

Kirklees College Corporation

AUDIT COMMITTEE
Minutes of a meeting held at 15:40 on 27 April 2020 by Microsoft Teams videoconference

Present: Dr A Williams Independent member (chair)
 Ms M Carabine Independent member
 Dr A Conn Independent 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
 Ms D Watson Grant Thornton

Item	Action/ Report Item
CLOSED SESSION	
0	MATTERS RELATING TO THE COMMITTEE'S REMIT AND ANY ISSUES ARISING FROM THE AUDITS
i	The Chair noted that the purpose of meeting without management was to facilitate open dialogue between the Corporation and its auditors. He welcomed Independent Governor Ms M Carabine, who had joined the Committee in place of outgoing interim Ms L Precious. Introductions were made.
ii	Ms D Watson ("DW") of Grant Thornton ("GT") had nothing to raise.
iii	Mr A McCulloch ("AM") of TIAA said discussions were ongoing around how best to approach the three remaining audits and the follow-up in light of the coronavirus pandemic lockdown. To date, he said, there had been excellent engagement from College staff. In response to a question, he said the Apprenticeships review was delayed due to TIAA's fault; it would be presented at the next Committee meeting.
iv	There was discussion about the overall Audit Strategy and the following year's internal audit plan. A Member asked if the auditors would support bringing forwards the review of the risk management arrangements and both said they would. DW said management seemed to lack confidence in the processes they had inherited, for example while the COVID-19 risks appeared to be being well-managed, this was not being done via the College risk register, as COVID-19 did not feature. A Member suggested that the scope of the review when it happened might include Governor oversight of risk and this was agreed.
v	Dr A Williams ("AW") reiterated his wish to step down as Committee Chair, commenting that his skillset was not well-matched to the person specification for the role.
vi	Action: Search Committee to be informed of the need to recruit a replacement Chair, either from the existing membership or through external recruitment.
	JG, SAG
15:55 Rebecca Meara and Marie Gilluley joined the meeting.	

PRELIMINARY ITEMS		
1	WELCOME AND INTRODUCTIONS	
i	The Clerk confirmed that due notice of the meeting had been given, that the requirement for all persons participating to be able to communicate with one another was satisfied and that the meeting was quorate. It was noted that the meeting had been initiated from the home address of AW.	
2	APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST	
i	Apologies were received from Co-optee Mr M Pearmain and Katy Doherty of GT.	
ii	It was noted that GT had an interest in Item 12. All confirmed that, except for matters already disclosed, they 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 or otherwise to disclose.	
3	APPROVAL OF MINUTES OF THE PREVIOUS MEETING	
i	<u>RESOLVED:</u> (i) To approve the minutes of 2 December 2019 as an accurate record.	
3(i)	MATTERS ARISING NOT ON THE AGENDA	
i	There were none to discuss.	
3(ii)	UPDATE ON AGREED ACTIONS	
i	<u>Item 1: Agenda</u> The Items that had been requested were on the agenda.	
ii	<u>Item 2: Audit Committee networking/ training event</u> This was on hold due to the pandemic lockdown. The Clerk said she would progress it in due course.	
iii	Action (rolled over): The Clerk will progress arrangements for an audit committee networking/ training event at a time to be confirmed.	JG
iv	There were no other outstanding actions.	
POLICY AND PROCEDURE		
4	ANTI-FRAUD POLICY	
i	The Chair recalled the Corporation's responsibilities in respect of fraud, regularity and reporting set out in the Post 16 Audit Code of Practice and highlighted the Committee's duty to oversee the College's policies on and processes around fraud.	
ii	The Committee was being asked to consider proposed changes to the Fraud Policy. They were largely structural, including separating the Anti-Fraud Policy from the Fraud Response Plan, so that the two documents could be used for different audiences. A member asked how the Corporation measured compliance with its responsibilities and the Executive Director of Finance, Beccy Meara ("BM") drew attention to the fraud checklist contained in the Post 16 Audit Code of Practice (which was included as an appendix to her paper). She said a formal assessment would be completed against it for discussion at the September Committee meeting.	

