

AUDIT COMMITTEE

Minutes of a meeting held at 15:00 on 6 March 2023 in the Conference Suite, Waterfront, Huddersfield Centre

Present:	Mrs J Walters Ms M Carabine Dr A Conn Mr I Wainwright	Independent Member (Chair) Independent Member Independent Member Independent Member
Attendance:	4/5 = 80%	KPI 80% Quorum: 3
In attendance:	Ms J Arechiga Mr M Bennington Mr C Carson Ms A Clegg Mr P Doherty Ms J Green Mr R Harwood Mr R Lewis Mr A McCulloch Mr D Rayneau Mr J Riley Mr P Singh	Vice Principal Curriculum & Innovation Vice Principal Corporate Operations (by video link from 16.05) Head of HR and Payroll (Item 10.1) Financial Controller (Item 10.1) Vice Principal Finance and Resources Director of Governance (meeting clerk) Head of Health & Safety (Item 12 only) RSM (external audit) representative TIAA (internal audit) representative (by video link) Exec Director Business Systems (Item 11) Payroll, Compensation & HR Systems Manager (Item 10.1) Principal, Chief Executive Officer

Item

Action/ Report Item

CLOSED SESSION		
0	WELCOME AND INTRODUCTIONS	
i	The Chair welcomed everyone. No introductions were needed.	
1	NOTICE AND QUORUM	
i	The Director of Governance Ms J Green ("JG") confirmed that due notice had been given; the requirement for all persons participating to be able to communicate was satisfied and the meeting was quorate.	
2	APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST	
i	Apologies were received from Co-opted Member Mr M Pearmain.	
ii	All confirmed that 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 to disclose, other than those matters previously disclosed.	
3	WHISTLEBLOWING DISCLOSURE UPDATE	
i	<i>The details of the disclosure, the investigation findings and recommended actions are considered confidential and therefore the discussion is recorded in a confidential annex at the end of this document and marked Annex 1, 06.03.23.</i>	
ii	There had been no further public interest disclosures since the previous meeting. JG shared details of a conversation she had had with a member of staff who had raised a	

Item	Action/ Report Item
	number of concerns and it was agreed that they did not amount to whistleblowing and should be dealt with through line management, as JG had advised the staff member.
4 i ii iii iv v	<p>MATTERS RELATING TO THE COMMITTEE’S REMIT AND ANY ISSUES ARISING FROM THE AUDITS</p> <p>The Chair noted that the purpose of the closed meeting was to provide an opportunity for private discussion with the auditors. Mr R Lewis (“RL”) of (external audit firm) RSM said the Education & Skills Funding Agency (“ESFA”) funding audit was still ongoing; only once it concluded and RSM completed the financial statements audit would the College progress to final sign-off of its accounts.</p> <p>It was noted that an error in the approach to the valuation of Pioneer House in 2019-20 had resulted in it being overvalued and the last two sets of published accounts had contained the error. In response to a question, RL said the 2021-22 accounts would include a note explaining this and it might be worth mentioning it to key stakeholders.</p> <p>A Member asked if it was possible that the College had overvalued anything else. RL said Pioneer was highly unusual in terms of how it was acquired. He said, as most of the College estate was new build and the building valuations were based on construction costs, there was nothing that could cause a similar issue.</p> <p>Mr A McCulloch (“AM”) of (internal audit firm) TIAA was asked to further comment on a finding in the Key Financial Controls audit review report that the number of off-cycle payments to correct staff pay issues had increased in recent months. He said TIAA’s view was that this was due to managers’ unfamiliarity with the new finance system. He said Members could take assurance from the fact that the incidences were reducing.</p> <p>AM was also asked to expand on an audit finding relating to the pay card system. A Member asked if the absence of a key staff member could render the College unable to make credit card payments and AM clarified that this was not a risk.</p>
PRELIMINARY ITEMS	
	15.20 Mr M Bennington, Mr P Doherty, Mr P Singh, and Mr D Rayneau joined the meeting.
5 i	<p>WELCOME AND INTRODUCTIONS</p> <p>The Chair welcomed the management team to the meeting. It was noted that the Vice Principal Corporate Operations Mr M Bennington was attending his final Audit Committee meeting as he would soon be stepping down from his role at the College. Committee Member Ms M Carabine was also attending her final meeting of the Committee as she was leaving the Corporation having taken on a new external role.</p>
6 i	<p>APPROVAL OF MINUTES OF THE PREVIOUS MEETINGS</p> <p><u>RESOLVED:</u></p> <p>(i) To approve the minutes of 28 November 2022 as an accurate record.</p>
6.1 i	<p>MATTERS ARISING NOT ON THE AGENDA</p> <p>The Committee was updated on the status of the 2021-22 Financial Statements. These were still in draft pending the outcome of the ESFA funding audit. The College had had a further extension granted to the end of March.</p>
6.2 i	<p>UPDATE ON AGREED ACTIONS</p> <p><u>Consider whether Risk #21 may need to be articulated in a slightly different way to reflect the change of focus:</u> The risk management framework was on the Agenda.</p>

