

## LEEDS COLLEGE OF BUILDING

### AUDIT COMMITTEE

Minutes of the meeting held on Thursday 1 July 2010 at 2.30 pm in Meeting Room 1.

#### PRESENT:

M Himsworth (Chairman)  
A Finn  
P Rogerson

#### IN ATTENDANCE:

C Dyson – RSM Tenon  
P Deane – KPMG  
D Pullein – Executive Director – Finance  
R Scanlan – Clerk to the Corporation and Executive Director – Support Services  
D Whitehead – Deputy Principal and Risk Management Champion  
N Fearnside – Secretary (minutes)

**ACTION  
BY AND  
TARGET DATE**

#### 1. OPEN DISCUSSION BETWEEN AUDITORS AND THE AUDIT COMMITTEE

A discussion took place between the auditors and the Audit Committee. There were no issues of importance to report.

#### 2. CHAIRMAN'S COMMUNICATIONS

There were no communications.

#### 3. DECLARATION OF INTEREST

There were no declarations of interest.

#### 4. APOLOGIES FOR ABSENCE

An apology for absence was received from J Ingham.

#### 5. MINUTES OF THE MEETING

The minutes of the meeting held on the 26 April 2010 were accepted as a true record.

#### 6. MATTERS ARISING

##### 6.1 Ref Min 7 d)

Taken under Agenda Item 10.

##### 6.2 Ref Min 9

Actioned.

##### 6.3 Ref Min 10

Actioned.

**6. MATTERS ARISING** (continued)

**6.4 Ref Min 15**

Taken under Agenda Item 13.

**7. INTERNAL AUDIT REPORTS**

C Dyson presented the following internal audit reports:

**7 a) Governance – Information to Governors**

An audit of Governance – Information to Governors was carried out in May 2010. Substantial assurance was given; with three recommendations being made that merit attention. Action is being taken to address these recommendations. Good practice was noted on the use of Blackboard to disseminate information to Corporation members.

**7 b) Progress Report**

No major issues have been identified in the work undertaken which will impact on RSM Tenon's annual opinion. The Internal Audit Plan for 2009/10 has now been completed. A liaison meeting has taken place to discuss the Internal Audit Plan for 2010/11.

C Dyson reported that some changes have been introduced with regard to the Internal Audit Recommendations and Opinions.

The opinions will now be categorised as Red, Amber or Green. The Amber assurance is split into two to give clients a clear indication of whether the assurance is considered 'above or below the line'.

The recommendations will be categorised as High, Medium and Low; these were previously Fundamental, Significant and Merits Attention. A suggestion category has also been included; these are not formal recommendations but may be used to highlight a suggestion or identify good practice that the College may wish to consider; they do not impact on the overall opinion.

Amendments to the Data Protection Act were also included for information.

**8. DRAFT STRATEGY FOR INTERNAL AUDIT 2010/11 – 2013/14 AND PERIODIC PLAN FOR 2010/11**

C Dyson presented the draft Strategy for Internal Audit 2010/11 – 2013/14 and Periodic Plan for 2010/11. The plan has been produced following discussions with the Chair of the Audit Committee and the Executive Director – Finance.

It was noted that the internal audit fee of £13,662 was incorrect; this should state £13,409. This would be amended and re-issued.

CD  
12 July 2010

Eight audit days were still to be allocated; these would be held back for use following the Government's October spending review. It was agreed that this would be discussed at the next Audit Committee.

DP  
25 Nov. 2010

**8. DRAFT STRATEGY FOR INTERNAL AUDIT 2010/11 – 2013/14 AND PERIODIC PLAN FOR 2010/11** (continued)

A Finn questioned whether the Course Costing Model has given value for money and had not been at the expense of other work included in the Audit Code of Practice. The Course Costing Model was discussed further under Agenda Item 10.

D Pullein asked if there was anything outstanding from the Code of Practice. C Dyson felt that there was nothing essential that had not been covered.

P Rogerson asked if enough time had been given to embedding the Covalent system. D Whitehead felt that it was sufficient at this time and that the system was still evolving.

