

Kirklees College Corporation

AUDIT COMMITTEE

Minutes of a meeting held on 3 July 2017 at 3.30 pm at the Huddersfield Centre

Present:	Mrs J Bracewell Mr A Hawley Mr M Pearmain Dr A Williams	Independent member Independent member Co-opted member Independent member
Apologies:	Mrs L Carruthers	Independent member
Attendance:	4/5 = 80%	[KPI 80%] Quorum: 3
In attendance:	Mr D Winward Ms M Brooke Mrs R Meara Mr Z Pervais Ms C Dean Mr M Dearnley Ms D Watson	Clerk to the Corporation Vice Principal - Corporate Services Director of Finance Independent member (observer) Kirklees Council IAS Kirklees Council IAS Grant Thornton LLP
Apologies:	Mr A Riley	Director of MIS, IT and Risk

13. Election of Chair

Mr Hawley was elected as Chair.

14. Apologies for absence

Apologies were received as listed above. The resignation of Staff member Mr G Pitchforth from the governing body was noted.

15. Declarations of interest

There were no declarations of interest.

16. Private meeting with Auditors

Members met with the Financial Statements Auditors and the Internal Audit Service without management present.

The Committee questioned the auditors on management's response to requests for information, adherence to agreed timescales, openness, responsiveness to recommendations and acceptance of levels of assurance. Positive responses were given to all questions.

RESOLVED: to note the assurances received.

17. Minutes of the previous meeting

The minutes of the meeting held on 5 December 2016 were confirmed as an accurate record, although it was reported that Martin Dearnley had not been present.

It was noted that the meeting planned for March 2017 had been cancelled.

18. Matters arising not elsewhere on the agenda

(i) **Business Continuity. Minute 6 refers.** A member sought an update on progress of the development and testing of communication contact trees, including those for governors. The Vice Principal reported that some governors had attended the training on terrorism risk the previous week and as a result of this, the process of communications and telephone trees were being further reviewed and some testing would follow. It was suggested to check that governor contact details were up to date.

ACTION: Clerk to check that telephone contact details for governors are up to date.

(ii) **Update on agreed actions.**

The Committee received an update on agreed actions. None were outstanding.

19. Internal Audit Reports

Ms Dean presented the following reports:

Progress Report

Since the previous meeting, the Curriculum planning, Health & Safety (Work Placement Procedures), Procurement Data Analysis and the Follow-Up audit review had been completed and the findings were being presented at this meeting. The remaining audit of governance arrangements for Process Manufacturing Centre had been put on hold pending clarification of the scope by the Committee.

The Committee decided that as the College had taken an active role in delivery, an independent audit review by IAS would be welcome and so this should proceed.

Curriculum Planning

The purpose of this audit was to assess the adequacy of the College's curriculum planning process and whether arrangements were effective in enabling educational programmes to be delivered through a well-planned and funded curriculum.

The audit concluded that there was a well-organised, robust, transparent and consistent process across curriculum areas which had a clear audit trail of supporting records. The review was allocated a 'Significant' assurance rating. One 'Merits Attention' recommendation was made to improve the efficiency of the process through auto-forecasting of student numbers, as the process was found to be resource intensive.

Health & Safety (Work Placement Procedures)

This report sought to provide assurance that the College had appropriate arrangements in place for checking that placement providers were complying with Health & Safety Executive requirements and that departments were complying with the College's procedures.

The report concluded that the arrangements were in need of some improvement and consistency and a 'Limited' assurance rating was assigned.

Seven recommendations were made (6 'Significant' and one 'Merits Attention'). Management had accepted the all the recommendations and actions had been agreed on the proposals for implementation. The action plan was included within the papers.

Mr Downham-Clarke joined the meeting at this point. He explained that several of the audit recommendations had been actioned already, including providing refresher training, developing a proposal for a fundamental change in resourcing of work placements, re-organisation in order to achieve a consistent approach including centralising H&S risk assessments. He assured the Committee that no young people had been put at risk.

The new Director of Business Development had extensive experience in this area and would be taking this forward. In addition, 7 work-placement officers would be in place.

Members were concerned to ensure that employers would not be put off offering work placements due to high levels of bureaucracy. Mr Downham-Clarke responded that the College was mindful of this and had made the process as light as possible, but effective.

Procurement – Data Analysis

This was not a regular audit review, but an exercise to identify the volume of expenditure and suppliers in order to ensure economies of scale could be achieved. The findings would feed into further work on procurement to be carried out by the Director of Finance. A new finance system was to be introduced in summer 2017 and this would allow improved purchasing ability.

A member noted that procurement had been an item on the audit agenda for a while. Mrs Meara reported that the College's procurement strategy itself had not changed, but this data analysis would allow prioritisation within the new system to ensure a more competitive environment. The new software was part of a suite of programmes already used by the College and so would integrate well.

