

Kirklees College Corporation

AUDIT COMMITTEE**Minutes of a meeting held on 24 September 2018 at 3.30 pm at the Huddersfield Centre**

Present:	Mr D Keeton Mr M Pearmain Dr A Williams	Independent member Co-opted member Independent member
Apologies:	Dr A Conn	Independent member
Attendance:	3/4 = 75%	[KPI 80%] Quorum: 3
In attendance:	Mr D Winward Ms M Brooke Ms M Gilluley Mrs R Meara Mr A Riley Mr M Dearnley Ms D Watson	Clerk to the Corporation Vice Principal - Corporate Services Principal and Chief Executive Director of Finance Director of MIS, IT and Risk Kirklees Council IAS Grant Thornton LLP

1. Election of Chair

Dr Williams was elected as Chair for the ensuing year.

2. Apologies for absence

Apologies were received as listed above.

3. Declarations of interest

There were no declarations of interest.

4. Minutes of the previous meeting

The minutes of the meeting held on 2 July 2018 were confirmed as an accurate record.

5. Matters arising not elsewhere on the agenda**Audit Service Provision. Minute 35 refers.**

It was noted that the Corporation had decided to extend the contract with Kirklees Council Internal Audit Services as the College's internal audit provider for the 2018/19 year, pending a tender exercise. The tender for the future Financial Statements audit provision would take place early in 2019.

Committee Performance Report. Minute 37 refers.

The report had been drafted by the Clerk and approved by the Chair. It was agreed to circulate the report to all members.

Update on agreed actions.

There were no outstanding actions.

6. **Internal Audit Reports**

Mr Dearnley presented the following reports:

Progress Report

Since the previous meeting, the majority of the remaining reviews for 2017/18 had been finalised and the reports were being presented at this meeting (Process Manufacturing Centre, Major Incident Planning, New Finance System and the Follow-up review). It was proposed that the review of Internal Progression was to be carried forward in order to benefit from the use of the most up to date data.

Process Manufacturing Centre

The purpose of this report was to provide an assessment of the arrangements for the construction of the Process Manufacturing Centre. The College had successfully taken over the project following the failure of the management contractor Barnes Construction plc.

The report concluded that the project was delivered very successfully, with some risks that were appropriately assessed and controlled. However, some of this success was attributed to a fortuitous number of circumstances and there could be no substantial assurance that what was right in this case would be right again. An overall Adequate level of assurance was therefore assigned to the review and the same rating to Project Delivery, Project Funding & Finance and Operational Strategy. Four low-rated 'merits attention' recommendations were made. These related to the financial evaluation of prospective contractors, performance bond retention, and securing optimal utilisation of the centre's capacity.

In discussion, members:

- were reminded that the Corporation was aware all along of the reasons for choosing this contractor and that whilst no bond had been in place, an equivalent sum had been retained. The college team had been effective and the valuations of the highly specialist donated equipment were taken from suppliers and accepted by the LEP, which had approved all processes;
- questioned whether utilisation had improved since the audit review. It was reported that there had been more student enrolments this year, and numbers had been compounded through second and third year students continuing;

The Chair noted the report's conclusion that everything had been done reasonably and appropriately.

Major Incident Planning

This review was intended to assess the progress made in the development of a robust Major Incident Plan and the adequacy of supporting arrangements. Overall a 'Limited Assurance' rating had been allocated.

The review found that the College had made significant progress towards the completion of a Major Incident Response plan (MIP) including obtaining professional advice and training, particularly around terrorist threat and arrangements for lock-down. However, other priorities in 2017/18 had prevented the MIP being finalised and approved by governors and, as a consequence there had been limited awareness raising and testing. An overall assurance rating of 'Limited' was assigned and 6 recommendations had been made and accepted by management (one 'Fundamental', 2 'Significant' and 3 'Merits Attention'). These related to further risk assessment, training, awareness and communication (including reports to governors).

Mr Riley reported that the College had had a MIP in place for some time, but due to priorities such as FEC intervention, Ofsted inspection and the restructuring programme, there had been some delay in training delivery. However, it was planned to commence with training for the Senior Leadership Team in October 2018. The work being done was not a result of a full formal risk assessment but based on the main risk of Denial of Access to college premises.

The review had found that paper documentation trails were not available for fire evacuation drills, although Mr Dearnley said he had no doubt that they had taken place. Ms Brooke assured the Committee that such drills had indeed taken place but that they had not been fully documented. A new Health & Safety manager had been appointed and would be ensuring all documentation was completed. The Chair suggested that Mr Keeton could follow this up in his role as H&S link governor.

Members questioned why NHS core standards had been used for the College's own audit assessment. Mr Riley explained that these were considered to be best standard and that no FE standards were in existence. The Principal noted that she would be interested to know what standards other colleges followed and this would be pursued. Ms Brooke reported that the College worked with the LA and other partners on areas such as lock down. Arrangements for severe weather, pandemic / infectious diseases were all in place, but there was a need to bring them within the MIP process.

