Annual Review report from the LSC and note the recommendations for follow up contained in paper 4.**

Ms Hartigan arrived at 5.50 pm and resumed the Chair.

8.2 Worked Based Learning – LSC Audit

- 208.09A The Director of Planning and Information guided members through the Work Based Learning (WBL) report. He explained that there is significant movement in this area and this report is much better than the previous one.
- 209.09A Governors asked whether the internal auditors were also asked to provide assurances on WBL. The Director of Planning and Information informed members that the internal auditors were not asked to cover WBL this year.
- 210.09A The Interim Director of Finance pointed out that due to the change in funding methodology there is now a monthly reconciliation of WBL. Therefore if the College was not notified of a withdrawal until two months later the College would continue to receive funding for the learner but the cumulative effect would be minimised. Governors accepted his explanation but they were still concerned that tutors were not withdrawing students from the system quickly enough.
- 211.09A The Chair noted that on this and the previous audit there was a weakness repeated from the previous year and stated how important it is to ensure that these weaknesses are picked up and dealt with as soon as possible and that there is no slippage in dealing with the issues. The Interim Director of Finance informed members that this was the main reason that a joint task force group has been set up to deal with control issues.
- 212.09A **Resolution: members unanimously agreed to receive the Work Based Learning Annual Review report from the LSC and note the recommendations for follow up contained in paper 5.**

9. Internal Audit Progress Report 2008/2009

- 213.09A The Internal Audit Manager guided members through the report. She explained that no major changes have been made to the audit plan. The registers and T2G audit reports are on course to come to the committee in September. Procurement is the only outstanding piece of work that has not yet been carried out.
- 214.09A The Internal Audit Manager guided members through the client briefings. She explained under the Independent Safeguarding Authority (ISA) that the College will need to bear in mind the timescales and ensure that College CRB checking processes are updated to reflect this. Members discussed at length the current process, the costs involved and the practicalities of CRB checks not being transferable. The Internal Audit Manager informed members that ISA will be issuing guidance specifically for the Further Education Sector in the near future.

215.09A **Resolution: members unanimously agreed to receive and note the progress of the Internal Audit Progress Report 2008/2009 contained in paper 6.**

10. Internal Audit Assignment Reports

10.1 Capital Projects – (08.08/09)

216.09A The Internal Audit Manager informed members that this was a straight forward report giving substantial assurance with only one merits attention recommendation. On previous capital projects a report has been presented regarding the build but not whether the actual purpose of the project has been achieved.

217.09A One Governor asked if the build was a fixed price contract. The Interim Director of Finance informed members that it was a special deal with the LSCs permission. The College paid a slightly higher rate but 100% of the risk lay with the developer and not the College. He informed members that the Director of Property and his team had done a fantastic job in keeping the project costs down. Changes outside the scope were zero and changes that did need to be made were done within the scope. He explained that the Director of Property has an absolutely wonderful relationship with the developer. Members requested that their thanks be forwarded to the Director of Property.

218.09A One Governor asked about the relationship between Northwest Holst, MarCity and the College bearing in mind that MarCity were also buying the land at Garretts Green Lane. He asked whether this may be seen as being a too cosy relationship. The Interim Director of Finance informed members that MarCity were the developers and Norwest Holst the construction organisation. He pointed out that the original buyer had dropped out at the very last minute and that MarCity had stepped in to buy the land at Garretts Green Lane with the approval of the LSC, who have been kept informed at every stage with regards to the sale of the land.

219.09A **Resolution: members unanimously agreed to receive the Internal Audit Report – Capital Projects (08.08/09) contained in paper 7.**

10.2 Follow Up – (09.08/09)

220.09A The Internal Audit Manager guided members through the report. She informed members that reasonable progress had been made and further recommendations for those being implemented have not been made.

221.09A One Governor asked why homeless clients do not need visiting. The Director of Planning and Information explained that it is not the fact that they are homeless it is the pattern of attendance. Governors asked if the College were now on top of all the visits. The Director of Planning and Information confirmed that the College was on top of the unannounced visits.

