

## LEEDS CITY COLLEGE GROUP

### MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON WEDNESDAY 5 JULY 2017

#### Present

Robert Clunas	Governor
Julie Drake	Co-optee
Cherry Fricker (Chair)	Governor

The quorum for the meeting was three members (with a minimum of two governors)

#### In Attendance

Robert Barnett	RSM (internal auditors)
Colin Booth	Chief Executive and Principal
Lydia Devenny	Deputy CEO, Services
Graham Eland (item 11)	Director of IT and Estates
Melanie Halstead	Clerk to the Board
Mark Hilton	Head of Finance (Leeds College of Music)
Jane Pither	Deputy Principal Corporate Services
Julie Rowland (item 5)	Director of MIS
Palvinder Singh (item 8a)	Vice Principal Growth and External Relations
Lisa Smith	RSM (internal auditors)
Kirsty Spark	Deputy Director, Financial Resources
Salma Younis	KPMG (external auditors)

The meeting was held at the Printworks Campus and started at 3pm

#### CLOSED SESSION WITH AUDITORS

At the start of the meeting the auditors were provided with an opportunity to meet with the committee in the absence of college management.

#### MEETING ADMINISTRATION

##### 1. Apologies for Absence

Apologies for absence were received from Jonathan Booth (co-optee) and Clare Partridge (KPMG - external auditors).

##### 2. Declaration of Interests in any Agenda Items

Members of the committee were reminded of the requirement to declare their interest in any agenda items; there were none.

##### 3. Minutes of the Meeting of the Audit Committee held on 10 March 2017

RESOLVED (A 10/17):

That the minutes of the meeting of the Audit Committee held on 10 March 2017 be approved as an accurate record and be signed by the Chair.

#### **4. Matters Arising**

Members considered the rolling list of actions/matters arising from previous meetings; all identified items had been or were on schedule to be completed in accordance with agreed timescales.

### **EXTERNAL AUDIT AND ASSURANCE**

#### **5. Funding Assurance Review 2015/16 – Action Plan Update**

The Director of MIS presented a report updating the committee on progress made against the action plan arising from the funding assurance review for the year ended 31 July 2016. The action plan had been updated to reflect progress made since the previous Audit Committee meeting in March 2017. The Director of MIS advised that further actions had been completed since the writing of the report and confirmed that the action plan had now been fully implemented.

In response to a query from members, the Director of MIS confirmed that the recommendations arising from the review had been embedded into the college's routine systems and processes.

The college was awaiting notification of whether it had been selected for a funding assurance review for the year ending 31 July 2017.

RESOLVED (A 11/17):

To note the status of the action plan arising from the 2015/16 funding assurance review.

#### **6. External Audit Plan and Strategy for the financial year ending 31 July 2017**

KPMG presented for approval their draft external audit plan and strategy, describing how they would deliver their audit work for the year ending 31 July 2017.

Committee members considered the risks identified as part of the audit planning process, focusing in particular on the significant risks and other areas of focus for the audit work. In considering the proposed audit plan and strategy, members queried whether the purchasing process linked to property developments (potential fraud risk) would form part of KPMG's work. KPMG advised that some limited testing would be carried out as part of their regularity audit work. It was noted that the interim audit work had commenced earlier that week.

With regard to subsidiary entities, KPMG would report individually on Leeds College of Music. The committee was asked to confirm its agreement to apply audit exemption in relation to White Rose Resourcing and Leeds Apprenticeship Training Agency; this was confirmed by committee members.

The audit fee for 2016/17 reflected an uplift of 2.6% based on CPI as at May 2017; this was accepted as being in line with KPMG's tender proposal.

In considering the technical update appended to KPMG's plan/strategy document, members questioned whether the college was adequately prepared in relation to the new gender pay gap reporting. The Deputy CEO Services confirmed this, with the first report required by the end of March 2018.

RESOLVED (A 12/17):

To approve the external audit plan and strategy and the proposed fees for the year ending 31 July 2017.

## INTERNAL AUDIT AND ASSURANCE

### 7. Internal Audit Progress Report

RSM presented, for information, their internal audit progress report. It was confirmed that the full audit plan for 2016/17 had now been delivered. RSM advised that whilst some of the internal audit reports on the agenda for this meeting contained 'reasonable' rather than 'substantial' assurance, all were positive in terms of the annual opinion.

RESOLVED (A 13/17):

To note the internal audit progress report.

### 8. Internal Audit Visit Reports

#### (a) Stakeholder Engagement

The committee considered the report produced by RSM following their review of stakeholder engagement. As this was an advisory review, no formal opinion was provided. However, the review had confirmed that the college undertakes a significant amount of stakeholder engagement activity and this was in the process of being collated into a comprehensive framework. Five main areas for improvement had been identified by RSM and appropriate management actions had been agreed; these were aimed at enhancing the framework currently being developed by management.

In response to a query from the committee, RSM advised that according to their benchmark information, Leeds City College and Keighley College were on a par with other clients in the sector in relation to stakeholder engagement.