Item		Action/ Report Item
iii	A Member highlighted a possible compliance issue, citing the requirement in the Fraud Response Procedure that the details of all reported suspicions, including those dismissed as minor or otherwise not investigated, be recorded in the fraud register and reported to the Committee. The Member said, given the broad definition of fraud provided at paragraph 5 of the Anti-Fraud Policy and the size of the College's staff body, the fact that so few register entries had been made in around 9,000 employee years suggested a degree of under-reporting. There was agreement that management should look into this, as the launch of the revised Policy and Response Plan would provide a good opportunity to address under-reporting if there was any.	
iv	Action: The Executive Director of Finance to investigate the possibility of under-reporting of suspected fraud with the Executive Director of Human Resources.	BM, JS
v	The Clerk had made some minor edits to the documents on the Teams site. She explained the changes she had made and they were accepted.	
vi	Corporation report: The Committee reviewed and discussed with management proposed changes to the Anti-Fraud Policy and Fraud Response Plan. It recommends both documents for approval and adoption.	Report Item 1
5	FINANCIAL REGULATIONS REVIEW	
i	It was noted that, in fulfilment of its duty to advise the Corporation on the adequacy and effectiveness of its assurance framework, the Committee was required to maintain a continuous review of the Financial Regulations and to recommend any necessary additions or amends for approval.	
ii	BM had undertaken a full review and presented her proposed changes, saying they could be categorised under four main headings: <ul style="list-style-type: none"> • The inclusion of the Corporation Committees' most recent Terms of Reference; • Changes to role definitions following changes to the management structure; • Update to the Fraud Policy and Response Plan as already discussed; and • The EU OJEU threshold in Appendix J being revised to the current active level. 	
iii	Following discussion, Members agreed to report to the Corporation as follows:	
iv	Corporation Report: The Committee has reviewed the Financial Regulations and recommends that the proposed amendments (which are highlighted in yellow in the management paper) should be approved and the amended version adopted.	Report Item 2
AUDITS AND RECOMMENDATIONS		
6	INTERNAL AUDIT PROGRESS REPORT	
i	AM introduced the internal audit review reports, explaining that TIAA categorised their recommendations as 'Urgent' (priority 1: fundamental control issue on which action should be taken immediately), 'Important' (priority 2: control issue on which action should be taken at the earliest opportunity) or 'Routine' (priority 3: control issue on which action should be taken) and made more informal recommendations under the heading 'Operational Effectiveness matters'. <u>Business Planning Arrangements</u>	
ii	Members were interested in the findings of the audit review of the College's business planning arrangements. The Principal, Marie Gilluley ("MG"), briefed them on the new process and commended BM on the delivery of a complex project which had involved almost every area of the business and completely revitalised the curriculum planning process. She said it had been a significant culture change.	

iii	<p>A Member commented that the exercise must have been a useful indicator of which managers had fully grasped the corporate intent and BM agreed that it had.</p>	
iv	<p>The audit had yielded a ‘reasonable’ assurance rating, with one ‘Important’ recommendation (in addition to two ‘Routine’ recommendations) being made in respect of deficiencies in the completion of documents designed to solicit information from managers to underpin budgeting and curriculum planning. As the need for compliance was high, interventions would be needed for those who had failed to provide adequate information.</p>	
v	<p>BM explained that managers were asked to put aside the numbers and think about the wider context using a range of indicators such as performance, digital skills, SWOT analyses and learner voice. She said, as this was part of a completely new process, post-planning evaluation would be important and feedback would be sought from managers as part of that.</p>	
	<p><u>ICT Review of Cyber Crime and Security</u></p>	
vi	<p>It was noted that, by 2020/21, to comply with Education and Skills Funding Agency (“ESFA”) conditions of funding, the College would need to meet the requirements of Cyber Essentials, with progression to Cyber Essentials Plus from 2021/22. While the ESFA had removed the requirement to work towards full compliance with information security standard ISO27001 for the 2020 to 2021 funding year, this would remain a future requirement.</p>	
vii	<p>The Committee’s duty to provide assurance to the Corporation on the effectiveness of the College’s arrangements for the management and quality assurance of data was also noted.</p>	
viii	<p>The ICT audit had yielded a ‘reasonable’ assurance rating, with four ‘Important’ recommendations (in addition to four ‘Routine’ recommendations) as follows:</p> <ul style="list-style-type: none"> • Information security policies to be baselined against ISO 27001. Some amendments and additional policies required to strengthen the framework; • Password length to increase to minimum eight characters as per best practice; • An internal vulnerability scanning and external penetration testing programme to be devised and undertaken. Testing also to be undertaken following changes to the ICT infrastructure or web development; and • An Incident Response Plan be put in place following a Cyber Security Risk assessment, to provide guidance on actions to be taken in identified scenarios. 	
ix	<p>Members agreed that the Corporation could take reasonable assurance from the audit report but emphasised that the landscape had changed since the date of the review, due to the pandemic and the national lockdown. The move to remote working for College staff would increase the risks of compliance breaches such as use of personal email, use of unencrypted memory sticks, etc., while the disruption of the pandemic created the ideal conditions for cyber-attack. There was discussion about how additional assurance could be obtained, in particular around the monitoring activities the College was undertaking and whether the communications that management had sent out were having the intended effect.</p>	
x	<p>It was agreed that the increased risk of fraud and cyber-attack and the actions the College had taken to maintain and boost its control framework during the pandemic lockdown should be discussed at the next Corporation meeting, so that Governors could gain assurance in line with their responsibilities. Members had some questions about the management responses in the audit review report which they wished to address first however and they asked MG to seek clarification on those points.</p>	