Follow-Up Review

This had reviewed the implementation of the recommendations arising from the previous year's VFM audit review of caretaking, cleaning and security provision which had been allocated a 'Limited' assurance rating and resulted in 6 recommendations. The follow-up review found that actions had been taken on all the recommendations including: management restructure; new structure and contracts for security provision; and proposals for further restructure by January 2018, which would yield savings in excess of £138k. As a result, a 'Substantial' assurance rating was now appropriate.

RESOLVED: to receive the reports.

20. Rolling Audit Action Review (RAAR)

The Committee received a summary of the current position on the implementation of audit recommendations:

- Of 46 internal audit recommendations, 37 (80%) were complete, 7 (15%) overdue (against original target completion dates) and 2 (4%), in progress;
- Of 3 external audit (2015/16) recommendations, 2 (67%) were complete and one (33%) was in progress.

The overdue 'Significant' recommendation related to the implementation of cash handling procedures which was on track to be completed by December 2017.

The Director of Finance explained that the new finance system required significant resource input and this delay would allow harmonisation to take place before the system was implemented. Members sought and received assurance that the revised December 2017 implementation date would be met on this recommendation. The date for the implementation of the new finance system was 1 October 2017.

In response to a question, the Committee was assured that DBS checks on contractors (cleaning and security staff) had been implemented.

RESOLVED: to receive the report.

21. **Fraud Register**

The Committee received the latest version of the Fraud Register. There were no entries.

RESOLVED: to receive the report.

22. **Review of Audit Service**

In order to assist the Committee in its review of the Internal and External Audit Service, the Clerk presented a completed questionnaire for each provider. In the case of the Internal Audit Service, the questionnaire had been completed taking into account the views of Mrs Meara, Mr Riley and the Clerk. In relation to the External Audit service, Mrs Meara had completed the questionnaire.

Satisfaction rates for both current providers were highly-rated and no specific areas of improvement had been identified.

The Committee expressed its satisfaction in the work and approach of both audit providers.

RESOLVED: to re-appoint Kirklees Internal Audit Service and Grant Thornton LLP as the College's audit service providers for a further year.

23. **Audit Planning**

(i) **Financial Statements Audit Approach 2016/17**

Ms Watson presented the proposed approach for the Financial Statements (FS) Audit for the year ending 31 July 2017. This would be focused on the key risks facing the college including issues relating to estates and fixed assets, the material impairment of sites, key estimates and judgements, capitalisation of costs, the drop in student numbers and the effect on finances and the breach of the loan covenant at the quarterly assessment point, due to delay in sale of New North Road (NNR). The proposed logistics, timetable and fees for the audit had been agreed at a planning meeting with the Director of Finance.

Members questioned the position regarding the Lloyds Bank covenant breach. Mrs Meara reported that the potential consequence would be that the debt would be classed in the accounts as all short-term debt rather than split between long and short term. However, Lloyds did not intend to issue covenant waiver but instead would issue a Reservation of Rights. She would need to work with FS auditors and Lloyds in order to reach a satisfactory level of comfort through a suitable form of words. The sale of NNR had completed by the end of June 2017.

(ii) **Internal Audit Plan 2017/18**

Ms Dean presented a proposal for the internal audit plan for 2017/18. This had been developed following a meeting held with the Vice Principal, Director of Finance, Director of MIS, IT and Risk and the Clerk.

She reported that the previous year's audit work had slightly exceeded the 30 days allocated and so some contingency had been included within the plan for 2017/18. In addition to a Follow-Up review, audits were proposed for Additional Learner Support (High Needs), Internal Progression Process, Major Incident Planning and, as an optional review, Performance Management. The purpose of the latter would be to consider the Performance Management framework to ensure ensure objectives across the College were aligned with the Strategic Objectives.

Ms Watson suggested that a review of the transition to the new finance system in 2017/18 might be helpful and this could replace the PM review. The Committee suggested that this possible change should be referred back to the Senior Leadership Team for consideration.

RESOLVED: to approve the proposed plan subject to clarification.

ACTION: Ms Brooke to discuss with SLT a possible audit of the new financial system as an alternative to the Performance Management review.

24. Review of Committee Performance

Members were asked to consider the Committee's performance prior to the annual review of Corporation committees by the Search & Governance Committee under the following headings:

Quality and content of papers; Relevance of agenda items to the College's Strategic Objectives; Quality Content and relevance of contributions of the Executive / SLT and guidance offered to the Committee, how well the Committee had fulfilled its Terms of Reference and Suggested Developments for 2017/18.

The Clerk would prepare a report based on the discussion.

Members also reviewed the Committee's Terms of Reference. No changes were proposed.

RESOLVED: to recommend to the Corporation that the Committee's Terms of Reference be carried forward unchanged.

25. Publication of papers and Declaration of Confidentiality

RESOLVED: that the papers on FS audit plan were to be declared confidential under Clause 17(2)(d) of the Instrument of Government.

26. Date of next meeting

Monday, 25 September 2017 at 3.30 pm