It was noted that RSM's review had not included Leeds College of Music (LCoM) or White Rose Academies Trust (WRAT).

#### (b) Departmental Review

RSM presented the report produced following their departmental review of the Childcare and Computing departments. The review identified that the college had robust systems and controls in place for business planning and performance review. Three low priority recommendations were made in relation to the culture change that the new processes were intended to achieve. The overall audit opinion was one of 'reasonable assurance'.

In response to a query, RSM advised that a lot of evidence had been seen during their review of the training provided to staff on the business planning and performance review process. Arising from discussion, it was suggested that future departmental reviews focus on the effectiveness of the process.

#### (c) English and Maths Condition of Funding

A review of English and Maths at Leeds City College had been undertaken as part of the 2016/17 internal audit plan. The audit had resulted in an opinion of 'substantial assurance', confirming that the controls in place were suitably designed, consistently applied and operating effectively. No recommendations had been identified by the auditors and their report cited much good practice in terms of the new delivery model and monitoring processes. The committee expressed congratulations to the Director of MIS and her team on such a positive outcome.

#### (d) Health and Safety

The committee considered the report produced by the internal auditors following their review of health and safety practices. The overall audit opinion was one of 'reasonable

assurance' and the report contained one medium and three low priority recommendations. The medium priority action related to the number of staff who had not undertaken the mandatory health and safety training. A discussion followed in relation to refinements required to the system of tracking and reporting on the completion of such training. The Chief Executive & Principal advised that once the system had been refined, compliance could be linked to the staff probation and disciplinary procedures.

Members went on to discuss the quality of risk assessments. RSM advised that whilst there was a general risk assessment in place, completion had not been consistent in terms of the level of detail at the time of their review. This was currently being addressed by management, with guidance being compiled on which areas of the risk assessment are mandatory.

(e) Purchase to Pay

RSM introduced their report on Purchase to Pay, which identified that controls were reasonably well designed in order to effectively manage procurement services across the college. The auditors had provided an overall opinion of 'reasonable assurance' and had identified one medium and five low priority recommendations. The medium priority action related to checks on new suppliers and the use of manual payments at Leeds College of Music. The Head of Finance (LCoM) advised that the LCoM purchase ledger was now with Leeds City College

The auditors reported that some good practice had been identified, including clear policies/procedures, scheme of delegation and the independent verification of any changes to supplier details.

Committee members queried the checks carried out on suppliers, identified as a low priority recommendation in the report. RSM advised that the process relating to existing suppliers was robust but the process around new suppliers was not as rigorous. However, it was noted that large new suppliers were subject to a full tender process. Arising from this discussion, members asked RSM to review the wording contained in their report to provide more clarity in this respect.

(f) Risk Management

The committee considered a draft of RSM's audit report on risk management. The report remained in draft form pending agreement between the auditors and management. The auditors had provided a 'reasonable assurance' opinion, recognising that the system and controls in place were still in the process of being embedded. The report contained four recommendations, two of medium priority and two low. The medium priority actions related to the content and design of the risk registers, namely the articulation of risk appetite, sources of assurance, and clear links to the organisation's strategic aims. With regard to risk appetite, the Deputy Principal Corporate Services advised that the risk management policy and procedure for 2017/18 would be revised to better reflect this; this would be presented to the board for debate. Members considered the recommendation relating to strategic aims to be valid.

The report would now be finalised for presentation to the committee's next meeting.

(g) Cash Handling

An audit of cash handling had been undertaken across six areas, resulting in an overall opinion of 'substantial assurance'. Five recommendations had been identified, all of low priority. RSM advised that a lot of good practice had been identified and members commented that they would expect the college to have in place industry standard cash handling and stock management, providing students with a real experience of requirements in the workplace.

(h) Follow Up

RSM had undertaken a review to follow up the progress made in implementing the previously agreed audit recommendations and management actions. The resulting report stated that good progress had been made. Of the 23 recommendations/actions reviewed, 20 had been fully implemented, 2 had been superseded and 1 was ongoing.

(i) Stock Management

The committee received the draft report produced by RSM following their review of stock management at Leeds City College and Leeds College of Music. The auditors had provided a 'reasonable assurance' opinion, identifying nine recommendations in total. Of those, two were deemed to be of medium priority and seven low. It was reported that management had disagreed with the two medium priority recommendations, suggesting these should be categorised as low priority.

Following discussion, committee members confirmed that they were comfortable with the wording and medium priority rating of the action relating to storage mechanisms at the Printworks Campus. However, having considered the process in place at the time of the review, members were of the view that the medium priority recommendation relating to the lack of delivery/quality sheets at LCoM warranted a low priority rating. RSM undertook to amend this and present the final report to the next Audit Committee meeting.

RESOLVED (A 14/17):

To receive and note the internal audit reports produced by RSM, as detailed above.

**9. Student Finance Bursaries – Follow Up Report**

As agreed as part of the 2016/17 audit plan, RSM had carried out a follow up review of the three medium priority actions identified by the former internal auditors (Grant Thornton) in 2015/16 relating to student finance bursaries. RSM presented their follow up report, confirming that two of the three actions had been adequately implemented by management. The remaining action was deemed no longer necessary.