Item	Action/ Report Item
ii	<u>Brief the Committee on the College approach to risk scoring, to give assurance in respect of the risk scores:</u> The risk management framework was on the Agenda.
iii	<u>Explore training for Governors on the three lines of defence:</u> JG had circulated a link to a short online training video but it was not yet clear how much take-up there had been, as this would be reported at Corporation.
iv	<u>Update the Committee on the work around assessing the adequacy of supervision arrangements:</u> This would be reported on during the Health & Safety Item.
v	<u>Continue to monitor the risk that the culture of the business may to some extent inhibit whistleblowing (given the staff survey findings):</u> JG said this was something to keep in mind but it was difficult to get assurance on this risk. She would continue to liaise with the Executive Director of HR/Head of HR.
vi	<u>Where the possible areas of concern flagged by Members in the self-assessment survey touched on risk management, the Committee will revisit these during and after the review of the risk management framework:</u> JG had sent Members a list of the relevant areas to be kept in mind at the appropriate point on the agenda.
vii	<u>Any Member who considers that the Committee's terms of reference conflict with guidance in the Post 16 Audit Code of Practice to contact the Director of Governance to discuss:</u> No further concerns had been raised.
viii	The remaining actions being not yet due for completion would roll forwards:
ix	Action (rolled over): Committee to review its skills mix and skills needs.
x	Action (rolled over): Trial using QR code technology to encourage whistleblowing.
xi	Action (rolled over): Look into outsourcing part of the whistleblowing framework.
STRATEGIC RISK MANAGEMENT	
7	RISK REGISTER
i	The Vice Principal Finance & Resources Mr P Doherty ("PD") said, in response to the Committee's suggestion, Risk #21 had been refocused specifically on the financial barriers that could impact on students remaining on programme. He said to distinguish it from the risk of retention issues caused by quality issues, or by inadequate support, Risk #21 was now titled "Failure due to students' financial hardship to retain on programme to achieve".
ii	The College's overall risk exposure had increased since the last reporting point, with 8 risks reporting an increased residual exposure and 21 risks reporting no change. The Committee discussed the risk movements, as well as the 15 risks which had residual exposure scores of 12 or more. It was noted that only two of the strategic risks were at target.
iii	There was concern about the College's exposure to Risk #2 'Failure to equip students with the skills they need to be successful for progression'. The exposure score had been increasing over time from a score of 10 in 2020-21 term 1 to a current score of 20. Vice Principal Curriculum Ms J Arechiga ("JA") said, most recently, the risk score had increased due to concerns about student attendance and staff shortages. She said, as the risk was reflected in the College's quality improvement plan and monitored by the Quality, Performance and Standards Committee, there was Governor oversight of management's efforts to bring the risk within tolerance.
iv	It was agreed that the Audit Committee should seek a more in-depth understanding of