222.09A Governors were concerned and asked why the College would deliver a course if no purchase order was in place. The Interim Director of Finance explained that the College processes had now been changed and tightened up substantially.

223.09A The Chair formally requested that she would still like to see dates due where issues are on-going or where there is slippage from the original target date. **Action point**

– SMT/Clerk to the Corporation.

224.09A **Resolution: members unanimously agreed to receive Internal Audit Report – Follow Up (09.08/09) contained in paper 8.**

10.3 Staff Utilisation – (10.08/09)

- 225.09A The Internal Audit Manager guided members through the advisory report, with six merits attention recommendations. She explained that the first two recommendations have not been agreed by management, which is acceptable but needs to be dealt with in a different way. She felt that the direct benefit to the College is an automated system which will come into effect from September 2009. This will be a key improvement to the system.
- 226.09A Governors asked whether managers were definite that the new system would pick up the recommendations when implemented in September. The Director of Planning and Information confirmed that it would. The project is on-going and progressing very well.
- 227.09A The Chair stated that on page 123, 50% of the registers did not match the lesson plan. A 50% hit rate is not good enough. Obviously a new system will help but still 50% is poor.
- 228.09A The Chair stated that if a teacher is off ill they would get a teaching credit and asked for a further explanation. The Director of Planning and Information informed members that a teacher who is off sick would get credit for their timetable teaching hours. However if a teacher attends CPD within their teaching timetable they would not then get a credit. Therefore teachers are expected to cover their CPD hours outside of contact teaching hours.
- 229.09A The Chair stated that within the report it appears that the College does something different to the norm. The Internal Audit Manager informed members that the paragraph within the report did not read well and confirmed that City College Birmingham follows normal practice in the sector.
- 230.09A Governors asked whether the internal auditors had undertaken a comparison of last year to see if the trend is the same. The Internal Audit Manager informed members that a comparison was not undertaken. Governors felt that this would have been useful. The Director of Planning and Information informed members that this year remission showed a major reduction on previous years. He explained that the College are in the middle of writing a new clearer and robust remission policy to go alongside the proposed new contracts.
- 231.09A One Governor asked why the registers for the Supported Learning courses were not part of the Staff Utilisation Audit. The Director of Planning and Information and the Internal Audit Manager explained that teaching logs were used as core evidence for the audit. Also the overall scope of the review was to check core evidence. The College has five faculties and the sample of registers picked up issues on registers that would have been generic.
- 232.09A The Interim Director of Finance noted that paragraph 3.1.4. on page 126 refers to

staff by name rather than their job titles. The Internal Audit Manager apologised for this and informed members, that she would ensure this was changed. **Action point – RSM Bentley Jennison.**

233.09A **Resolution: members unanimously agreed to receive and note the Internal Audit Report – Staff Utilisation (10.08/09) contained in paper 9.**

11. Periodic Review of Internal Audit Reports

234.09A The Clerk guided members through the report.

235.09A The Chair stated that she would like to see amended deadline dates where there had been slippage. **Action point – SMT/Clerk to the Corporation.**

236.09A The Vice Principal Curriculum Development updated members with regard to 1.12. He explained that he had not presented any report post May to F&GP or Corporation but he would do this for the July meeting. The Director of Planning and Information informed members that performance against full level two and three, Skills For Life and Train to Gain targets could form part of the enrolment paper being presented to Corporation in July. **Action point – Vice Principal Curriculum Development/Director of Planning and Information.**

237.09A **Resolution: members unanimously agreed to receive the Periodic Review of Internal Audit Reports contained in paper 10.**

12. Risk Management Report - Update

238.09A The Clerk informed members that due to the amount of work and time involved by the SMT in the voluntary severance process the scheduled CRMG did not take place and has not been able to be re-scheduled. The next meeting is due to take place on 15th July 2009 and the Interim Vice Principal Quality and Standards and the Clerk are finalising cross referencing of the risk register to the QIP. This will then be presented to the CRMG at the meeting on 15th July 2009 for full discussion and input from the group as to whether any of the risk scores have been reduced due to the evidence that is now available. She explained that a copy would be sent to audit committee members once finalised prior to being presented at the September meeting. **Action point – Clerk to the Corporation.**