This report had been presented at the last meeting in summary form; at the request of members, the report now presented was the full report and detailed the testing carried out by RSM.

RESOLVED (A 15/17):

To receive and note the follow up report produced by RSM in relation to student finance bursaries.

**10. Draft Internal Audit Plan for 2017/18**

RSM presented for discussion a draft internal audit plan for 2017/18 and internal audit strategy covering the period up to 2020. In reviewing the draft plan/strategy, committee members considered the following key points:

- Whether sufficient assurances were being received within the annual audit plan to monitor the organisation's risk profile effectively
- Whether the strategy for internal audit covered the organisation's key risks as they were recognised by the committee
- Whether the risks selected for coverage in 2017/18 were appropriate
- Whether the standards within the charter put forward by the internal auditors were appropriate to monitor the performance of the internal audit service

Members suggested the following changes to the plan/strategy:

- Learner journey review to be expanded to cover all groups of learners
- Timing of payroll review to be changed to avoid the April year end period
- Review of the relationship with the WYCC joint venture and associated risks to be added to the plan for 2017/18

In readiness for Ofsted inspection, it was agreed that the following reviews be brought forward to the autumn term of 2018:

- Safeguarding/Prevent
- Student Finance
- Learner Journey
- Governance

It was noted that the plan/strategy for future years (2018/19 onwards) would be expanded to reflect LCoM's HEI designation should the submission to HEFCE be successful. As part of this submission LCoM would be subject to a QAA review in October 2017 and it was therefore agreed to avoid that period when planning internal audit reviews at LCoM.

RESOLVED (A 16/17):

That a final version of the internal audit plan/strategy for the period 2017-2020 be presented to the next meeting for approval.

## 11. Information Security – Deep Dive Report

As previously requested by the committee, the Director of IT and Estates presented a paper detailing the IT security controls in place at Leeds City College and Keighley College.

The colleges currently held information security accreditation from the Information Assurance Consortium (IASME) based on HM Government standards. The next stage of information security management would be accreditation to the ISO 27001 standard; arising from discussion, it was agreed that initial gap analysis work be carried out to identify the actions, timescales and costs associated with achieving the ISO standard.

In response to a query around the level of risk associated with Ransomware, the Director of IT and Estates explained to committee members the relevant safeguards currently in place across the group.

A detailed report in relation to the group's preparations for the new General Data Protection Regulation (GDPR) effective from May 2018 would be presented to the next Board meeting.

Committee members were pleased to note the progress made in implementing the previous audit recommendations relating to information security and the significant ongoing work to reduce the risk and protect from any form of cyber-attack.

RESOLVED (A 17/17):

To receive and note the information security deep dive report.

## RISK MANAGEMENT AND GOVERNANCE

### 12. Risk Management

#### (a) Review of Group Strategic Risk Register

The Deputy Principal Corporate Services presented for review the group strategic risk register as at June 2017. Eleven risks had been identified at group level, all of which were

rated red or amber. One new compliance risk had been identified relating to information security policies, recognising the need for planning for the GDPR and as discussed earlier in the meeting. In response to a query from members, the Deputy Principal clarified that the property strategy related risk remained rated as red on the 12 month forecast due to the long term nature of the strategy.

RESOLVED (A 18/17):

To note the strategic risks as at June 2017 and the mitigating actions in place/planned by college management.

(b) Emerging risks impacting on internal audit plan

None identified.

**13. Monitoring of Prior Audit Recommendations**

The committee considered a report on the progress made by management in implementing agreed audit recommendations. It was noted that the timescale for finalising LCoM's Advancement Strategy had been deferred to the autumn due to delays in recruiting to a vacant post. Having discussed the outstanding recommendation relating to ISO 9001 within the Commercial Division, the committee agreed that the action be deemed no longer applicable. The Clerk advised that the governance related recommendation would fall within the remit of the new Governance & Nominations Committee from September.

RESOLVED (A 19/17):

To note the progress made by management in implementing agreed audit recommendations as at June 2017.

**14. Review of Whistleblowing Policy/Procedure**

The committee considered proposed revisions to the Leeds City College Group Whistleblowing Policy/Procedure. In particular, the policy/procedure had been expanded to reflect the Prevent Duty and safeguarding arrangements.

RESOLVED (A 20/17):

To approve the revised Whistleblowing Policy/Procedure.

*(Both sets of auditors withdrew from the meeting for the remaining item of business)*

**15. Annual Review of Performance of Internal Audit Service 2016/17**

The Deputy Principal Corporate Services presented the outcomes of the annual review of performance of RSM following their first year as internal auditors. The review had been carried out against the performance indicators previously agreed by the Audit Committee.

RESOLVED (A 21/17):

To note the outcome of the annual review of performance of RSM as internal auditors during 2016/17.

The meeting closed at 6pm

Signed:.....(Chair)

Date:.....