Item		Action/ Report Item
xi	Action: (1) Members to communicate their questions to the Principal for discussion with management. (2) The Principal to communicate the fuller management response via email, following which (3) a report to be taken to Corporation regarding the status of the risk of a major breakdown in IT functions, the denial of access to or compromising of systems and data, or financial loss from cyber-attack.	Members Principal
xii	Corporation Report: An internal audit ICT review of Cyber Crime and Security returned a 'reasonable assurance' outcome, albeit with some recommendations that were rated "Important" (i.e. action should be taken at the earliest opportunity). However, the Committee notes that the current pandemic situation amplifies the risks in this area both in terms of the likelihood of an attack or breach and the College's ability to mitigate the impact. As this was not anticipated at the time of the audit review, the Committee has requested a management report for Corporation, updating Governors on the College's controls for cyber-crime.	Report Item 3
xiii	There was general discussion about the progress of the internal audit plan. Both BM and AM agreed that the working relationship had got off to a good start. A Member raised the issue of the timing of the internal audit review of the risk management process and all agreed that it would be beneficial to do this sooner rather than later. AM suggested doing a piece on risk in 2020/21 and a further piece in 2021/22.	
7	ROLLING AUDIT ACTION REVIEW	
	<u>The External Auditor's Recommendations</u>	
i	It was noted that one 'Merits Attention' (i.e. a low priority) recommendation from the 2018/19 Financial Statements Audit was still in progress but was not overdue.	
ii	Of the recommendations from the 2017/18 IT Control audit (all rated 'Merits Attention'), half had now been closed down; one was in progress and three were overdue. BM provided an update on progress for those that had not yet been closed and members agreed that satisfactory progress was being made.	
	<u>Internal Audit Recommendations</u>	
iii	A 'Significant' recommendation and a 'Merits Attention' recommendation from each of the September 2018 Major Incident Planning and the New Finance System Implementation audit reviews were overdue for actioning.	
iv	The Significant recommendation from the Major Incident Planning review concerned the lack of a risk assessment process in the major incident planning programme. Vice Principal Corporate Operations Mr M Bennington was attending to this as part of a wider review which he expected to complete in July. Members expressed concern about the College's exposure in the meantime and sought assurance that the July deadline would be hit. They emphasised the need for management to take a risk-based approach, concentrating on the key risks first and bearing in mind that the probability of potential events had changed, due to the pandemic.	
v	The Significant recommendation from the New Finance System Implementation review concerned the adequacy of segregation of duties within the system. The auditors had highlighted the need to ensure that no system user could undertake end-to-end business processes. BM said consultancy staff sickness in December had caused delays in addressing this and the pandemic lockdown was now causing further delays, so that the action was now expected to be delivered by the start of the new academic year. Members acknowledged the limitations of what could be achieved during lockdown but were concerned by the delay and encouraged management to push the consultants to progress things as far as possible.	