Item		Action/ Report Item
v	<p>the Risk #2 causes and consequences, test the management thinking and risk assumptions, and consider whether the target score was still appropriate.</p> <p>Action: Bring a deep dive report for Risk #2 '<i>Failure to equip students with the skills they need to be successful for progression</i>' to the next meeting.</p>	PH
vi	<p>Other high current exposure scores were noted. Key factors underpinning the score for Risk #16 were the uncertainty around the ESFA funding audit and the possibility of a clawback of Restructuring Fund grant monies due to financial performance in excess of target (this was being challenged by the College). In response to a Member's question, RL said, in terms of materiality and based on the worst-case scenario assessment, there were no concerns from an accounting perspective.</p>	
vii	<p>There was discussion about the approach to risk reporting generally, with Members highlighting some potential weaknesses. Vice Principal Finance & Resources Mr P Doherty said the risk management framework, which had only been in place for two years, was effective but needed some refinement. He said he was introducing some enterprise risk management software to support more effective risk management across the business and the Committee would see positive changes going forwards.</p>	
viii	<p>A Member observed that the recent Office for National Statistics reclassification of colleges might affect the College risk profile and PD confirmed that the Risk Management Group would ensure that any risk implications were reflected in the Strategic Risk register.</p>	
ix	<p>Corporation report: The Committee received a report on strategic risk and explored some of the higher risk exposure scores and significant movements. There was particular concern about Risk #2 (<i>Failure to equip students with the skills they need to be successful for progression</i>) and the Committee asked for a Deep Dive report at the next meeting.</p>	Report Item 1
8	RISK MANAGEMENT FRAMEWORK AND PROCEDURES REVIEW	
i	<p>PD presented his report. He thanked both TIAA and RSM for their input to the review of the risk management framework and procedures and outlined his recommended changes, which included a re-formatting of the College risk register, updated reporting and further training on risk management aligned with implementation of a new risk management software system. He said, although the recent TIAA internal audit review had provided the highest level of assurance for risk management, as the earlier discussion about the College risk profile had illustrated, there was still scope for improvement.</p>	Report Item 2
ii	<p>The proposed changes were discussed. PD said following approval of the amended Policy and Procedures, there would be a review of the risk register. He said 29 strategic risks felt like a lot and it might be possible to reduce this number once the introduction of the enterprise risk management software made operational risk management simpler for College managers. He said at that point, the Policy and Procedures might need further amendment to reflect any process changes.</p>	
iii	<p>Corporation report: The Committee discussed the strategic risk management framework and procedures. It recommends that the Corporation approve the proposed changes and adopt the new versions going forwards. The Corporation might wish to set aside some time at a future meeting to review the target risk scores for the strategic risks and to revisit and reflect on its risk appetite statements (set out in the Risk Management Policy and Procedures).</p>	
15.58 Mr R Lewis left the meeting.		

INTERNAL AND EXTERNAL AUDIT		
9	ROLLING AUDIT ACTION REVIEW	
i	The actions from the internal audit service reports which were on the meeting agenda for discussion had been added to the monitoring schedule. They included two new 'Important' ¹ recommendations. Three 'Routine' ² recommendations were overdue for actioning. One concerned the Risk Management Policy and Procedure, which had just been discussed.	
ii	The meeting discussed progress on the actions from the GDPR compliance audit review amid concerns that the action plan for the area was not being adequately resourced. The Data Protection Officer Ms J Green ("JG") said although progress had been made on some of the audit actions, with many being close to being signed off, she agreed that there was still a lot to do in terms of the first recommendation. She said she would be meeting with the team from GDPR Sentry on Thursday to discuss how they might provide additional capacity.	
iii	<u>RESOLVED:</u> (i) To approve revised completion dates for the Internal Audit recommended actions, as proposed.	
iv	Corporation report: A progress report was received on the implementation of previous internal audit recommendations. Progress has been made on the actions from the June 2022 data protection/GDPR audit but there is still a lot to do in this area. The Committee agreed some extensions to the implementation deadlines.	Report Item 3
<i>16.10 Mr J Riley, Mr C Carson and Ms A Clegg joined the meeting.</i>		
10	INTERNAL AUDIT REVIEW REPORTS	
i	Mr A McCulloch ("AM") of TIAA said work on the Internal Audit Plan was proceeding on schedule. He reported on the recent internal audit work as follows: <u>Assurance Review of Key Financial Controls – Creditor Payments and Payroll</u>	
ii	The College had recently moved to an integrated HR and Payroll system, with the Payroll element going live in September. The internal audit review of the controls for creditor payments and payroll had yielded a 'Reasonable' assurance opinion, with two 'Important' ¹ and two 'Routine' ² control issues identified.	
iii	A Member commented on the number of new systems the College had recently introduced and suggested there was a risk, particularly if there was high staff turnover, of failing to maximise the benefit of the systems it subscribed for. The Member also emphasised the need to record how systems and processes worked, to avoid repeated mistakes and to inform the eventual development of procedures.	
iv	As discussed in the closed session, TIAA had identified a spike in the number of ad hoc payments that had had to be made to correct staff pay issues. Staff unfamiliarity with the new finance system was thought to be the issue and indeed the incidences were reducing as staff got used to the system.	
v	Corporation report: The Committee is pleased to report that the internal audit of the processes and controls for creditor payments and Payroll yielded a 'Reasonable' assurance opinion, with two 'Important' control issues.	Report Item 4

¹ meaning 'priority 2: control issue on which action should be taken at the earliest opportunity necessary'

² meaning 'priority 3: control issue on which action should be taken'