The Chair recognised the continuous development of managing risks. It was reported that a new action plan would be developed with specific actions and dates. It was suggested that a progress report should be provided for the December meeting of the Corporation.

New Finance System

The purpose of this review was to provide assurance on the integrity of the implementation of the replacement financial management system. The review was allocated an 'Adequate' assurance rating. Nine recommendations were made and accepted by management (4 'Significant' and 5 'Merits Attention'). These included one related to segregation of duties, access levels and periodic monitoring.

With regard to segregation of duties, Mrs Meara reported that the system had been set up in a way that would achieve the best balance between user control and functionality. This was considered a low risk and other controls were in existence that would mitigate the risk.

It was accepted to reduce the number of staff with full system admin control to 4 and to increase the focus on audit activity logs. Only 2 of these people had approval rights and their authorisation level was limited.

Mr Dearnley accepted that there were additional controls in place. Ms Watson reported that the Financial Statements audit would also look at the controls.

The Chair noted that the implementation had been largely successful and positive, and the recommendations were largely accepted. He wished to record thanks to Ms Meara and her team for the successful implementation.

Follow-up Review

This was a follow-up review of the Health & Safety (Work Placements) report that had been allocated a 'Limited' assurance rating.

The follow-up review found substantial improvements in the arrangements themselves and recording of them and this had resulted in a 'Substantial' assurance rating. No further recommendations were made, although implementation of some of the previous recommendations was on-going.

The Committee welcomed the positive report and the improvements made.

RESOLVED: to receive the reports.

The Chair welcomed the clarity of the IAS report presented. He accepted that discussion between management and auditors on areas requiring clarification were an essential part of the improvement process.

7. Rolling Audit Action Review (RAAR)

Mr Riley presented a summary of the current position on the implementation of audit recommendations:

- Of 12 internal audit recommendations, 9 (75%) were complete and 3 (25%) overdue (against original target completion dates);
- Of 2 external audit (2016/17) recommendations, both 2 were complete.

There were no overdue 'Significant' recommendations.

RESOLVED: to receive the report.

8. Subcontractor Controls Audit 2017/18

The Director of Finance presented the report of this review which had been carried out by KMPG. It was a requirement of the ESFA funding agreement to have an independent audit and certification of the controls in place for sub-contracting.

The report showed that all 4 prior observations had been actioned and made 2 new observations (1 rated medium and 1 low) on selection and procurement of sub-contractors.

The low rated recommendation related to the contract with Huddersfield Textile Training. The audit found that the College should not have entered into this contract due to the College's 'Inadequate' financial health. However, this was done with the express knowledge of the ESFA Director of Funding following the intervention of a local MP. On-going quality checks and reviews were in place for all providers.

The medium risk observation related to the contract with Grace Landscapes which was both employer and delivery sub-contractor. There was a requirement to document that they could not profit from the arrangement.

RESOLVED: to receive the report.

9. Internal Audit Plan 2018/19

The Deputy Principal presented the proposed internal audit plan for 2018/19. This included risk-based reviews of Internal Progression process (carried forward from 2017/18), Data Security, Operational Budgets & Monitoring, Performance Management and a Reserve audit to be decided following the outcome of the Tribal review of systems / processes.

RESOLVED: to recommend approval by the Corporation of the Internal Audit Plan 2017/18.

10. Fraud Register

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

RESOLVED: to receive the report.

11. Assurances for Key College Risks

As requested by the Committee, Mr Riley presented a report summarising the sources of assurance for each of the College's key strategic risks. This was based on the reviews undertaken or planned by Internal Audit, External Audit and other agencies between 2006 and 2018. Between 2016 - 2019 there were 16 Governance, Cyclical and Value for Money Reviews, 3 Financial Statements reviews (each with 38 components) and 34 other reviews. In addition, there were

other internal sources of assurance such as process controls and checks, management controls, senior management oversight and college governance.

The report demonstrated the cross-reference of strategic risks and the assurance controls in place.

Ms Watson and Mr Dearnley noted that this form of board assurance framework was an example of good practice.

RESOLVED: to receive the report.

12. Whistleblowing Report

The Clerk presented a report on the College's Public Interest Disclosure (Whistleblowing) arrangements. There had been no complaints under these procedures received during 2017/18 and to date.

The report also included details of the communications and training that had been completed in 2016/17 in order to ensure awareness of the procedures.

RESOLVED: to receive the report.

13. Publication of papers and Declaration of Confidentiality

RESOLVED: that there were no papers to be declared confidential under Clause 17(2)(d) of the Instrument of Government.

14. Date of next meeting

Monday 3 December 2018, 11.00am