

Kirklees College Corporation

AUDIT COMMITTEE

Minutes of a meeting held at 15:30-17:00 on 23 Sept 2019 at the Huddersfield Centre

Present: Dr A Conn Independent member (chair)
Mr D Keeton Independent member
Mr M Pearmain Co-opted member

Attendance: 3/4 = 75% KPI 80% Quorum: 3

In attendance: Ms M Gilluley Principal and Chief Executive
Ms J Green Clerk to the Corporation
Mr A McCulloch TIAA
Ms R Meara Executive Finance Director

Item	Action/ Report Item
CLOSED SESSION	
0	MATTERS RELATING TO THE COMMITTEE'S REMIT AND ANY ISSUES ARISING FROM THE AUDITS
i	There was agreement that the closed meeting should be dispensed with, the external auditor having sent apologies and the internal auditor being newly appointed.
<i>15:35 Rebecca Meara and Marie Gilluley joined the meeting.</i>	
PRELIMINARY ITEMS	
1	WELCOME AND INTRODUCTIONS
i	Mr McCulloch ("AM") of internal audit service provider TIAA was welcomed to his first meeting and introductions were made.
ii	Absent the Committee Chair, it was agreed that Dr Conn should take the chair.
2	APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST
i	Apologies were received from Independent member and Committee Chair Mr Williams and from Grant Thornton, who had no business on the agenda.
ii	Each member confirmed that he had no direct or indirect interest in any way in the business to be transacted at the meeting, which they were required by the Instrument of Government to disclose, other than those matters previously disclosed.
3	APPROVAL OF MINUTES OF THE PREVIOUS MEETING
i	<u>RESOLVED:</u> (i) To approve the minutes of 1 July 2019 as an accurate record and to authorise the Chair to sign them.
3(i)	MATTERS ARISING NOT ON THE AGENDA
i	The Executive Finance Director Rebecca Meara ("RM") referred to minute 6(vi),

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	which concerned Grant Thornton's advice on the need to factor the implications of the McCloud judgement into the assessment of pension liabilities. She said the Committee would see a significant impact in the accounts in December.
3(ii)	<p>UPDATE ON AGREED ACTIONS</p> <p><u>Item 31 – Internal Audit Reports</u></p> <p><u>Item 1: Internal Audit Reports</u></p> <p>i The Committee had requested a timesheet from the outgoing internal audit service provider, showing how time allocated in the last financial year was utilised. This had been obtained and was produced to the meeting. There were no comments on this.</p> <p><u>Item 2: Committee Self-Assessment Report</u></p> <p>ii The Clerk had incorporated members' comments into the template report prepared for the previous meeting and had circulated a draft version for approval. It was noted that the approved report would be considered at the next Search & Governance Committee meeting.</p> <p><u>Item 3: Internal Audit Service Tender</u></p> <p>iii The confidential report on the internal audit service tender exercise had been shared with all Governors.</p> <p>iv There were no outstanding actions.</p>
INTERNAL AUDIT	
4	<p>TIAA INTERNAL AUDIT STRATEGY AND PLAN 2019/20</p> <p>i AM presented TIAA's proposed Audit Strategy for 2019-22 (the 'strategy'), along with the draft annual plan for 2019-20 (the "plan"), saying it was based on an analysis of the College's corporate objectives, risk profile and assurance framework, as well as other factors including a cross-sector analysis of common risk areas such as cyber-attack and health and safety, and developments such as the introduction of the insolvency regime for colleges and the tightening of the Education and Skills Funding Agency ("ESFA") subcontracting rules.</p> <p>ii Members discussed the plan, remarking on areas that had not previously been subject to internal audit reviews. The Executive Director of Finance, Mrs R Meara ("RM") said the previous auditor had not looked at procurement as the function was relatively new, and assurance around student records was obtained elsewhere due to the previous auditor lacking the necessary experience.</p> <p>iii There was agreement that, in addition to the plan, a mock funding audit to obtain independent assurance in respect of the control framework supporting funding rule compliance should be commissioned. RM said money was available for this but as TIAA did not have the software required to effectively undertake it, the College would commission it separately. AM said TIAA would share any themes arising from funding audits taking place in his client base.</p> <p>iv Following discussion, it was agreed that the number of audit days proposed and the planned audit coverage were sufficient to meet the Corporation's requirements and the areas selected for review were appropriate to provide assurance against the key</p>