Item		Action/ Report Item
vi	<u>Assurance Review of Business Planning – Performance Monitoring</u> The review considered the arrangements for business planning and performance monitoring. AM advised that the scope of the review had not included consideration of the accuracy or completeness of reports or the appropriateness of decisions taken.	Report Item 5
vii	The review had yielded a ‘Substantial’ assurance opinion, with one ‘Routine’ and one ‘Operational’ control issue identified. The Committee congratulated management on an excellent result.	
viii	Corporation report: The internal audit of the College’s arrangements for business planning and performance monitoring yielded a ‘Substantial’ assurance opinion, the highest possible level of assurance, with no control issues.	
16.25 Mr J Riley, Mr C Carson and Ms A Clegg left the meeting.		
11	UPDATE ON THE WEST YORKSHIRE COMBINED AUTHORITY AND EDUCATION AND SKILLS FUNDING AGENCY FUNDING ASSURANCE REVIEWS	Report Item 6
i	Executive Director of Business Systems Mr D Rayneau (“DR”) reminded the Committee that an ESFA funding assurance audit was being conducted by (Big Four consultancy firm) PricewaterhouseCoopers (“PWC”). He said in December, the College had also been selected for a West Yorkshire Combined Authority (“WYCA”) funding assurance audit, conducted by the ESFA, which had concluded in January.	
ii	The findings to date of the two audits were summarised in DR’s paper and the Committee took note of them. DR said the following actions were being taken to address the recommendations from the audits: ➤ A senior MIS Consultant had been appointed on a 4-month contract, with the remit of ensuring that all audit recommendations were actioned; and ➤ An audit action plan had been created to track and monitor progress.	
iii	DR said of 420 initial audit queries, only 27 remained. Two outstanding main risks were discussed. DR said he was quietly confident that they would be resolved and closed off soon.	
iv	The WYCA funding assurance audit was complete and the conclusion were detailed in DR’s report. There were some recommendations to be addressed but it was agreed to be a good outcome, particularly in light of the degree of complexity in the system.	
v	There was discussion about the impact of the two audits on College staff. The Principal Mr P Singh remarked on the fact that, at the College’s strategic conversation meeting with the ESFA and Further Education Commissioner, the ESFA delegates had been surprised to hear that their triggering of a funding audit would trigger a WYCA at the same time. PS said many staff had spent most of the academic year on them; it had been exhausting and stressful work and their sacrifices should be recognised. He said the College would be further investing in the MIS team, as there would undoubtedly be more audits going forwards.	
vi	Corporation report: The Education and Skills Funding Agency funding audit is nearly over and the West Yorkshire Combined Authority funding assurance audit is complete, with a positive result for the College. The Committee wishes to place on record its appreciation for everything the Director of Business Systems and his colleagues have done to get the College to this point.	
vii	Action: Provide an MIS project progress update at the next meeting.	DR

OTHER BUSINESS

16.40 Head of Health & Safety Mr R Harwood joined the meeting.

12 HEALTH & SAFETY COMPLIANCE MONITORING REPORT

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| i | The Head of Health & Safety, Mr R Harwood ("RH") presented his report. He drew attention to an error in his report: monthly security checks on the emergency lighting systems and fire extinguishers had not been done consistently in December. As the report explained, this was due to sickness and staff absences. Compliance was back at 100% for January and February. | |
| ii | The meeting discussed the outcome of the audits conducted so far in the year. RH said teams were completing their actions in good time, even in some areas that had experienced staffing issues; he had no concerns to report. | |
| iii | It was noted that there was an action from the previous meeting for RH to update the Committee on the work being done on the adequacy of supervision arrangements in the College. In discussion, it was agreed that someone on the curriculum side should update the Committee on whether risk tolerance was being exceeded. | |
| iv | Action: Report to the Committee on the adequacy of supervision arrangements, particularly in high risk areas such as construction workshops. | JA, PH |
| v | Members were interested to hear about an upcoming training and development day for College staff which would focus on keeping the college a safe environment and a healthy place to work for all. There would be sessions on emergency planning and preparedness with speakers from Kirklees Council and the Counter Terrorism Unit and workshops linked to safety, first aid, safeguarding, Prevent and mental health, as well as a range of wellbeing sessions. | |
| vi | Corporation report: A report to the meeting provided assurance that target levels of Health & Safety compliance continued to be maintained across the business and the management team continued to make progress in strengthening the safety culture. | Report Item 7 |