C Dyson suggested that an audit covering the monitoring of the IT department might be useful. D Pullein would discuss this further with C Dyson and the Senior Management Team.

The Committee agreed the draft Strategy for Internal Audit 2010/11 – 2013/14 and Periodic Plan for 2010/11 and recommended it to the Corporation for approval.

**9. UPDATE ON OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS**

D Pullein gave an update on the outstanding internal audit recommendations. Both recommendations from the Payroll and Expenses audit have been completed. The mapping of the Risk Register to the College's strategic objectives, Self Assessment action plans and Key Performance Indicators would be completed by August 2010.

The recommendations from the Governance – Information to Governors audit would be included on the next report.

**10. UPDATE ON THE COURSE COSTING MODEL**

M Himsworth reported that D Pullein had demonstrated the Course Costing Model and although some issues had been raised, overall it was a good model that could work well.

The model includes a traffic light system which would identify problems and possible consequences. It was felt that the model would be a good indicator for the Senior Management Team, highlighting inefficient courses etc.

Some work was required on a common set of codes and some anomalies were being investigated with regard to the parameters of acceptable cost per student hours. The model was based on an arbitrary group size of 14.

D Pullein confirmed that it had been agreed with the consultant that some amendments may need to be made in the future; particularly following the Government's Spending Review in October 2010.

**10. UPDATE ON THE COURSE COSTING MODEL** (continued)

Overall it was felt that the Course Costing Model would be useful and assist the Senior Management Team in its decision making.

The Committee agreed that the Corporation should be notified that the Course Costing Model was now in place.

**11. KPMG FE ACCOUNTS BENCHMARKING FOR 2008/09**

D Pullein presented the KPMG FE Accounts Benchmarking for 2008/09 and gave a brief overview.

It was noted that larger colleges have, for the first time, shown an overall historic cost deficit (over £10m in two cases). The historic cost surpluses were also noted.

The College compared well on the staff costs as a percentage of total income. On the current ratio the College came 5<sup>th</sup> out of the entire sample. Compared with some other colleges in the report the College's pension deficit figure was relatively good.

M Himsworth noted that this benchmarking report was a useful guidance tool.

**12. FRAUD REGISTER**

D Pullein stated that no issues had been reported.

**13. APPOINTMENT OF FINANCIAL STATEMENTS AUDITORS**

M Himsworth reported that five companies were invited to tender. Two companies declined to tender and the three who had responded positively were asked to present to the Audit Committee. PKS gave an impressive presentation but it was felt that they had an unproven system; it was noted that Mazars did not have any experience of FE audits. The fees quoted by all three companies were very similar. KPMG's experience was excellent and there was no reason to change. It was a close decision but KPMG came top in the points scoring.

The Committee agreed that a recommendation to appoint KPMG as financial statements auditors should be made to the Corporation.

A Finn suggested that the three year cycle for auditors should be reconsidered and extended if appropriate. This would be discussed further at a future meeting.

**14. TERMS OF REFERENCE OF THE COMMITTEE**

R Scanlan presented the Committee's Terms of Reference for consideration as part of the annual review process.

It was agreed that any reference to the LSC should be amended as appropriate. Subject to this the Committee agreed the Terms of Reference and recommended them for approval by the Corporation.

**15. KEY ISSUES FROM THE MEETING**

See attached sheet.

**16. ANY OTHER BUSINESS**

There were no other items of business.

**17. DATE OF NEXT MEETING**

The next meeting was scheduled for Thursday 25 November 2010. A Finn stated that unfortunately he was unable to make this date, and some others; these would be revisited and new dates suggested for approval at the Corporation meeting on 20 July 2010.

RS  
20 July 2010

Signed for Distribution: .....  
(Chair)

Date: .....

Approved: .....  
(Chair)

Date: .....

## **KEY ISSUES FROM THE MEETING**

**1. Audit Plan 2010/11**

The 8 audit days still to be allocated would be discussed at the next Audit meeting and a strategy agreed.

**2. Course Costing Model**

It was noted that the Course Costing Model had now been analysed and it was felt that this model would be useful in helping inform decisions made by the Senior Management Team. Some amendments were required and these were being progressed.