Item		Action/ Report Item
vi	It was noted that the new actions (from the review of the College's Business Planning Arrangements and the ICT Review of Cyber Crime and Security) would need to be added to the rolling audit action review report, so that the Committee could track the implementation of the necessary actions.	
vii	Corporation report: Management continues to make good progress overall on the implementation of audit recommendations. The pandemic lockdown has inevitably had an impact: a concern about the adequacy of the segregation of duties within the new finance system rated 'Significant' by internal audit is unlikely to be addressed until September due to consultant availability, while a recommendation around risk management in major incident planning is being actioned in a review now expected to complete in July. The Committee has encouraged managers to take a risk-based approach in prioritising, is confident that they will do so, and encourages Governors to be sympathetic and empathetic during this difficult time.	Report Item 4
OTHER BUSINESS		
8	FRAUD REGISTER	
i	BM confirmed that, having made diligent enquiries, she was not aware of any actual, attempted or alleged acts of fraud or other irregularities.	
ii	Corporation Report: Having made enquiries in accordance with its Terms of Reference, the Committee has no concerns in respect of fraud or other irregularities.	Report Item 5
9	CHAIR OF AUDIT ROLE DESCRIPTION	
i	Corporation Report: The Audit Chair role description is recommended for approval.	Report Item 6
MATTERS TO NOTE FOR INFORMATION AND ADMINISTRATION		
10	DATE OF NEXT MEETING	
i	Monday 29 June 2020 at 3.30pm.	
11	PUBLICATION OF AGENDA PAPERS	
i	It was agreed that all items asterisked in the circulated agenda should remain confidential for the time being pending Corporation's review of the documents.	
EXTERNAL AUDIT		
12	APPOINTMENT OF EXTERNAL AUDITOR	
i	It was agreed that DW and AM should leave the meeting at this point. <i>17:07 Ms D Watson and Mr A McCulloch left the meeting.</i> <i>This matter is considered confidential and therefore the discussion is recorded in a confidential annex at the end of this document and marked Annex 1.</i>	
vii	When the meeting reconvened, Members agreed to report as follows:	
viii	Corporation report: The Committee recommends that the external auditor Grant Thornton be reappointed for the 2019/20 financial statements audit.	Report Item 7
ix	Corporation report: An additional fee of £3,500 was agreed with Grant Thornton for additional work undertaken on the 2018/19 audit. Grant Thornton have identified that additional work will also be required in 2019/20 as a result of Covid-19 but they are unable to assess the scale of this at this time.	Report Item 8
x	There being no further business, the Chair declared the meeting closed at 17.12.	

Items of Report for Corporation

#	Details	Minute
1.	The Committee reviewed and discussed with management proposed changes to the Anti-Fraud Policy and Fraud Response Plan. It recommends both documents for approval and adoption.	4 vi
2.	The Committee has reviewed the Financial Regulations and recommends that the proposed amendments (which are highlighted in yellow in the management paper) should be approved and the amended version adopted.	5 iv
3	An internal audit ICT review of Cyber Crime and Security returned a 'reasonable assurance' outcome, albeit with some recommendations that were rated "Important" (i.e. action should be taken at the earliest opportunity). However, the Committee notes that the current pandemic situation amplifies the risks in this area both in terms of the likelihood of an attack or breach and the College's ability to mitigate the impact. As this was not anticipated at the time of the audit review, the Committee has requested a management report for Corporation, updating Governors on the College's controls for cyber-crime.	6 xii
4.	Management continues to make good progress overall on the implementation of audit recommendations. The pandemic lockdown has inevitably had an impact: a concern about the adequacy of the segregation of duties within the new finance system rated 'Significant' by internal audit is unlikely to be addressed until September due to consultant availability, while a recommendation around risk management in major incident planning is being actioned in a review now expected to complete in July. The Committee has encouraged managers to take a risk-based approach in prioritising, is confident that they will do so, and encourages Governors to be sympathetic and empathetic during this difficult time.	7 vii
5.	Having made enquiries in accordance with its Terms of Reference, the Committee has no concerns in respect of fraud or other irregularities.	8 ii
6.	The Audit Chair role description is recommended for approval.	9 i
7.	The Committee recommends that the external auditor Grant Thornton be reappointed for the 2019/20 financial statements audit.	12 viii
8.	An additional fee of £3,500 was agreed with Grant Thornton for additional work undertaken on the 2018/19 audit. Grant Thornton have identified that additional work will also be required in 2019/20 as a result of Covid-19 but they are unable to assess the scale of this at this time.	12 ix