16.50 Mr R Harwood left the meeting.

13 DATA PROTECTION COMPLIANCE REPORT

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| i | JG presented her report. | |
| | <u>Accountability Tracker – progress report</u> | |
| ii | Some progress had been made on the Accountability Tracker and the College had now passed a milestone, with just over 50% of the expectations complete and a large number of others showing good progress. | |
| | <u>Data Subject Rights Report</u> | |
| iii | JG said, since her last report, there had been 7 reported data breaches; none serious. The year's total so far was 13, compared to 17 in the whole of 2021-22. | |
| | <u>Article 30 Record of Processing</u> | |
| iv | Some progress had been made on the task of adding processing activity records to GDPR Sentry and allocating them to data owners – but JG said this was a big project which was still in its infancy. Advice from GDPR Sentry had been to prioritise assembling the record of processors (our list of suppliers and partners who process College data), so this was being done. She said she was hoping to bring in some external support for managers completing the Article 30 Record of Processing, as there was insufficient capacity in house due to the two major audits. | |

Item		Action/ Report Item
v	Action: Give a demonstration of GDPR Sentry at the next meeting.	JG
vi	Corporation report: The Data Protection Officer reported that no significant data breaches had occurred since the previous meeting. The Committee was pleased to hear that some progress had been made on populating the new Article 30 Register of Processing, however, due to other priorities and a lack of capacity, the work is taking much longer than anyone would like and the College is now looking to bring in external support for the project.	Report Item 8
14	FRAUD REGISTER	
i	PD said, having made diligent enquiries, he was not aware of any actual, attempted or alleged acts of fraud or other irregularities.	
ii	Corporation Report: Having made enquiries in line with its terms of reference, the Committee has no concerns to report in respect of fraud or other irregularities.	Report Item 9
MATTERS TO NOTE AND ADMINISTRATION		
15	DATE OF NEXT MEETING AND THANKS TO OUTGOING COLLEAGUES	
i	Monday 12 June 2023 at 3pm.	
ii	The Chair thanked outgoing Vice Principal Corporate Operations Mr M Bennington for his valuable contributions at Committee meetings over the past few years. She also thanked outgoing Committee Member Ms M Carabine, noting that it was her final day as a College Governor. The Corporation Chair had asked the Committee to record in the minutes the thanks of the full Corporation. A presentation was made.	
16	PUBLICATION OF AGENDA PAPERS	
i	It was agreed that all documents marked confidential on the meeting agenda should remain confidential.	
17.25 Mr A Bramley, Mr R Lewis and Mr A McCulloch left the meeting.		
INTERNAL AUDIT TENDER		
17	INTERNAL AUDIT TENDER	
i	PD said, via Crescent Purchasing Consortium, internal audit firms had been invited to tender and five had responded. There would be a beauty parade involving the Committee Chair and the engagement would begin on 1 August for a three-year period with an option to extend for a further two years.	

Items of Report for Corporation		
#	Details	Min
1.	The Committee received a report on strategic risk and explored some of the higher risk exposure scores and significant movements. There was particular concern about Risk #2 (<i>Failure to equip students with the skills they need to be successful for progression</i>) and the Committee asked for a Deep Dive report at the next meeting.	7ix
2.	The Committee discussed the strategic risk management framework and procedures. It recommends that the Corporation approve the proposed changes and adopt the new versions going forwards. The Corporation might wish to set aside some time at a future meeting to review the target risk scores for the strategic risks and to revisit and reflect on its risk appetite statements (set out in the Risk Management Policy and Procedures).	8iii
3	A progress report was received on the implementation of previous internal audit recommendations. Progress has been made on the actions from the June 2022 data protection/GDPR audit but there is still a lot to do in this area. The Committee agreed some extensions to the implementation deadlines.	9iv
4.	The Committee is pleased to report that the internal audit of the processes and controls for creditor payments and Payroll yielded a 'Reasonable' assurance opinion, with two 'Important' control issues.	10v
5.	The internal audit of the College's arrangements for business planning and performance monitoring yielded a 'Substantial' assurance opinion, the highest possible level of assurance, with no control issues.	10vii
6.	The Education and Skills Funding Agency funding audit is nearly over and the West Yorkshire Combined Authority funding assurance audit is complete, with a positive result for the College. The Committee wishes to place on record its appreciation for everything the Director of Business Systems and his colleagues have done to get the College to this point.	11vi
7.	A report to the meeting provided assurance that target levels of Health & Safety compliance continued to be maintained across the business and the management team continued to make progress in strengthening the safety culture.	12vii
8.	The Data Protection Officer reported that no significant data breaches had occurred since the previous meeting. The Committee was pleased to hear that some progress had been made on populating the new Article 30 Register of Processing, however, due to other priorities and a lack of capacity, the work is taking much longer than anyone would like and the College is now looking to bring in external support for the project.	13vi
9.	Having made enquiries in line with its terms of reference, the Committee has no concerns to report in respect of fraud or other irregularities.	14ii