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v	risks within the organisation. The Committee would therefore recommend to the Corporation that the plan and strategy should be approved.	
vi	It was noted that the plan, which made reference to Institute of Internal Audit (UK) Standards, contained specific performance targets to be used to measure TIAA's performance. There was agreement that those were appropriate. AM said TIAA was last externally validated against the Public Sector Internal Audit Standards in 2017 and it was anticipating a further validation. He said TIAA's quality systems were assessed and approved to the BS EN ISO 9001: 2015 management system standard in February 2018.	
vii	It was noted that TIAA was unaware of any conflicts of interests or other issues which might affect its independence.	
viii	<p>RESOLVED:</p> <p>(i) To recommend the Internal Audit Strategy for Corporation approval.</p> <p>(ii) To recommend the Internal Audit Plan 2019-20 for Corporation approval.</p> <p>(iii) To provide a copy of the Internal Audit Service Strategy and Annual Plan 2019-20 to all Governors and to draw particular attention to the performance measures.</p> <p>(iv) To advise the Corporation as follows:</p>	
ix	<p>Corporation report: Having reviewed the Internal Audit Strategy and the Internal Audit Plan 2019-20 and having discussed them with management and the Internal Auditor TIAA, the Committee considers that:</p> <ol style="list-style-type: none"> 1. the Internal Audit Strategy and 2019-20 Plan will facilitate effective monitoring of the College's risk profile and provide assurance against the key risks; 2. the areas selected for review in 2019-20 are appropriate; and 3. the performance targets proposed by TIAA for the monitoring of their performance in the provision of audit services are appropriate. 	Report Item 1
x	<p>Corporation report: TIAA has advised the Committee that it is not aware of any conflicts of interest or other issues which might affect its independence. The Committee has considered TIAA's arrangements for ensuring the independence of internal audit and has no concerns to report in that regard.</p>	Report Item 2
xi	<p>Corporation report: TIAA has confirmed that it is adherent to all relevant professional standards and is externally validated against the Public Sector Internal Audit Standards. The Committee has no concerns to report in this regard.</p>	Report Item 3
xi	<p>Corporation report: The Committee recommends the Internal Audit Strategy and the Internal Audit Plan 2019-20 for Corporation approval.</p>	Report Item 4
5	ROLLING AUDIT ACTION REVIEW	
i	Members were pleased to note that, since the previous report, the proportion of 'complete' or 'in progress' actions had increased and the proportion of 'overdue' actions had decreased. Overdue 'Significant' actions were as follows:	
ii	Major incident planning: The completion date for recommendation R3 (introduction of a risk assessment process) had been extended to July 2020 as the relevant manager had left the College. RM said the processes currently in place would suffice	

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	in the meantime but they were not bespoke to the College and the plan was to simplify and refine them.	
iii	New finance system implementation: RM said the last of three 'Significant' recommendations from this audit remained outstanding but would be closed once the software patch was applied in October.	
iv	GDPR readiness: A revised Retention Policy awaited ratification by the Senior Leadership Team; RM said by January the action should be closed.	
v	Corporation Report: The implementation of audit recommendations is proceeding satisfactorily, with no 'Fundamental' actions overdue for implementation and the majority of 'Substantial' actions being either closed or in progress.	Report Item 5
EXTERNAL ASSURANCE REPORT: DELIVERY SUBCONTRACTOR MANAGEMENT AND CONTROL		
6	REPORT ON SUBCONTRACTING CONTROLS AND CERTIFICATE	
i	<p>RM explained that the audit was undertaken in satisfaction of an Education and Skills Funding Agency ("ESFA") requirement that all providers who subcontract a certain level of provision obtain a report from an external auditor on the arrangements they have in place to manage and control their subcontractors. She said this year's audit, carried out by independent consultants Per4mance Solutions, identified three action points (two of which had already been implemented) as follows:</p> <ol style="list-style-type: none"> 1. Testing of the framework of policies and procedures aimed at ensuring that subcontracting does not lead to inadvertent funding of extremist organisations to include thorough annual checks for existing partners as well as new partners (in progress); 2. Immediately put in place a regular and substantial programme of quality-assurance checks on the education and training provided by subcontractors (implemented); and 3. Ensure a current Subcontractor Declaration Form is completed immediately and submitted to the ESFA and that it tallies with what is declared on the website and in subcontractors' contracts (implemented). 	
ii	The Committee discussed whether the report provided satisfactory assurance on the systems and controls the College has in place to procure, manage and monitor subcontractor provision, concluding that it did, and the Committee should report to the Corporation as follows:	
iii	Corporation Report: The Committee received a copy of the Per4mance Solutions audit report on the College's subcontracting controls and discussed the contents with management. The audit revealed a positive picture, such that the Corporation may have confidence in the systems and controls the College has in place to procure, manage and monitor subcontractor provision. Of the recommendations made by the auditor, two have been implemented and one is in progress. The Committee will monitor this.	Report Item 6
OTHER BUSINESS		
7	WHISTLEBLOWING REPORT AND REVIEW OF WHISTLEBLOWING POLICY	
i	The Committee discussed the report on 2018-19 whistleblowing disclosures, acknowledging that whereas a nil return could be an indicator of a healthy workplace, with an effective policy framework and line management arrangements, it could also be an indicator of weaknesses in the whistleblowing framework or in the wider	