239.09A Governors stated that although they appreciated the high level of activity involving senior staff at the college they were concerned that nothing much appeared to be happening with regard to risk management. They wanted to ensure that risk management is being taken seriously. Members expected to see a full report and finalised risk register at the September meeting and requested that the Clerk send them to members of the Audit Committee for their information as soon as they are available. **Action point – SMT/Clerk to the Corporation.**

240.09A **Resolution: members unanimously agreed to receive the verbal update on Risk Management.**

13. College Registers & External Audit Issues - Update

- 241.09A The Director of Planning and Information guided members through the report. Members discussed issues with Academic Studies at length.
- 242.09A One Governor noted that term one registers are not 100% complete and asked whether that meant that the registers are not available although it is six months after the end of term one. The Director of Planning and Information explained that the College has the registers but there are particular issues preventing their sign off as 100% completed. He explained that all the issues are with listed provision where the College needs proof of evidence of the start and end date of a course.
- 243.09A One Governor asked for an indication of numbers within each area. The Director of Planning and Information guided members through the number of courses and enrolments.
- 244.09A The Chair stated that Governors would like to thank the managers for making major efforts in this area. The Director of Planning and Information agreed to pass on their comments to managers. **Action point – Director of Planning and Information.**
- 245.09A Governors asked for an update on the on-going dispute with Birmingham City Football Club. The Director of Planning and Information confirmed that the issue is still on-going and is with the College's legal advisors and the LSC.
- 246.09A **Resolution: members unanimously agreed to receive the College Registers and External Audit Issues – Update contained in paper 11.**

14. Guidance on the Interim Audit Code of Practice – Assessing the Performance of Auditors

- 247.09A Members discussed the generic performance indicators for use with all auditors. They agreed to adopt the performance indicators for use with all auditors and use for the annual review of the auditors. These performance indicators will replace all previously agreed performance indicators. They also requested that staff involved with the audits be asked to complete the questionnaire following each audit and that the questionnaire is presented at the same time as the audit report. **Action point – Clerk to the Corporation.**
- 248.09A **Resolution: members unanimously agreed to adopt the Generic Performance Indicators for all auditors contained in paper 12 . The performance indicators will replace all previously agreed performance indicators. Staff involved with the audits should be asked to complete the questionnaire following each audit and the questionnaire to be presented to members at the same time as the audit report.**

15. Review of Audit Committee Terms of Reference / Committee Self-Assessment

- 249.09A Members reviewed their terms of reference/committee self assessment. They agreed that the Committee had covered all the areas of work detailed in the terms of reference and that they should remain unchanged for the forthcoming year.

250.09A One Governor asked what the audit arrangements would be following the end of the LSC March 2010. The Internal Audit Manager explained that audit arrangements for the sector are not yet known.

251.09A Members discussed the attendance target and agreed that it should remain at 85% for the forthcoming year.

252.09A **Resolution: members unanimously agreed to review/self-assess against the committee terms of reference contained in paper 13 and approve any changes necessary.**

16. Any other business

253.09A The Chair thanked the Internal Audit Manager personally for the work she had done with the College and the very good relationship with SMT and specifically the Clerk to the Corporation. She wished her well for the future.

254.09A Governors and the Clerk to the Corporation echoed the Chairs comments and stated that they had always found her to be honest and open and prepared to go the extra mile.

255.09A The Internal Audit Manager stated that she had enjoyed working with the College.

256.09A The Clerk informed members that the documentation from the Audit Planning Day had been circulated to members and also to the new internal auditors, PricewaterhouseCoopers, to enable them to do the Audit plan. The plan will be presented directly to Corporation for approval in July but members of the Audit Committee will have chance to comment prior to the report being presented to Corporation.

17. Date and time of next meeting

257.09A Members agreed that the next meeting would take place on Tuesday 15th September 2009, 5.30 pm, Fordrough Campus, in the Conference Room.

18. Meeting Evaluation Form

258.09A Members completed their evaluation forms and handed them to the Clerk before departing.

Meeting closed at 7.05 pm.