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ii	<p>organisational culture. In her report, the Clerk had identified several positive indicators of a healthy workplace, including high reported levels of student satisfaction with safety and security, positive findings by the internal and external auditors, and the fact that the whistleblowing arrangements had been well-promoted within the College.</p> <p>However, the Clerk's report also highlighted that a relatively high number of 2019 Staff Survey respondents had disagreed with the statements "I feel safe at work" (18.4%) and "the College genuinely cares about the welfare of staff" (38.6%). Her recommendation was that the Committee seek assurance that staff concerns regarding safety and welfare were being effectively resolved via other routes. Members noted that the internal audit of the arrangements for incident management and reporting scheduled for term two of 2019-20 should provide some assurance in this regard.</p>	
iii	<p>It was agreed that the Whistleblowing Policy should be amended in line with the Clerk's proposals and that staff representatives' views on the proposed amendments should be sought, both to seek buy-in and also to promote the arrangements more widely. Further manager training would also be delivered and the Policy would be publicised.</p>	
iv	<p>Corporation Report: Subject to any further proposed amendments arising out of discussions with staff representatives, the Committee recommends the revised Whistleblowing Policy for approval by the Corporation.</p>	Report Item 7
v	<p>Action: Management to seek the views of staff representatives on the proposed amendments to the Whistleblowing Policy.</p>	J Simpson
vi	<p>Action: Further promotion of the College's whistleblowing arrangements to take place, with further briefings to be delivered for managers.</p>	J Simpson
8	DECLARATIONS OF INTEREST	
i	<p>It was noted that the majority of 2019-20 declarations had been returned. The Clerk said she would continue to chase the outstanding returns.</p>	
ii	<p>Corporation report: 12 out of 14 Governors and 7 out of 11 staff have so far returned their 2019-20 Declaration of Interest forms. It is anticipated that the rest will be returned in good time for the purposes of the external audit.</p>	Report Item 8
9	FRAUD REGISTER	
i	<p>A new entry to the Fraud Register was discussed: RM shared details of an attempted fraud that was frustrated by the College's control framework and commended staff members for their quick reactions.</p>	
ii	<p>There was discussion about the risks of increasingly sophisticated phishing attempts and the need for staff to be aware and vigilant. In response to a question, RM said in terms of risk mitigation, the controls were strong and there was not a lot that could be done differently.</p>	
iii	<p>RM confirmed that, other than the item in the Register shared with the Committee, having made diligent enquiries, she was not aware of any actual, attempted or alleged acts of fraud or other irregularities.</p>	
iv	<p>Corporation Report: The Committee will share with the Corporation details of a recent attempted fraud. There was no loss to the College and the Committee has</p>	Report Item 9

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	directed that the Executive Director of Finance should have discretion as to whether it should be reported externally. Having made enquiries in accordance with its Terms of Reference, the Committee has no other concerns to report in respect of fraud or other irregularities.	
10 i	REVIEW OF THE FRAUD POLICY Action: Review of the Fraud Policy to be deferred to the April 2020 meeting.	J Green
COMMITTEE DEVELOPMENT PLAN		
11 i ii iii iv v vi	COMMITTEE DEVELOPMENT PLAN There was agreement that new Committee member inductions should be along the lines proposed by the Clerk in the paper she had circulated. The Clerk had also circulated an exemplar role description for the Audit Chair, populated with items of responsibility she had taken from the College's Financial Regulations. There was strong agreement that, contrary to the stipulation in the exemplar role description, it would not be necessary for the Kirklees Audit Chair to have a finance background or any experience of qualifications in accountancy, finance or audit, as long as those skills were present in the Committee itself. Concern was raised about the extent of the Audit Chair's responsibilities and it was resolved that a more bespoke role description should be drawn up for review at the April meeting, concomitant with the annual review of the Financial Regulations. Action: Chair of Audit Role Description to be an agenda item for the April meeting. It was agreed that the current Committee Chair should remain in office for the time being but that a succession plan should be drawn up, with possible external recruitment. There was discussion about possible training topics, with members agreeing that general training on Audit Committee effectiveness, or on the relationship between the Committee and the Corporation might be useful, either for the Committee or for all Governors. A member expressed an interest in engaging with another Audit Committee in the Sector and AM said he would send to the Clerk details of any client which might be prepared to share some good practice. It was suggested that funding may be available for National Leader of Governance involvement. Action: The Clerk will explore options for engagement with other audit chairs and/or committees.	J Green J Green
MATTERS TO NOTE AND ADMINISTRATION		
12 i	DATE OF NEXT MEETING Monday 2 December, 15.30.	
13 i	PUBLICATION OF AGENDA PAPERS It was agreed that all items asterisked in the circulated agenda, as well as the report on subcontracting controls and the whistleblowing policy should remain confidential for the time being.	

AgItems of Report for Corporation

Item	Details	Minute
1.	Having reviewed the Internal Audit Strategy and the Internal Audit Plan 2019-20 and having discussed them with management and the Internal Auditor TIAA, the Committee considers that: <ol style="list-style-type: none"> 1. the Internal Audit Strategy and 2019-20 Plan will facilitate effective monitoring of the College's risk profile and provide assurance against the key risks; 2. the areas selected for review in 2019-20 are appropriate; and 3. the performance targets proposed by TIAA for the monitoring of their performance in the provision of audit services are appropriate. 	4(viii)
2.	TIAA has advised the Committee that it is not aware of any conflicts of interest or other issues which might affect its independence. The Committee has considered TIAA's arrangements for ensuring the independence of internal audit and has no concerns to report in that regard.	4(ix)
3	TIAA has confirmed that it is adherent to all relevant professional standards and is externally validated against the Public Sector Internal Audit Standards. The Committee has no concerns to report in this regard.	4(x)
4.	The Committee recommends the Internal Audit Strategy and the Internal Audit Plan 2019-20 for Corporation approval.	4(xi)
5.	The implementation of audit recommendations is proceeding satisfactorily, with no 'Fundamental' actions overdue for implementation and the majority of 'Substantial' actions being closed.	5(v)
6.	The Committee received a copy of the Performance Solutions audit report on the College's subcontracting controls and discussed the contents with management. The audit revealed a positive picture, such that the Corporation may have confidence in the systems and controls the College has in place to procure, manage and monitor subcontractor provision. Of the recommendations made by the auditor, two have been implemented and one is in progress; the Committee will monitor this.	6(iii)
7.	Subject to any further proposed amendments arising out of discussions with staff representatives, the Committee recommends the revised Whistleblowing Policy for approval by the Corporation.	7(iv)
8.	12 out of 14 Governors and 7 out of 11 staff have so far returned their 2019-20 Declaration of Interest forms. It is anticipated that the rest will be returned in good time for the purposes of the external audit.	8(ii)
9.	The Committee will share with the Corporation details of a recent attempted fraud. There was no loss to the College and the Committee has directed that the Executive Director of Finance should have discretion as to whether it should be reported externally. Having made enquiries in accordance with its Terms of Reference, the Committee has no other concerns to report in respect of fraud or other irregularities.	9(iv)